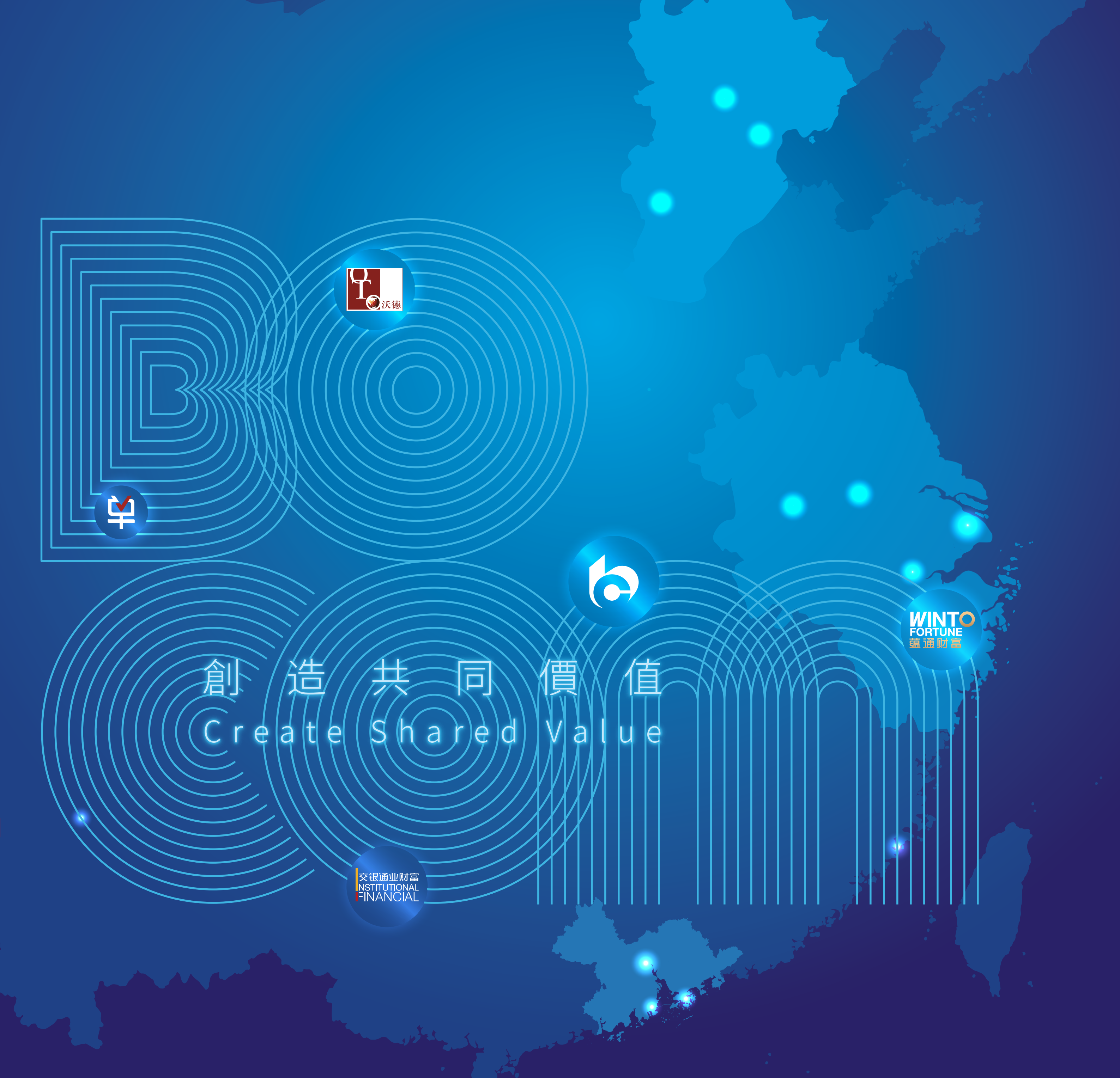
交通銀行
BANK OF COMMUNICATIONS

Bank of Communications Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)

2020 INTERIM REPORT

Stock Code:03328



IMPORTANT REMINDERS

The Board of Directors, the Board of Supervisors and Directors, Supervisors, Senior Management of the Bank are responsible for the authenticity, accuracy and completeness of the Interim Report, free of false records, misleading statements or material omissions and assume individual and joint legal responsibilities.

The Bank did not distribute any interim dividend or convert any capital reserve into share capital for the six months ended 30 June 2020.

There was no appropriation of non-operating funds of the Bank by its controlling shareholders or their related parties. The Bank did not provide any external guarantees in violation of the prescribed decision-making procedures.

Prospective statements involved in the report, such as future plans and development strategies, do not constitute any substantive commitment of the Bank to investors. Investors are hereby reminded of investment risk.

Contents

DEFINITIONS

The following terms will have the following meanings in this Report unless otherwise stated:

Bank, BoCom	Bank of Communications Co., Ltd.
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
During the Reporting Period	The first half of 2020
Group	The Bank and its subsidiaries
HSBC	The Hong Kong and Shanghai Banking Corporation Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Ministry of Finance	Ministry of Finance of the People's Republic of China
PBOC	The People's Bank of China
SSF	The National Council for Social Security Fund
SSE	The Shanghai Stock Exchange
The end of the Reporting Period	30 June 2020

Main products and services of the Bank

BoCom Tong Ye Fortune	An inter-bank wealth management brand of the Bank with core value of "Corporation for Everlasting Enterprises" devoted to providing comprehensive product support and service solution for inter-bank financial customers.
Benefit Loan	Online credit consumption loans launched by the Bank for qualified customers.
Cloud Banking	A WeChat Mini Program-based online marketing service platform of the Bank for account managers.
Go Pay	A mobile APP open to all customers that integrates online consumption, mobile payment and credit card services.
Mobile Banking	A mobile app providing online business processing and other services to personal customers of the Bank and covering a variety of financial products and life service needs of customers.
OTO Fortune	A main brand of retail business of the Bank with core value of "Creating and Sharing Abundant Wealth with Noble Virtue " devoted to realising value maintenance and appreciation of wealth for customers.
Win to Fortune	A corporate wealth management brand of the Bank providing comprehensive one-stop wealth management solutions for corporate and government institutions through intelligent financial service and digital transformation.

CORPORATE INFORMATION

Chinese name:	交通銀行股份有限公司
Chinese abbreviation:	交通銀行
English name:	Bank of Communications Co., Ltd.
Legal representative:	Ren Deqi

CONTACT PERSON AND CONTACT INFORMATION

Gu Sheng (Secretary of the Board of Directors and Company Secretary)

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Postal code:	200120

ADDRESS AND OFFICIAL WEBSITE

Registered address and Head Office address:	188 Yin Cheng Zhong Lu, China (Shanghai) Pilot Free Trade Zone, Shanghai, P.R. China
Official website:	www.bankcomm.com
Principal place of business in Hong Kong:	20 Pedder Street, Central, Hong Kong

INFORMATION DISCLOSURE CHANNELS AND PLACES WHERE THE INTERIM REPORT IS AVAILABLE

Newspapers for information disclosure (A share)
China Securities Journal, Shanghai Securities News, Securities Times

Designated website for information disclosure (A share)
Website of the SSE at www.sse.com.cn

Designated website for information disclosure (H share)
Website of HKEx News at www.hkexnews.hk

Places where the Interim Report is available
Board of Directors Office of the Bank

INFORMATION OF ORDINARY AND PREFERENCE SHARES

Classes	Stock exchange	Stock name	Stock code
A share	SSE	Bank of Communications	601328
H share	Hong Kong Stock Exchange	Bank of Communications	03328
Domestic preference share	SSE	BOCOM PREF1	360021

AUDITORS

Domestic auditor	PricewaterhouseCoopers Zhong Tian LLP 11th Floor PricewaterhouseCoopers Centre, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai, PRC
Name of auditor signed:	Hu Liang, Ma Yingni
International auditor	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong
Name of auditor signed:	Ling Tung Man Tom

AUTHORISED REPRESENTATIVES

Ren Deqi, Gu Sheng

LEGAL ADVISORS

PRC legal advisor: Grandall Law Firm
Hong Kong legal advisor: DLA Piper Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

A Share: China Securities Depository and Clearing Corporation Limited, Shanghai Branch
3/F, China Insurance Building, No. 166 Lujiazui Dong Road, Pudong New District, Shanghai, P.R. China

H Share: Computershare Hong Kong Investor Services Limited
Flat 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

OTHER INFORMATION

Unified social credit identifier: 9131000010000595XD

FINANCIAL HIGHLIGHTS

As at the end of the Reporting Period, key financial data and financial indicators prepared by the Group under International Financial Reporting Standards (the "**IFRSs**") are as follows:

(in millions of RMB unless otherwise stated)

Key financial data	January to June 2020	January to June 2019	Increase/ (decrease) (%)
Net interest income	73,849	70,062	5.41
Net fee and commission income	24,277	23,122	5.00
Net operating income	126,959	118,314	7.31
Profit before tax	39,958	48,959	(18.38)
Net profit (attributable to shareholders of the Bank)	36,505	42,749	(14.61)
Earnings per share (attributable to ordinary shareholders of the Bank, in RMB yuan)[1]	0.46	0.54	(14.81)

	30 June 2020	31 December 2019	Increase/ (decrease) (%)
Total assets	10,669,932	9,905,600	7.72
Loans and advances to customers[2]	5,729,513	5,304,275	8.02
Total liabilities	9,855,800	9,104,688	8.25
Due to customers[2]	6,490,152	6,005,070	8.08
Shareholders' equity (attributable to shareholders of the Bank)	802,543	793,247	1.17
Net assets per share (attributable to ordinary shareholders of the Bank, in RMB yuan)[3]	9.46	9.34	1.28
Net Capital[4]	958,388	911,256	5.17
Including: Net Core Tier-1 Capital[4]	699,433	689,489	1.44
Other Tier-1 Capital[4]	101,650	100,057	1.59
Tier-2 Capital[4]	157,305	121,710	29.25
Risk-weighted assets[4]	6,577,150	6,144,459	7.04

Key financial indicators (%)	**January to June 2020**	January to June 2019	Change (percentage point)
Cost-to-income ratio[5]	**28.91**	29.05	(0.14)
Annualised average return on assets	**0.72**	0.89	(0.17)
Annualised return on average shareholders' equity[1]	**10.07**	12.79	(2.72)
Net interest margin[6]	**1.53**	1.58	(0.05)

	30 June 2020	31 December 2019	Change (percentage point)
Impaired loan ratio	**1.68**	1.47	0.21
Provision coverage of impaired loans	**148.73**	171.77	(23.04)
Capital adequacy ratio[4]	**14.57**	14.83	(0.26)
Tier-1 capital adequacy ratio[4]	**12.18**	12.85	(0.67)
Core Tier-1 capital adequacy ratio[4]	**10.63**	11.22	(0.59)

Notes:

1. Excluded the impact of other equity instruments.
2. According to *Notice on Revising and Issuing the Format of Financial Statements of Financial Enterprises for 2018* (Cai Kuai [2018] No. 36) issued by Ministry of Finance, the interest of financial instruments calculated on the basis of the effective interest rate method should be included in the carrying amounts of corresponding financial instruments and reflected in the related items in the balance sheet. The items of "interest receivables" and "interest payables" should not be presented separately. For the consideration of analysis, "loans and advances to customers" here does not include interest receivables on related loans and advances and "due to customers" does not include interest payables on related deposits.
3. Referred to shareholders' equity attributable to ordinary shareholders of the Bank after the deduction of other equity instruments against the total issued ordinary shares as at the end of the Reporting Period.
4. Calculated pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* by the CBIRC.
5. Calculated in accordance with China Accounting Standards for business and management fees divided by net operating income after the deduction of other operating costs, consistent with the financial report in accordance with China Accounting Standards.
6. Represented the ratio of net interest income to total average interest-bearing assets.

BUSINESS PROFILE

The Group's primary businesses include corporate banking, personal banking and inter-bank and financial market businesses. Corporate banking businesses include various financial products and services for enterprises and government agencies, such as deposits and loans, supply chain finance, cash management, international settlement and trade finance, investment banking, asset custody, wealth management and all kinds of intermediary businesses. Personal banking businesses include services such as deposits and loans, wealth management, bank cards, private banking and all kinds of intermediary businesses for individual customers. Inter-bank and financial market businesses include cooperation with customers in the markets such as markets of interest rates, exchange rates, commodities and comprehensive services such as investment and financing, transactions, agency, settlement and liquidation. In addition, the Group involved businesses in fund, trust, financial leasing, insurance, overseas securities, debt-to-equity conversion and asset management through its subsidiaries.

The strategic goal of the Group was to "build the first tier bank with wealth management characteristics and global competitive capabilities in the world". During the Reporting Period, the Group's operating mode, primary businesses and key performance drivers had no significant change. There was no change in the Group's core competitiveness.

I. BUSINESS REVIEW

In the first half of 2020, the Group proactively responded to changes in the market situation and policy environment. The Group also comprehensively followed the policy on “stabilising six areas of economy, namely employment, finance, foreign trade, foreign investment, domestic investment and market expectations” and “safeguarding six priorities of economy, namely employment, people’s livelihood, development of market entities, food and energy security, stable operation of industrial and supply chains, and smooth functioning of society”. The Group moved forward with stability, focused on and promoted pandemic control and financial services, adhered the risk compliance, strengthened technology empowerment, deepened the reform and increased the capabilities of serving real economy and wealth management. The Group was honoured Fortune 500 for twelve consecutive years, and ranked No. 162 in terms of operating income. The Group’s Tier-1 capital ranked No.11 among the global Top 1000 banks rated by *The Banker*.

Responded to national strategies to serve the real economy. As at the end of the Reporting Period, the Group’s total loans and advances to customers increased by 425.2 billion over the end of the previous year to 5,729.5 billion. The incremental amount increased by 148.9 billion on a year-on-year basis. Loans to customers in the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area and the Beijing-Tianjin-Hebei Region increased by 231.4 billion over the end of the previous year, contributing to 54% of the total increment. The balance of inclusive loans to small and micro enterprises and medium and long-term loans for manufacturing industry increased by 31% and 26% respectively over the end of the previous year. During the Reporting Period, the Group made active measures to assist the resumption of work and production as well as the reopening of business and markets. During the Reporting Period, the Group granted 311.2 billion of pandemic-related loans accumulatively.

Strengthened risk control to ensure operation security. To intensify the disposal of non-performing loans, the Group identified new risky customers under the impact of the pandemic, and formulated categorised management and control plans. During the Reporting Period, the Group disposed of non-performing loans totalling 34.3 billion, representing an increase of 25% on a year-on-year basis. To strengthen the prevention of non-compliance cases, the Group accelerated the construction of anti-money laundering system and promoted the optimization of procedures related to suspicious transactions, customer risk ratings and warning of special name list.

Built up wealth management capabilities and consolidated customer basis. The Group focused on the customized services taken into the consideration of customers’ needs. The scale of personal financial asset under management (AUM) and the number of customers steadily increased. As at the end of the Reporting Period, personal financial asset under management (AUM) increased by 8.17% over the end of the previous year. Qualified customers of OTO Fortune reached 1,632.5 thousand, representing an increase of 8.54% over the end of the previous year. The number of qualified customers of private banking increased by 13.29% over the end of the previous year. The Intelligent Financial Service Platform registered 37.5 thousand customers in total.

Strengthened technology empowerment and speeded up digitalization and intellectualization. The Group promoted the transformation of the technology framework to distributed architectures and cloud computing platform. The Group improved the construction of financial ecosystem and expanded Fintech service scope. Efforts were also made to promote enterprise-level data mining and application to empower the Group's digital transformation. As at the end of the Reporting Period, monthly active users (MAU) of mobile banking increased by 19.55% over the end of the previous year to 26.52 million.

Promoted the integration of the Yangtze River Delta by leveraging the geographic advantage of being based in Shanghai. The Group established the Yangtze River Delta integration management headquarter to explore the coordinated mechanism across regions. The Group also quickly linked up the advantages of the qualified business and innovation policies of Lin-gang Special Area, resulting in more than 20 initial acceptance of business in Lin-gang Special Area. The Group joined the construction of "Enabling Access to Government Services via One Website and Achieving Unified Management of City Operation with One Website". The Group participated in the "One-stop Process for Medical Payment" project and became major cooperation bank for the "Shanghai Public Service Online". The Group became the national strategic sponsor of the Forty-sixth Session of WorldSkills Competition.

High-Quality Development Led by Fintech

During the Reporting Period, the Bank promoted the reform of Fintech functions, strengthened the capabilities of online services, accelerated the construction of digital and intelligent platform to ensure the high-quality development.

Established the Fintech subsidiary and optimized the Group's organizational structure of information technology

The Bank established BOCOM Financial Technology Company Limited. The Bank also increased resource input and optimized the organizational structure. In the future, BOCOM Financial Technology Company Limited will focus on the three main businesses of "high-end infrastructure research and development and talent supply, business application development for the Group's subsidiaries, third-party customers' service and product output". BOCOM Financial Technology Company Limited will accelerate research and development of products, create technological value and empower financial business developments.

Exercised the advantages of Fintech and services, practiced the responsibilities of pandemic prevention

Faced with the sudden pandemic, the Bank comprehensively enhanced online services including the prompt opening of donation channels, the add-in new functions of mobile banking, such as "Free Online Diagnosis", "Sales of Pandemic Related Bonds" and "Loans for Emergency Cases", which met the customers' needs of wealth management, insurance and emergency loans at home at one time. The online interest deferrals, loan pricing benefits and loan extension for the inclusive customers released the difficulties of enterprises and supported the resumption of work. The Bank developed new functions including pandemic prevention related loan granting, online current loan extension and online acceptance reorganization and provided the online credit approval services to ensure the stability of cash flows of enterprises. The Bank started online operation functions for the issuance of the line of credit, foreign currency deposit, foreign currency settlement order and bill pool to enhance the capabilities of online corporate businesses.

Expanded Fintech services by constructing the ecological interconnection across industries

The Bank connected the project of "Yi Wang Tong Ban" which has been launched by Shanghai government and introduced series of convenient products, such as "BoCom e Ban Shi". BoCom intelligent financial service platform launched more than 20 innovative products including the property management, elderly services, religions, justice matters and Party construction, which attracted 37.5 thousand online corporate customers. The Bank connected with the internet medical platform "WeDoctor" which recorded the visits of more than 10 millions.

Expanded a variety of online consumption scenarios to build BoCom"Life Circle"

The Bank introduced several service scenarios including "vehicle owner service", "health and medical care", "housing service", "training and education" and "fresh foods" into mobile banking App. The number of customers that accessed the consumption scenarios per month increased by 26.05% on a year-on-year basis. As at the end of the Reporting Period, the number of monthly active users (MAU) of mobile banking increased by 19.55% over the end of the previous year. The number of daily active users (DAU) reached a record high of 6.1273 million, representing an increase of 30.74% over the peak in December 2019. In the future, the Bank will build a BoCom "Life Circle" for customers so that they can enjoy products and services for clothing, food, housing and transportation through mobile banking.

High quality development empowered by technology framework transformation and platform construction

Based on the new intellectualization project of the Group's information system ("New 531" project), the Bank steadily pushed forward the transformation of the technology framework toward distributed architectures and cloud computing platform. The Bank accelerated the construction of platforms in areas including data platform, security platform, biometric identification platform, image recognition platform, knowledge graphs, and AI capabilities, which provided strong support for the Bank to improve management and decision-making efficiency and optimise online operations and services.

(I) Corporate Banking Businesses

- **Profit before tax from corporate banking businesses decreased by 29.39% on a year-on-year basis to 17.120 billion. Net interest income increased by 4.22% on a year-on-year basis to 37.906 billion. Net fee and commission income decreased by 7.40% on a year-on-year basis to 8.846 billion.**

- **As at the end of the Reporting Period, the Group's corporate deposit balance increased by 8.05% over the end of the previous year to 4,356.311 billion. Corporate loan balance (including discounted bills) increased by 9.88% over the end of the previous year to 3,900.107 billion.**

1. *Industrial value chain financial businesses*

The Group focused on "Settlement Services + Trade Finance" to build an "Online + Offline" integrated service for the whole industrial chain. The Group applied agile development model to optimize online system. The Group increased the promotion over major industries, such as construction, medical care, retail, automobile, modern agriculture and high-end manufacturing industries. As at the end of the Reporting Period, the total accumulated number of qualified industrial chain networks developed by domestic branches exceeded 4,900 and the balance of key products of industrial value chain financing increased by 7.06% to more than 150.0 billion over the end of the previous year.

2. *Cash management businesses*

Based on the BoCom Intelligent Financial Service Platform, the Group upgraded products including Intelligent Parks, Intelligent Properties, Party Membership Dues Manager. The Bank launched SWIFT NET bank-enterprise integrated service solution which supported ISO20022 standard and developed services of global cash management. As at the end of the Reporting Period, the number of group customers of the online "Win to Fortune" cash management exceeded 28.2 thousand, including more than 923.8 thousand cash management accounts.

3. *Investment banking businesses*

The Group underwrote 18 pandemic prevention related bonds of 11.345 billion. The Group completed several major domestic and foreign projects, including Sinopec's super short-term commercial paper of 5.0 billion, China Southern Airlines' super short-term commercial paper of 3.0 billion, and USD1.0 billion bond of Baidu. The scale of domestic and overseas mergers and acquisitions financing increased by over 100% on a year-on-year basis. The Group was awarded "2019 Best Chinese Financial Service Institution in Overseas Investment, Merger and Acquisition". The total underwriting amount of full-scale asset securitisation ranked fourth in the banking system. The domestic branches accumulatively underwrote 355 different bonds (excluding local treasury bonds). The underwriting amount was 251.477 billion.

4. *Asset custody businesses*

The Group promoted retail and institutional public funds custody businesses. As at the end of the Reporting Period, the Bank's public fund custody ranked fourth by market scale. The Group steadily expanded the scale of pension custody. The Group accelerated the commercialisation of cross-border custody products such as QDII, QFII, and QDIE. As at the end of the Reporting Period, the assets under custody increased by 4.46% over the end of the previous year to 9.81 trillion.

5. *Inclusive finance businesses*

The Group built an inclusive financial service system concentrating on online products, industrial value chain finance, scenario based customer groups and other primary businesses to develop businesses in key areas, including micro and small enterprises, agriculture, rural areas and farmers, poverty alleviation and mass entrepreneurship and innovation. The Group stroked a balance between "quantity" and "price", relieving small and micro enterprises from "Difficult Financing and Expensive Financing". The Group also promoted differentiated post-loan monitoring and management and improved online risk control capabilities. As at the end of the Reporting Period, the balance of inclusive financial loans under the "two-increase" standards was 214.720 billion, representing an increase of 50.769 billion or 30.97% over the end of the previous year. The number of customers with loan balances was 131.1 thousand, representing an increase of 26.7 thousand over the end of the previous year. The impaired loan ratio was 2.24%, representing a decrease of 0.98 percentage point over the end of the previous year. The average interest rate of cumulative loans and comprehensive financing cost of small and micro customers decreased by 39 basis points and 85 basis points respectively over the previous year.

(II) Personal Banking Businesses

- **Profit before tax from personal banking businesses reached 13.801 billion, representing a decrease of 13.28% on a year-on-year basis. Net interest income reached 32.766 billion, representing an increase of 6.46% on a year-on-year basis. Net fee and commission income increased by 10.39% on a year-on-year basis to 14.859 billion.**

- **As at the end of the Reporting Period, the balance of personal deposits of the Group increased by 8.21% over the end of the previous year to 2,131.570 billion. The balance of personal loans increased by 4.25% over the end of the previous year to 1,829.406 billion.**

1. *Personal deposits and wealth management businesses*

The Group grasped market opportunities and reserved new fund resources of the excellent fund managers. The Group created a product system of BOCOM Wealth Management comprising of "Conventional Products, Hot Products and Featured Products". Besides, the Group customised low starting point insurance products regarding the combat against the pandemic, resumption of work and medicine purchase by medical insurance. As at the end of the Reporting Period, personal financial assets under management (AUM) increased by 8.17% over the end of the previous year. The balance of wealth management products increased by 11.12% over the end of the previous year. The sales of non-monetary funds throughout the Bank increased by 207.08% on a year-on-year basis. AUM of fund products increased by 30.05% over the end of the previous year.

2. *Personal loan businesses*

The Group supported reasonable demand of residential housing for personal use. The Group focused on consumer finance, relying on Fintech and data analysis and application. As at the end of the Reporting Period, the Group's personal housing mortgage loan balance increased by 5.41% to 1,196.808 billion over the end of the previous year. Customers served by Benefit Loan reached 2,342.4 thousand in total, with 67.888 billion of loans issued.

3. *Private banking businesses*

The Group seized the opportunity of the development of insurance trusts and improved insurance allocation of high-net-worth customers. The Group analyzed the investment opportunities and risks under the pandemic to provide customers with professional investment services. As at the end of the Reporting Period, the number of private banking customers increased by 13.29% over the end of the previous year. The assets of private banking customers under management increased by 14.13% over the end of the previous year.

4. *Bank card businesses*

To respond to the national strategies of expanding domestic demand and promoting consumption, the Bank vigorously carried out various marketing activities including "That's the Deal offered by Bank of Communications" and the 10th anniversary of the "Super Red Friday". In the second quarter, the growth of both consumption and credit card overdraft rebounded. During the Reporting Period, the accumulated spending by credit cards and debit cards amounted to 1,414.448 billion and 856.223 billion respectively. As at the end of the Reporting Period, the number of registered credit cards amounted to 71.47 million. The number of registered customers of "Go Pay" APP amounted to 62.4178 million in total, with monthly active users of 23.1413 million. The accumulated number of domestic Pacific debit cards issued amounted to 155.13 million, representing a net increase of 2.75 million over the end of the previous year. The credit card overdraft balance amounted to 445.266 billion. The credit card overdraft impaired ratio was 2.90%.

(III) Inter-bank and Financial Market Businesses

- **Profit before tax from financial market treasury businesses was 8.587 billion and decreased by 0.33% on a year-on-year basis. The securities investment yield was 3.53%.**

- **As at the end of the Reporting Period, the Group's financial investments amounted to 3,247.146 billion, representing an increase of 8.03% over the end of the previous year.**

1. *Inter-bank businesses*

The Group deepened the business cooperation of financial factor market and financial organizations. As at the end of the Reporting Period, there were 1,277 cooperative corporate customers on inter-bank platforms, representing an increase of 147 over the end of the previous year. The Bank's system connection covered 99% of the third-party depository systems and 98% of the bank-future account transfer systems. The number of customers for transactions with securities and future trading increased by 550.9 thousand over the end of the previous year. The balance of the deposit pledged as collateral of futures trading companies reached 84.994 billion, maintaining a market leading position. During the Reporting Period, the average balance of current inter-bank deposits in the financial factor market was 224.213 billion, representing an increase of 24.270 billion over the previous year.

The Bank contributed to the development of cross-border Renminbi clearing business. The Bank worked with the CIPS Co., Ltd. to launch the "Interbank Smart Platform – Cross-border Renminbi Payment" function contributing to the domestic production of financial infrastructure.

2. *Financial market businesses*

The Group actively performed the duties of a market maker in "Bond Connect" businesses. During the Reporting Period, 1,331 "Bond Connect" transactions were completed, amounting to 160.889 billion. The Group signed master agreements for Renminbi bond lending and borrowing businesses with 128 institutions. The trading volume of Renminbi bonds of domestic branches reached 2.89 trillion. The foreign exchange transaction volume in the inter-bank foreign exchange market reached USD1.02 trillion. The accumulated amount of Renminbi currency market transactions of domestic branches reached 27.90 trillion, including 18.68 trillion lent and 9.22 trillion borrowed. The accumulated transaction volume of the foreign currency market reached USD586.070 billion. The domestic branches achieved 149.891 billion in terms of volume of precious metal brokerage transactions. The accumulated volume of self-operated gold trading amounted to 2,863.87 tons, ranking top 3 in Shanghai Gold Exchange in terms of self-operated gold trading.

3. *Asset management businesses*

During the Reporting Period, the average wealth management products reached 1,005.001 billion, representing an increase of 12.18% on a year-on-year basis. The average balance of net-worth asset management products was 460.611 billion, the proportion of which to wealth management products increased by 15.19 percentage points to 45.83% over the end of the previous year.

(IV) Internationalisation and Integrated Operation

- **During the Reporting Period, net profit of the Group's overseas banking institutions decreased by 7.19% on a year-on-year basis to 3.304 billion, whose contribution to the Group's total net profit increased by 0.72 percentage point to 9.05% on a year-on-year basis.**

- **As at the end of the Reporting Period, the total assets of the Group's overseas banking institutions increased by 8.18% over the end of the previous year to 1,259.271 billion, whose contribution to the Group's total assets increased by 0.05 percentage point to 11.80% over the end of the previous year.**

1. Internationalisation development

International settlement and trade finance The Group is a qualified partner bank of China International Trade "Single Window" platform and connected with local "Single Window" platform of Shenzhen, Shanghai, Sichuan, Jiangsu, Fujian, and Xiamen. The Group provided services such as purchase and payment of cross-border foreign exchange, and trade financing. During the Reporting Period, international payment reached 1,068.282 billion, representing an increase of 10.64% on a year-on-year basis. The volume of international trade finance reached 95.878 billion, representing an increase of 55.62%. The volume of foreign guarantee of domestic branches reached 14.236 billion.

Overseas service network The Group already established 22 overseas branches (subsidiary) and representative offices in 17 countries and regions, with a total of 68 overseas business outlets. The Bank's Johannesburg branch officially obtained a banking license from South African Reserve Bank. The Group established overseas banking service network with 1,026 banks in 126 countries and regions, set up 252 cross-border Renminbi inter-bank accounts for 111 overseas Renminbi participating banks in 31 countries and regions and opened 81 foreign currency settlement accounts in 26 major currencies in 62 banks in 31 countries and regions.

Cross-border Renminbi transactions Seoul Renminbi Clearing Bank became one of the first banks transferring from an indirect CIPS participant to a direct CIPS participant. During the Reporting Period, the volume of cross-border Renminbi settlement of domestic and overseas banking institutions reached 1,082.473 billion, representing an increase of 8.61% on a year-on-year basis.

Offshore services With advantages as one of the banks with license, the Group seized the opportunities arising from the development of Lingang Special Area of Shanghai Free Trade Zone and the integration of the Yangtze River Delta. During the Reporting Period, the net operating income of offshore business amounted to USD61,452.1 thousand. As at the end of the Reporting Period, the balance of offshore assets reached USD17.101 billion.

2. *Integrated operation*

- **During the Reporting Period, net profit attributable to shareholders of the Bank from the Group's wholly-owned and controlling subsidiaries (excluding Bank of Communications (Luxembourg) Co., S.A., Banco BOCOM BBM S.A. and Bank of Communications (Hong Kong) Co., Ltd., same applies hereinafter) amounted to 3.305 billion, representing an increase of 17.78% on a year-on-year basis, the proportion of which to the Group's net profit increased by 2.49 percentage points to 9.05% on a year-on-year basis.**

- **As at the end of the Reporting Period, the total assets of the Group's wholly-owned and controlling subsidiaries increased by 10.79% over the end of the previous year to 470.548 billion, the proportion of which to the total assets of the Group increased by 0.12 percentage point to 4.41% over the end of the previous year.**

Bank of Communications Schroder Fund Management Co., Ltd. The yield of equity investment under active management ranked 2/73 in the industry in recent five years, 5/91 in the industry in recent three years. During the Reporting Period, it was awarded "Top 10 Star Fund Company", "Star Fund Company with Positive Return for Five Consecutive Years" and "Star Fund Company in Active Equity investment" by the *Securities Times* and "Golden Bull Fund Management Company" for two consecutive years by the *China Securities Journal*. As at the end of the Reporting Period, the public fund under management increased by 38.76% to 305.4 billion over the end of the previous year.

Bank of Communications Financial Leasing Co., Ltd. Adhering to the development strategy of "Professionalism, Internationalisation, Differentiation, and Specialization", it continued to promote aviation and shipping leasing businesses. Both the total amount of leasing assets and its increment ranked among the best in the industry for years. As at the end of the Reporting Period, the balance of leasing assets amounted to 266.655 billion, representing an increase of 7.73% over the end of the previous year, including aircraft and ship assets amounting to 165.057 billion, with fleets of 250 planes and 427 ships in possession and under management.

Bank of Communications International Trust Co., Ltd. Upholding the strategical objective of "Building the Most Trustworthy Trust Asset Management Institution" and focusing on the development of three strategic pillar businesses namely "Professional Asset Management, High-end Wealth Management and Quality Fiduciary Services", Bank of Communications International Trust Co., Ltd. stayed committed to fulfilling the original mission as a trust company to serve the real economy. As at the end of the Reporting Period, the assets under management (AUM) amounted to 705.696 billion.

BoComLife Insurance Company Limited With the goal of "Becoming a Company with a Leading Position in Growth and Profitability of Guaranteed Insurance", BoComLife Insurance Company Limited stayed committed to providing insurance guarantee and maintained a stable business performance with good momentum. During the Reporting Period, the original premium income was 11.4 billion, representing an increase of 29.55% on a year-on-year basis and the value of new business increased by 33% on a year-on-year basis.

China BoCom Insurance Co., Ltd. It seized the opportunities created by the strategic development of Greater Bay Area to improve the capabilities of providing comprehensive services and creating value. During the Reporting Period, the gross premiums and underwriting profit before deducting expenses increased by 21.83% and 54.63% respectively on a year-on-year basis and the net compensation rate was 42.07%.

BOCOM Financial Asset Investment Co., Ltd. It focused on the main responsibility and business of market-oriented debt-to-equity swap, effectively reduced the corporate leverage ratio and actively served the real economy. As at the end of the Reporting Period, a total of 60 debt-to-equity swap projects were completed, amounting to 32.601 billion.

BOCOM Wealth Management Co., Ltd. It built the wealth management product portfolios that combined flagship products and featured products to provide customers with safe and sound wealth management services. As at the end of the Reporting Period, the balance of wealth management products increased by 145.34% over the end of the previous year to 270.383 billion.

(V) Channel Construction, Service and Consumer Protection

1. Channel construction

- **Online channel**

Mobile banking The Bank integrated the user systems of the mobile banking and Go Pay to synchronize users of these two major apps of the Bank. As at the end of the Reporting Period, the monthly active users (MAU) of mobile banking reached 26,518.8 thousand, representing an increase of 45.50% on a year-on-year basis and an increase of 19.55% over the end of the previous year.

Go Pay During the Reporting Period, the volume of instalment transactions via internet channel increased by 16% on a year-on-year basis. The Bank connected to "Enabling Access to Government Services via One Website and Achieving Unified Management of City Operation with One Website" launched by Shanghai government and launched services of "Seamless Credit Payment for Treatment" in Shanghai in June 2020 with the support of Go Pay and mobile credit card products. The Bank is among the first batches that provide this service.

Corporate online banking As at the end of the Reporting Period, the number of corporate online banking customers increased by 10.09% over the end of the previous year. The number of registered customers of corporate mobile banking increased by 27.92% over the end of the previous year.

WeChat service channel The Bank built an all-round service system on WeChat, including "Cloud Banking", "BoCom WeBank" official account and "BoCom Service" Mini Program, which increased its customer acquisition capacity. As at the end of the Reporting Period, the scale of customers served by the cloud banking increased by 110.97% over the end of the previous year.

- **Offline channel**

Physical outlets The Bank optimised the network layout, promoted the construction of intelligent outlets to create a coordinated service model of online and offline platforms. As at the end of the Reporting Period, the number of domestic banking institutions' outlets reached 3,025.

Self-service banks The Group focused on the integration of inefficient self-service channels, reduced the cost of off-bank self-service channels and improved overall business performance. As at the end of the Reporting Period, the total number of domestic self-service equipment decreased by 3.17% over the end of the previous year, while the total number of off-bank self-service banks decreased by 7.11% over the end of the previous year.

2. Service and consumer protection

Adhering to the "Customer-Oriented" philosophy, the Group improved policies and regulations pertaining to consumer protection. To improve consumer experience, the Group optimised the service process, improved service efficiency, and ensured that consumers' legitimate rights and interests such as personal information security. Complaint channels were more accessible. Complaint handling procedures were optimised and complaint inspection mechanism were established. In addition, the Group carried out campaigns to publicise all kinds of financial knowledge to a wider range of consumers to cultivate higher level of financial literacy. During the Reporting Period, the Bank was awarded A Level for 2019 in consumer protection by PBOC.

II. FINANCIAL STATEMENT ANALYSIS

(I) Analysis on Key Income Statement Items

1. Profit before tax

During the Reporting Period, the Group's profit before tax decreased by 9.001 billion on a year-on-year basis, representing a decrease of 18.38% to 39.958 billion. Profit before tax was mainly derived from net interest income and net fee and commission income.

The table below illustrates the selected items from the income statement of the Group during the periods indicated:

(in millions of RMB)

	For the six months ended 30 June	
	2020	2019
Net interest income	**73,849**	70,062
Net non-interest income	**53,110**	48,252
Including: Net fee and commission income	**24,277**	23,122
Net operating income	**126,959**	118,314
Credit impairment losses	**(33,333)**	(21,544)
Other asset impairment losses	**(159)**	(6)
Insurance business expenses	**(11,022)**	(7,878)
Other operating expenses	**(42,487)**	(39,927)
Including: Operating costs	**(34,860)**	(32,705)
Profit before tax	**39,958**	48,959
Income tax	**(2,961)**	(5,811)
Net profit	**36,997**	43,148

The table below illustrates the breakdown of the net operating income of the Group during the periods indicated:

(in millions of RMB unless otherwise stated)

	For the six months ended 30 June 2020		
	Amount	Proportion (%)	Increase/ (Decrease) on a year-on-year basis (%)
Net interest income	73,849	58.17	5.41
Net fee and commission income	24,277	19.12	5.00
Net gains from trading activities	7,353	5.79	(11.29)
Net gains from financial investments	1,505	1.19	358.84
Net gains from investments in associates and joint ventures	85	0.07	(70.89)
Insurance business income	10,936	8.61	31.58
Other operating income	8,954	7.05	13.20
Total net operating income	**126,959**	**100.00**	**7.31**

2. *Net interest income*

During the Reporting Period, the Group's net interest income increased by 3.787 billion on a year-on-year basis to 73.849 billion, accounting for 58.17% of the net operating income, which was a major component of the Group's income.

The table below shows the average daily balances, associated interest income and expenses and annualised average rate of return or annualised average costs ratio of the Group's interest-bearing assets and interest-bearing liabilities during the periods indicated:

(in millions of RMB unless otherwise stated)

	For the six months ended 30 June 2020			For the six months ended 30 June 2019		
	Average balance	Interest income/ (expense)	Annualised average rate of return (cost) (%)	Average balance	Interest income/ (expense)	Annualised average rate of return (cost) (%)
Assets						
Cash and balances with central banks	793,229	5,499	1.39	828,368	5,958	1.45
Due from banks and other financial institutions	853,989	9,822	2.31	808,954	12,419	3.10
Loans and advances to customers	5,393,039	124,636	4.65	4,872,256	119,865	4.96
Including: Corporate loans	3,463,950	75,308	4.37	3,070,718	71,326	4.68
Individual loans	1,735,369	46,526	5.39	1,595,479	44,866	5.67
Discounted bills	193,720	2,802	2.91	206,059	3,673	3.59
Investment securities	2,637,847	46,272	3.53	2,459,873	43,620	3.58
Interest-bearing assets	9,678,104	186,229	3.87	8,969,451	181,862	4.09
Non-interest-bearing assets	957,483			812,686		
Total assets	10,635,587			9,782,137		
Liabilities and Shareholders' Equity						
Due to customers	6,265,870	71,996	2.31	5,927,890	70,047	2.38
Including: Corporate deposits	4,183,092	46,475	2.23	4,031,516	46,949	2.35
Individual deposits	2,082,778	25,521	2.46	1,896,374	23,098	2.46
Due to banks and other financial institutions	2,128,528	26,058	2.46	1,967,523	28,772	2.95
Debt securities issued and others	935,566	14,326	3.08	730,836	12,981	3.58
Interest-bearing liabilities	9,329,964	112,380	2.42	8,626,249	111,800	2.61
Shareholders' equity and non-interest-bearing liabilities	1,305,623			1,155,888		
Total Liabilities and Shareholders' Equity	10,635,587			9,782,137		
Net interest income		73,849			70,062	
Net interest spread[1]			1.45			1.48
Net interest margin[2]			1.53			1.58
Net interest spread[1, 3]			1.65			1.67
Net interest margin[2, 3]			1.74			1.76

Notes:

1. Represented the difference between the annualised average rate of return on total average interest-bearing assets and the annualised average cost ratio of total average interest-bearing liabilities.
2. Represented the annualised net interest income to total average interest-bearing assets.
3. Taken into account the tax exemption on the interest income from bonds.

During the Reporting Period, the Group's net interest income increased by 5.41% on a year-on-year basis. The net interest spread decreased by 3 basis points on a year-on-year basis to 1.45%. The net interest margin decreased by 5 basis points on a year-to-year basis to 1.53%. The net interest spread and net interest margin in the second quarter decreased by 1 basis point and 3 basis points respectively as compared with those in the first quarter.

The table below illustrates the impact of changes in scales and interest rates on the Group's interest income and interest expenses. The calculation of changes in scales and interest rates are based on the changes in average balance and the changes on interest rates of interest-bearing assets and interest-bearing liabilities during the periods indicated.

(in millions of RMB)

	Comparison between January to June 2020 and January to June 2019 Increase/(Decrease) due to		
	Amount	Interest rate	Net increase/ (decrease)
Interest-bearing assets			
Cash and balances with central banks	(253)	(206)	(459)
Due from banks and other financial institutions	694	(3,291)	(2,597)
Loans and advances to customers	12,845	(8,074)	4,771
Investment securities	3,168	(516)	2,652
Changes in interest income	16,454	(12,087)	4,367
Interest-bearing liabilities			
Due to customers	4,000	(2,051)	1,949
Due to banks and other financial institutions	2,362	(5,076)	(2,714)
Debt securities issued and others	3,645	(2,300)	1,345
Changes in interest expense	10,007	(9,427)	580
Changes in net interest income	6,447	(2,660)	3,787

During the Reporting Period, the Group's net interest income increased by 3.787 billion on a year-on-year basis, of which the increase of 6.447 billion was due to changes in the average balances of assets and liabilities and the decrease of 2.660 billion was due to changes in the annualised average rate of return and annualised average cost ratio.

(1) Interest income

During the Reporting Period, the Group's interest income increased by 4.367 billion or 2.40% on a year-on-year basis to 186.229 billion. The interest income from loans and advances to customers, investment securities and cash and balances with central banks accounted for 66.93%, 24.85% and 2.95% of total interest income, respectively.

A. Interest income from loans and advances to customers

Interest income from loans and advances to customers was the largest component of the Group's interest income. During the Reporting Period, interest income from loans and advances to customers increased by 4.771 billion or 3.98% on a year-on-year basis to 124.636 billion, which was largely due to the impact of the average balance of loans and advances to customers increasing by 10.69% on a year-on-year basis.

B. Interest income from investment securities

During the Reporting Period, interest income from investment securities increased by 2.652 billion or 6.08% on a year-on-year basis to 46.272 billion, which was largely due to the increase of 7.24% in the average balance of investment securities on a year-on-year basis.

C. Interest income from cash and balances with central banks

The balances with central banks mainly included balances in statutory reserves and in excess reserves. During the Reporting Period, interest income from cash and balances with central banks decreased by 0.459 billion or 7.70% on a year-on-year basis to 5.499 billion, which was largely due to the decrease of 4.24% in the average balance of cash and balances with central banks on a year-on-year basis and the decrease of 6 basis points in the annualised average rate of return of cash and balances with central banks on a year-on-year basis.

D. Interest income from balances due from banks and other financial institutions

During the Reporting Period, the interest income from balances due from banks and other financial institutions decreased by 2.597 billion or 20.91% on a year-on-year basis to 9.822 billion, which was largely due to the decrease of 79 basis points in the annualised average rate of return on balances due from banks and other financial institutions on a year-on-year basis.

(2) Interest expenses

During the Reporting Period, the Group's interest expenses increased by 0.580 billion or 0.52% on a year-on-year basis to 112.380 billion.

A. Interest expenses on due to customers

Due to customers was the Group's main source of funding. During the Reporting Period, interest expenses on due to customers increased by 1.949 billion or 2.78% on a year-on-year basis to 71.996 billion, accounting for 64.06% of total interest expenses. The increase in interest expenses of due to customers was largely due to a year-on-year increase of 5.70% in average balances of due to customers.

B. Interest expenses on balances due to banks and other financial institutions

During the Reporting Period, interest expenses on balances due to banks and other financial institutions decreased by 2.714 billion or 9.43% on a year-on-year basis to 26.058 billion, which was largely due to a decrease of 49 basis points in the annualised average rate of cost of balances due to banks and other financial institutions on a year-on-year basis.

C. Interest expenses on debt securities issued and other interest-bearing liabilities

During the Reporting Period, interest expenses on debt securities issued and other interest-bearing liabilities increased by 1.345 billion or 10.36% on a year-on-year basis to 14.326 billion, which was largely due to a year-on-year increase of 28.01% in average balance of debt securities issued and other interest-bearing liabilities.

3. Net fee and commission income

Net fee and commission income was an important component of the Group's net operating income. During the Reporting Period, the Group continued facilitating the transformation of its profit-making mode with diversified revenue streams. During the Reporting Period, the Group's net fee and commission income increased by 1.155 billion or 5.00% on a year-on-year basis to 24.277 billion. Management and agency services were the main drivers of the growth of the Group's net fee and commission income.

The table below illustrates the breakdown of the Group's net fee and commission income for the periods indicated:

(in millions of RMB)

	For the six months ended 30 June	
	2020	2019
Bank cards	**10,303**	10,213
Management services	**8,949**	7,372
Investment banking	**2,030**	2,632
Agency services	**2,594**	2,274
Guarantee and commitment	**1,381**	1,437
Settlement services	**825**	1,024
Others	**133**	118
Total fee and commission income	**26,215**	25,070
Less: fee and commission expenses	**(1,938)**	(1,948)
Net fee and commission income	**24,277**	23,122

Fee income from bank card services increased by 0.090 billion or 0.88% on a year-on-year basis to 10.303 billion.

Fee income from management services increased by 1.577 billion or 21.39% on a year-on-year basis to 8.949 billion, mainly due to the expansion of wealth management business.

Fee income from agency services increased by 0.320 billion or 14.07% on a year-on-year basis to 2.594 billion, mainly due to the growing of fund consignment business.

Fee income from investment banking decreased by 0.602 billion or 22.87% on a year-on-year basis to 2.030 billion, mainly due to the decrease of consulting fee income from investment banking projects.

Fee income from settlement services decreased by 0.199 billion or 19.43% on a year-on-year basis to 0.825 billion, mainly due to the decrease of fee income from offshore settlement business.

4. Credit impairment losses

During the Reporting Period, the Group's credit impairment losses was 33.333 billion, including the credit impairment losses on loans which increased by 9.049 billion or 40.97% on a year-on-year basis to 31.134 billion. Since the beginning of the year, the global and domestic economy have been negatively impacted by COVID-19 and related factors. The Bank adjusted the forecast of macroeconomic indicators and the weightings of different macro scenarios in 2020 and 2021. As a result, the credit impairment losses increased significantly on a year-on-year basis.

5. Operating costs

During the Reporting Period, the Group's operating costs increased by 2.155 billion or 6.59% on a year-on-year basis to 34.860 billion. The Group's cost-to-income ratio was 28.91%, representing a decrease of 0.14 percentage point on a year-on-year basis. The cost-to-income ratio would have decreased by about 2 percentage points more from 28.91% if the tax exemption impact on bond interest and other income had been grossed up.

The table below illustrates the breakdown of the Group's operating costs for the periods indicated:

(in millions of RMB)

	For the six months ended 30 June	
	2020	2019
Staff costs and welfare	**12,676**	13,570
Operating expenses	**18,276**	15,101
Depreciation and amortisation	**3,908**	4,034
Total operating costs	**34,860**	32,705

6. *Income tax*

During the Reporting Period, the Group's income tax expenses decreased by 2.850 billion or 49.04% on a year-on-year basis to 2.961 billion. The effective tax rate of 7.41% was lower than the statutory tax rate of 25%, which was mainly due to the tax exemption on interest income from treasury bonds and local treasury bonds held by the Group, as promulgated in relevant tax provisions.

(II) Analysis on Key Balance Sheet Items

1. *Assets*

As at the end of the Reporting Period, the Group's total assets increased by 764.332 billion or 7.72% over the end of the previous year to 10,669.932 billion.

The table below illustrates the balances (after impairment allowances) of the key components of the Group's total assets and their proportion to the total assets as at the dates indicated:

(in millions of RMB unless otherwise stated)

	30 June 2020		31 December 2019	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans and advances to customers	**5,602,356**	**52.51**	5,183,653	52.34
Financial investments	**3,247,146**	**30.43**	3,005,843	30.34
Cash and balances with central banks	**801,146**	**7.51**	760,185	7.67
Due from banks and other financial institutions	**693,101**	**6.50**	648,488	6.55
Others	**326,183**	**3.05**	307,431	3.10
Total assets	**10,669,932**	**100.00**	9,905,600	100.00

(1) Loans and advances to customers

During the Reporting Period, the Group achieved a balanced and steady growth in loans with reasonably controlling of the amount, direction and pace of credit supply.

The table below illustrates the balance and breakdown of the Group's loans and advances to customers for the dates indicated:

(in millions of RMB unless otherwise stated)

	30 June 2020		31 December 2019		31 December 2018	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	3,668,822	64.03	3,346,476	63.09	3,061,915	63.08
– Short term loans	1,301,639	22.72	1,189,543	22.43	1,170,200	24.11
– Medium and long-term loans	2,367,183	41.31	2,156,933	40.66	1,891,715	38.97
Individual loans	1,829,406	31.93	1,754,765	33.08	1,635,627	33.69
– Mortgage	1,196,808	20.89	1,135,428	21.41	1,007,528	20.75
– Credit card	445,266	7.77	467,387	8.81	505,190	10.41
– Others	187,332	3.27	151,950	2.86	122,909	2.53
Discounted bills	231,285	4.04	203,034	3.83	156,686	3.23
Total loans and advances to customers	5,729,513	100.00	5,304,275	100.00	4,854,228	100.00

As at the end of the Reporting Period, the Group's total loans and advances to customers increased by 425.238 billion or 8.02% over the end of the previous year to 5,729.513 billion, among which the Renminbi loans from domestic branches increased by 386.942 billion or 8.30% over the end of the previous year.

The Group's corporate loan balance was 3,668.822 billion, representing an increase of 322.346 billion or 9.63% over the end of the previous year. The proportion of corporate loans to loans and advances to customers increased by 0.94 percentage point to 64.03% over the end of the previous year. Short-term loans increased by 112.096 billion, and medium and long-term loans increased by 210.250 billion.

The balance of individual loans was 1,829.406 billion, representing an increase of 74.641 billion or 4.25% over the end of the previous year. The proportion of individual loans to loans and advances to customers decreased by 1.15 percentage points to 31.93% over the end of the previous year. Mortgage loans increased by 61.380 billion or 5.41% over the end of the previous year. Credit card loans decreased by 22.121 billion or 4.73% over the end of the previous year.

Discounted bills increased by 28.251 billion or 13.91% over the end of the previous year.

Loan concentration by geography

The Group's credit customers were mainly located in the Yangtze River Delta, Bohai Rim Economic Zone and Pearl River Delta. As at the end of the Reporting Period, the loan balances for the above three regions increased by 6.29%, 6.56% and 18.11% respectively over the end of the previous year. The proportion of loans and advances to customers in these three regions accounted for 35.45%,15.74% and 9.60% respectively.

The breakdown of loans by security types

(in millions of RMB unless otherwise stated)

	30 June 2020		31 December 2019	
	Balance	Proportion (%)	Balance	Proportion (%)
Unsecured loans	1,854,610	32.37	1,844,304	34.77
Guaranteed loans	1,107,450	19.33	943,076	17.78
Collateralised and other secured loans	2,767,453	48.30	2,516,895	47.45
– Loans secured by collateral	1,966,636	34.32	1,926,508	36.32
– Pledged loans	800,817	13.98	590,387	11.13
Total	5,729,513	100.00	5,304,275	100.00

Expected credit loss allowance for loans and advances to customers

(in millions of RMB)

	Expected credit loss allowance – loans and advances to customers
Loss allowance as at 1 January 2020	134,052
Accrual/(Reversal) in the period	31,134
Transfer in/(transfer out) in the period	(350)
Write-offs and disposals in the period	(23,787)
Recovered after written-off	2,136
Exchange differences	31
Loss allowance as at 30 June 2020	143,216

(2) Financial investments

As at the end of the Reporting Period, the Group's net balance of financial investments increased by 241.303 billion or 8.03% over the end of the previous year to 3,247.146 billion.

The breakdown of investments by nature

(in millions of RMB)

	30 June 2020	31 December 2019
Bonds	2,746,712	2,585,678
Equity instruments and others	500,434	420,165
Total	3,247,146	3,005,843

The breakdown of investments by the presentation of financial statements

(in millions of RMB unless otherwise stated)

	30 June 2020		31 December 2019	
	Balance	Proportion (%)	Balance	Proportion (%)
Financial investments measured at fair value through profit and loss	519,544	16.00	406,498	13.52
Financial investments measured at amortised cost	1,940,765	59.77	1,929,689	64.20
Financial investments measured at fair value through other comprehensive income	786,837	24.23	669,656	22.28
Total	3,247,146	100.00	3,005,843	100.00

As at the end of the Reporting Period, the balance of the Group's bond investments increased by 161.034 billion or 6.23% over the end of the previous year to 2,746.712 billion. In the future, based on the research and judgement of the economic and financial situation, the Bank will focus on restructuring the existing structure and optimising reinvestment. Firstly is to focus on local government bonds and increase investment in treasury bonds as tier-1 qualified high quality liquid assets. Secondly is to track and monitor national industrial policies and enterprise operations to optimise the reserve and investment of credit bonds. Thirdly is to increase the transaction volume of interest rate debts and the turnover of treasury bonds and policy bank bonds. Fourthly is to optimise the investment structure, choose the opportunity to adjust the existing low-yield bonds and allocate other higher-yield assets.

The breakdown of investment securities by issuers

(in millions of RMB unless otherwise stated)

	30 June 2020		31 December 2019	
	Balance	Proportion (%)	Balance	Proportion (%)
Government and central banks	1,918,233	69.84	1,788,034	69.15
Public sector entities	28,527	1.04	29,797	1.15
Banks and other financial institutions	643,111	23.41	634,303	24.53
Corporate entities	156,841	5.71	133,544	5.17
Total	2,746,712	100.00	2,585,678	100.00

As at the end of the Reporting Period, financial bonds held by the Group amounted to 643.111 billion, including policy bank bonds of 237.593 billion and banks and non-bank financial institutions bonds of 405.518 billion, which accounted for 36.94% and 63.06% of the total bonds, respectively.

Top 10 financial bonds held by the Group

(in millions of RMB unless otherwise stated)

Serial No.	Bond name	Face value	Annual interest rate (%)	Maturity date	Impairment allowance
1	2020 commercial bank certificates of deposit	7,200	4.83	15/07/2020	28.65
2	2018 policy bank bonds	6,909	4.99	24/01/2023	1.03
3	2018 policy bank bonds	6,420	4.82	24/01/2021	0.95
4	2017 policy bank bonds	6,330	4.39	08/09/2027	0.91
5	2017 policy bank bonds	5,690	4.44	09/11/2022	0.83
6	2018 policy bank bonds	5,000	4.98	12/01/2025	0.74
7	2018 policy bank bonds	4,420	4.83	22/01/2021	0.65
8	2018 policy bank bonds	4,400	4.97	29/01/2023	0.66
9	2019 policy bank bonds	4,265	3.12	17/07/2022	0.63
10	2017 policy bank bonds	3,570	4.14	11/09/2020	0.53

(3) Foreclosed asset

The following table illustrates selected information of the Group's foreclosed asset on the dates indicated:

(in millions of RMB)

	30 June 2020	31 December 2019
Original value of foreclosed assets	888	907
Less: Impairment allowance	(140)	(148)
Net value	748	759

2. *Liabilities*

As at the end of the Reporting Period, the Group's total liabilities increased by 751.112 billion or 8.25% over the end of the previous year to 9,855.800 billion. Due to customers increased by 485.082 billion or 8.08% over the end of the previous year, which accounted for 65.85% of total liabilities and represented a decrease of 0.11 percentage point over the end of the previous year. Balance of due to banks and other financial institutions increased by 12.677 billion or 0.67% over the end of the previous year, which accounted for 19.45% of total liabilities and represented a decrease of 1.46 percentage points over the end of the previous year.

Due to customers

Due to customers was the Group's primary source of funding. As at the end of the Reporting Period, the Group's due to customer balance increased by 485.082 billion or 8.08% over the end of the previous year to 6,490.152 billion. In terms of the customer structure, the proportion of corporate deposits was 67.12%, representing a decrease of 0.02 percentage point over the end of the previous year. The proportion of individual deposits was 32.84%, representing an increase of 0.04 percentage point over the end of the previous year. In terms of deposit tenure, the proportion of demand deposits decreased by 0.41 percentage point over the end of the previous year to 42.86%, while the proportion of time deposits increased by 0.43 percentage point over the end of the previous year to 57.10%.

The table below illustrates the breakdown of total of due to customers of the Group as of the dates indicated:

(in millions of RMB unless otherwise stated)

	30 June 2020		31 December 2019		31 December 2018	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits	**4,356,311**	**67.12**	4,031,784	67.14	3,944,098	68.90
Including: Corporate demand deposits	**1,952,384**	**30.08**	1,835,688	30.57	1,748,857	30.55
Corporate time deposits	**2,403,927**	**37.04**	2,196,096	36.57	2,195,241	38.35
Individual deposits	**2,131,570**	**32.84**	1,969,922	32.80	1,776,488	31.03
Including: Individual demand deposits	**829,632**	**12.78**	762,669	12.70	687,393	12.01
Individual time deposits	**1,301,938**	**20.06**	1,207,253	20.10	1,089,095	19.02
Other deposits	**2,271**	**0.04**	3,364	0.06	3,903	0.07
Due to customers	**6,490,152**	**100.00**	6,005,070	100.00	5,724,489	100.00

(III) Analysis on Key Cash Flow Items

As at the end of the Reporting Period, the Group's cash and cash equivalents increased by 80.578 billion over the end of previous year to 248.313 billion.

The net cash inflows from operating activities increased by 115.791 billion on a year-on-year basis to 119.358 billion, which mainly resulted from a year-on-year net increase of deposit from other banks and deposit due to customers.

The net cash outflows from investing activities increased by 10.345 billion on a year-on-year basis to 89.433 billion, which was mainly due to a year-on-year increase in net cash outflow related to financial investment activities.

The net cash inflows from financing activities increased by 36.289 billion on a year-on-year basis to 49.483 billion, which mainly resulted from a year-on-year increase in cash inflow from issuance of bonds and perpetual bonds.

(IV) Segment Analysis

1. *Operating results by geographical segments*

The table below illustrates the profit before tax and net operating income from each of the Group's geographical segments for the periods indicated:

(in millions of RMB)

	For the six months ended 30 June			
	2020		2019	
	Profit before tax	**Net operating income[1]**	Profit before tax	Net operating income[1]
Northern China	**6,307**	**11,875**	6,683	11,163
North Eastern China	**(96)**	**2,915**	(787)	3,207
Eastern China	**14,466**	**52,982**	17,177	46,016
Central and Southern China	**9,757**	**21,266**	12,399	20,183
Western China	**5,781**	**8,747**	4,531	8,916
Overseas	**4,350**	**7,288**	4,850	7,321
Head Office	**(607)**	**21,886**	4,106	21,508
Total[2]	**39,958**	**126,959**	48,959	118,314

Notes:

1. Included net interest income, net fee and commission income, net gains from trading activities, net gains from financial investments, net gains from investments in associates and joint ventures, insurance business income and other operating income. Same applies hereinafter.
2. Included profit/(loss) attributable to non-controlling interests. Same applies hereinafter.
3. Given the adjustment resulting from the evaluation guidelines of income allocation within segment, the comparative figures were restated under existing evaluation guidelines.

2. *Deposits and loans and advances by geographical segments*

The table below illustrates the Group's deposits and loans and advances balances by geographical segments as at the dates indicated:

(in millions of RMB)

	30 June 2020		31 December 2019	
	Deposit balances	Loans and advances balances	Deposit balances	Loans and advances balances
Northern China	1,069,704	721,654	1,064,499	689,601
North Eastern China	321,526	224,615	306,599	212,871
Eastern China	2,284,030	1,989,225	2,126,127	1,830,275
Central and Southern China	1,560,588	1,265,117	1,363,673	1,106,903
Western China	701,051	606,545	661,266	532,796
Overseas	549,645	385,018	465,096	391,517
Head Office	3,608	537,339	17,810	540,312
Total	6,490,152	5,729,513	6,005,070	5,304,275

3. *Operating results by business segments*

The Group's four main business segments were corporate banking, personal banking, treasury businesses and other businesses.

The table below illustrates the Group's profit before tax and net operating income from each of the Group's segments for the periods indicated:

(in millions of RMB unless otherwise stated)

	For the six months ended 30 June			
	2020		2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Net operating income	126,959	100.00	118,314	100.00
Corporate banking	55,206	43.48	53,295	45.05
Personal banking	60,701	47.81	54,300	45.89
Treasury businesses	10,092	7.95	9,831	8.31
Other businesses	960	0.76	888	0.75
Profit before tax	39,958	100.00	48,959	100.00
Corporate banking	17,120	42.84	24,247	49.53
Personal banking	13,801	34.54	15,914	32.50
Treasury businesses	8,587	21.49	8,615	17.60
Other businesses	450	1.13	183	0.37

Note: Given the adjustment resulting from the division calibre of the business segment of partial subsidiaries, the comparative figures were restated under the current calibre.

(V) Capital Adequacy Ratio

1. Measurement method of the capital adequacy ratio

The Group calculated the capital, risk-weighted assets and capital adequacy ratios pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* issued by the CBIRC and the relevant requirements. Since the adoption of the Advanced Approach of Capital Management upon the first approval from the CBIRC in 2014, the Bank implemented and applied it in accordance with the regulatory requirements. Upon the approval of the CBIRC in 2018, the Bank ended the Advanced Approach of Capital Management parallel period and expanded the application scope.

According to the implementation scope of the Advanced Approach of Capital Management approved by the CBIRC, the credit risk which met the regulatory requirements was assessed by the internal rating-based approach, the market risk by the internal model approach and the operational risk by the standardized approach. The credit risk not covered by the internal rating-based approach was assessed by the weighted approach. The market risk not covered by the internal rating-based approach was assessed by the standardized approach. The operational risk not covered by the standardized approach was assessed by the basic-indicator approach.

2. Measurement scope of capital adequacy ratio

The calculation of capital adequacy ratio included the Group's domestic and overseas branches and subsidiaries of those financial institutions (excluding insurance companies).

3. Measurement result of capital adequacy ratio

As at the end of the Reporting Period, the Group's capital adequacy ratio, Tier 1 capital adequacy ratio and core Tier 1 capital adequacy ratio were 14.57%, 12.18%, and 10.63% respectively, all of which met the regulatory requirements.

(in millions of RMB unless otherwise stated)

	The Group	The Bank
Net core Tier 1 Capital	699,433	605,610
Net Tier 1 Capital	801,083	705,480
Net Capital	958,388	857,285
Core Tier 1 capital adequacy ratio (%)	10.63	10.12
Tier 1 capital adequacy ratio (%)	12.18	11.79
Capital adequacy ratio (%)	14.57	14.33

Note: The above calculation excluded China BoCom Insurance Co., Ltd. and BoCommLife Insurance Company Limited.

4. *Risk-weighted assets*

(in millions of RMB)

	30 June 2020
Credit risk-weighted asset	6,031,651
Market risk-weighted asset	196,941
Operational risk-weighted asset	348,558
Additional risk-weighted assets due to use of capital floor	0
Total risk-weighted assets	**6,577,150**

5. *Credit risk exposure*

(1) Exposure to risk under the internal rating-based approach

(in millions of RMB)

	30 June 2020
Corporate risk exposure	4,354,738
Financial institution risk exposure	1,070,077
Retail risk exposure	2,115,145
Total	**7,539,960**

(2) Credit risk exposure not covered under the internal rating-based approach

(in millions of RMB)

	30 June 2020
On-balance-sheet credit risk	4,003,975
Including: Asset securitization	16,962
Off-balance-sheet credit risk	57,882
Counterparty credit risk	112,047
Total credit risk exposure not covered under the internal rating approach	**4,173,904**

6. *Market risk capital requirement*

(in millions of RMB)

	Capital requirement
Market risk under internal model approach	10,837
Market risk not covered under internal model approach	4,918
Total	**15,755**

7. *Value at risk (VaR)*

The Group adopted the historical simulation method to calculate VaR and stressed value at risk (SVaR) which had a historical observation period of 1 year, holding period of 10 working days with a one-tailed 99% confidence interval.

(in millions of RMB)

	January to June 2020	
	Value at risk(VaR)	Stressed value at risk(SVaR)
VaR of market risk as at the end of the Reporting Period	**1,813**	**1,844**
Maximum VaR during the Reporting Period	**1,875**	**2,126**
Minimum VaR during the Reporting Period	**968**	**1,734**
Average VaR during the Reporting Period	**1,270**	**1,926**

For more details about the Group's capital measurement, please refer to "Supplementary Information on Capital Adequacy Ratio, Leverage Ratio, Liquidity Coverage Ratio and Net Stable Funding Ratio".

(VI) Leverage Ratio

The Group calculated the leverage ratio pursuant to the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)* issued by the CBIRC. As at the end of the Reporting Period, the Group's leverage ratio was 6.99%, which met the regulatory requirements.

(in millions of RMB unless otherwise stated)

	30 June 2020	31 March 2020	31 December 2019	30 September 2019
Net Tier 1 Capital	**801,083**	808,639	789,546	771,897
Balance of adjusted on-and off-balance sheet assets	**11,459,393**	11,262,732	10,631,020	10,655,770
Leverage ratio (%)	**6.99**	7.18	7.43	7.24

For more details about the Group's leverage ratio, please refer to "Supplementary Information on Capital Adequacy Ratio, Leverage Ratio, Liquidity Coverage Ratio and Net Stable Funding Ratio".

(VII) Others

1. During the Reporting Period, there was no material acquisition or disposal of subsidiaries, associates and joint ventures.

2. The Group's assets pledged were mainly collateral under repurchase agreements and loans from banks and other financial institutions. Save as disclosed above, there were no other significant assets pledged to be disclosed during the Reporting Period.

III. INNOVATION OF SYSTEM MECHANISM, BUSINESS AND PRODUCTS

(I) Strengthened Top-level Design and Optimised Structural Function

With the goal of "Establishing a Modern Financial System with High Adaptability, Competitiveness and Inclusiveness" proposed by the Fourth Plenary Session of the 19th Communist Party of China Central Committee, the Bank thoroughly implemented the thematic campaign, deepened reform, innovated mechanism, which increased the capabilities of serving real economy and creating value.

1. Strengthened organisational leadership and improved top-level design.

The Bank added new members into the Leading Group for Deepening Reform, setup the office for Leading Group for Deepening Reform, strengthened the top-level design and overall planning. Oriented by Party construction, the Bank implemented the site inspection and observation, Party construction and structural reform, which not only improved the policy setup of inspection and observation, but also well integrated Party construction and corporate governance.

2. Focused on delivering better services and strengthened strategy execution.

Focused on the strategy of "Creating Shared Value and Providing Best Services", the Bank implemented the reform of the Beijing Administrative Department and the Head Office Strategic Customer Department to enhance the integrated operating function of group customers. The Bank optimized the framework of financial market and business function and strengthened the integrated management of the financial markets in terms of the domestic and overseas business as well as the local and foreign currency business.

3. Built up "geographic" advantages of being based in Shanghai and served China's National Strategies.

To exercise the geographic advantage around the Yangtze River Delta, the Yangtze River Delta Promotion Office was upgraded to the Head Office Department for the Yangtze River Delta Integration Administration. The Bank collaborated with the regional branches and took the responsibilities to better serve the regional development as national strategies. To support and serve the construction of Special Area of Shanghai Free Trade Zone, the Bank fully exercised the advantage of qualified businesses and promoted the business function of the offshore free trade zone business.

4. Strengthened organisational security and promoted technology empowerment.

The Bank implemented the reforms of Fintech mechanism and functional framework, promoted the overall planning of Fintech together with top-level design and integrated management. The setup of "Two Departments, Three Centres, One Company, One Research Institute, One Office"[1] as Group Fintech overall framework provided strong support of technology to operating management.

[1] Fintech Department, Data Management and Application Department, Software Development Center, Data Center (System Operation Center), Test Center, BoCom Financial Technology Company Limited, Institute for Fintech Innovation, Office of Information Technology Development and Planning.

5. Accelerated the mechanism innovation and realised management efficiency.

The Bank launched reforms of function and structure of Financial Budget and Asset and Liability Management Department, Operations Management and Internet Channels Department and Risk Management and Credit Authorization Department. The Bank focused on painful problems, clarified responsibilities, released management efficiency, promoted the professionalism of overall financial planning abilities, comprehensive transformation capabilities of branches and risk management.

(II) Business and Product Innovation

1. Corporate Financial Business Innovation

Corporate Financial The Bank introduced the online products of payment deferral of principle and interests and Invoice Manager, innovatively upgraded the functions of online factoring, online loan granting and online discount. The Bank had new breakthrough for e-commerce business in terms of the online settlement for "Jiao e Bao" enterprise and online financing. To support the resumption of work, the Bank issued the first green project revenue notes in interbank market and the first Credit Risk Mitigation Warrant (CRMW) linked to medium-term notes of private entities in Shanghai to support the resumption of work and production. The Bank increased the capabilities of risk monitoring, identification and warning via the use of big data and blockchain.

Asset custody The Bank offered the public fund custody products, such as Shanghai Gold ETF and MOM, innovatedly introduced the cross boarder custody business of QDIE and QFLP. The Bank built an intelligent custody data platform with big data and distributed technology, upgraded the transformation of custody system.

Inclusive finance The Bank launched a corporate version of "Shui Rong Tong" to provide more supports for first-time loans, credit loans, loan renewals without repayment of principal and medium and long-term loans. The Bank promoted online product innovation and offline inclusive finance business covering all outlets. As at the end of the Reporting Period, the balance of online products increased by 33.5 billion over the end of the previous year. The coverage ratio of inclusive finance businesses outlets was 92%.

2. Personal Financial Businesses Innovation

Personal loan The Bank improved the business processes of consumer credit product "Benefit Loan" via services of H5, application for credit lines and payment by credit. The Bank innovatively launched personal demand financing loan and personal pledge loan of net-value wealth management. Such lines of credit are applied online, approval and granting loan in a second, easy borrow and easy return.

Wealth management The average return of sustainable equity fund was 23.6% above the average of market products and market index. The sale of fund portfolio reach 5.075 billion during the Reporting Period. The car insurance broker business increased the ETC customers. Four pension products included pension deposit, wealth management, FOF pension fund and pension annuity insurance. The Bank provided family asset allocation advice with the consideration of "Cash, Security, Investment, Preservation" to meet different risk appetites of customers. During the Reporting Period, the scale of wealth management products such as wealth management, funds, insurance and trust increased by 162.84% on a year-on-year basis. The increase accounted for 54.06% of the AUM increase, making it a new engine for AUM growth.

Personal payment The Bank launched an online system of face-scanning payment, integrated preferential service plans for small and medium businesses and quickly opened charitable donation channels. The Bank introduced non-touch re-visits with merchants via telephone and video and extended the payment scenarios by scanning WeChat payment code.

Private banking The Bank launched the "Zhen Cheng" series of pension trust businesses that combines life insurance security and high leverage together with trust asset protection and flexibility in inheritance. The Bank provided innovatively the customised family trust services, achieving innovative breakthroughs in service structure and distribution scenarios, meet the personalized needs of high net-value customers for wealth protection and stable inheritance.

Credit card The Bank's credit card businesses were successfully appraised at Level 3 of the Development and Operation Capability Maturity Model led by the China Academy of Information and Communications Technology in terms of continuous deliver ability and became the domestic leader.

Online service The Bank independently developed mobile banking applets and introduced merchants' own platforms and scenarios into the mobile banking by providing standard API (Application Programming Interface) to third-party business partners. During the Reporting Period, there were more than 20 types of transaction functions in six categories that made available by mobile banking applets to business partners. The Bank explored the sales of products via livestreaming. During the Reporting Period, 225 livestreaming were launched and recorded accumulative 1.3 million visits. Certain products were sold over billion in a single livestreaming.

3. Inter-bank and Financial Market Businesses Innovation

Inter-bank and financial market businesses The Bank, acting as the clearing agent for the first foreign investor, participated in the central counterparty clearing business of Renminbi interest rate swaps on the Shanghai Clearing House. The Bank was selected as the only depository bank for the designated account of NEEQ venture funds. The Bank became one of first batch of the members of China Financial Futures Exchange qualified for bank transaction settlement and completed the commercial bank's first day trading of treasury bond futures. The Bank was among the first batch of banks engaged in inter-bank market interest rate option transactions and launched the Renminbi-denominated interest rate option brokerage business. The Bank completed multi transactions of innovative business on the first day and the first deal in the foreign exchange market, including CFETS G10 ODM transactions, SOFR and CIROR-linked Renminbi against foreign exchange currency swaps and foreign exchange currency interest rate swaps and standardised foreign exchange currency swaps. The Bank concluded the first pledge-style repo transaction of cross-custodian institution. The Bank was among the first to sign Gold ETF (Exchange Traded Fund) cooperation agreements with 6 fund companies including China AMC, First Seafront Fund and GF Fund, becoming the commercial bank that supported the largest number of Gold ETF.

Asset management The Bank introduced the characteristic products for Yangtze River Delta, designed and released "CSI BoCom Wealth Management Greater Bay Area Index" and launched wealth management products. The Bank innovatively launched special pension wealth management products to meet the different needs of the elderly and young customers.

IV. RISK MANAGEMENT

In order to win two battles of pandemic prevention and control and risk management, the Group deepened the reform of credit risk and anti-money laundering management and strengthened asset quality management under such pandemic. In addition, the Group also developed innovative risk management technology tools, reinforced prevention of non-compliance cases and control and improved the ability to withstand risks, ensuring the bottom line of preventing the occurrence of systematic and regional risks.

(I) Risk Appetite

The Board of Directors of the Bank established the overall risk appetite of "Stability, Balance, Compliance and Innovation" for the Bank and defined its four dimensional risk tolerance in terms of return, capital, quality and risk rating. The Board of Directors further set specific indicators of risk limits against various risks including credit, market, operation, liquidity, interest rate of banking book, information technology, country (economic entity) and reputation to regularly manage the changes of overall risk.

The Group adhered to the principles of operating in compliance with laws and regulations and insisted on the prudent risk management. In addition, the Group actively served the real economy, strictly managed different risks and constantly and comprehensively deepened the reform to ensure the bottom line of preventing the occurrence of systematic risks.

(II) Risk Management Framework

The Board of Directors of the Bank assumed the ultimate responsibility and served the highest function of decision-making and monitored the Group's risk management through its Risk Management and Related Party Transaction Control Committee. The Bank's Senior Management established a Risk Management Committee, namely Comprehensive Risk Management Committee and its risk management subcommittees with various professionals and two business review committees namely Credit and Investment Review Committee and High-risk Asset Review Committee. Each provincial branch directly managed by the Head Office, overseas branch, subsidiary and directly operating institution correspondingly established risk management committee accordingly referring to the aforementioned framework. In addition to the plenary meeting of the Comprehensive Risk Management Committee, each provincial branch directly managed by the Head Office also set up the executive meeting of the Comprehensive Risk Management Committee, which served as the main platform for the leader and members of the team to study the prevention and control of systematic and regional risks and decision-making risks on major issues.

The Group ensured the full execution of risk management requirements through the mechanism of "Leadership and Execution, Supervision and Reporting" between Comprehensive Risk Management Committee and sub-committees and between committees of Head Office and branches, resulting in a unified and coordinated risk management.

(III) Risk Management Tool

The Group emphasized the importance on the establishment and application of risk management tools, information systems and econometric models. Risk management was empowered by Fintech. The Group actively introduced various types of risk information and data, explored the application of advanced technologies such as the big data, artificial intelligence and knowledge diagram to build models and upgraded the unified risk monitoring system of the Group to enhance the intellectualization of the risk management.

During the Reporting Period, the Group strengthened the ability of information consolidation and enhanced the controls of credit risk management via innovative data mining. The Group enhanced monitoring of market risk, interest rate risk of banking book and liquidity risk via middle platform system, improved the application of operational risk management tool in operation and improved the effectiveness of risk management by strengthening the real time risk control including operational risks, fraud risks and money laundering risk based on various risk systems.

During the Reporting Period, the Group moved forward the construction of risk measurement system and formulated the *Measures for Unified Management of Risk Measurement of Bank of Communication* to strengthen the unified management of risk measurement throughout the Group. The calculation system and application mechanism of risk return index were also established to balance risk and return. The Group continued to optimise the econometric models and management systems of myriad key risks. The Group consistently monitored and analysed the operation and models, optimised the model and extensively deepened the application of risk measurement results in strategic planning, structural adjustment, business decision, performance appraisal as well as business management of the Bank.

(IV) Credit Risk Management

Credit risk is one of the major risks encountered by the Group. The Group adhered to decisions and deployments of the Central Committee of the Communist Party of China and the State Council and responded to state policies and market fluctuations. The Group also upgraded the outline of credit granting and risk policy and investment guidelines in selection of industry to implement the principle of "one policy for one bank". The Group established the credit risk management system featured with "Full Coverage, Full Process, Specialisation, and Accountability", optimised the credit authorisation process and improved the approval efficiency. Control over key areas and sensitive industries such as credit card, overcapacity, real estate, cross-border business and implicit government debts was strengthened by means of total volume control, name list and quota limits. In addition, the Group also intensified the regional risk control.

The Group strengthened asset quality management during the pandemic by implementing the relief policies in compliance with relevant requirements, strengthening management of loans approaching due dates and accurately implementing loan classification. The Group also established a monthly dynamic inspection mechanism to identify customers with potential risk and substantial risk exposed by the pandemic at early stage. The Group adopted a multi-level, category-specific approach by customers to ensure responsibilities were fulfilled, and disposal and mitigation measures were taken beforehand.

The Group put efforts to mitigate risks. During the Report Period, the disposal of total amount of non-performing loans was 34.323 billion, including the write-off loans amounting to 23.79 billion. The application of market-oriented debt-to-equity swap successfully dissolved the material risk project of Dandong Port and Qinghai Salt Lake Industry Co., Ltd.

According to the regulatory requirements stated in the *Guidance for the Risk-based Loan Categorisation* issued by the CBIRC, the Group classified credit assets into five categories based on their risk level, namely pass, special mention, sub-standard, doubtful and loss. The last three categories are regarded as non-performing loans. The nature of the categories refers to the possibility of timely full repayment of the principal and interest of credit assets. In terms of corporate credit alike assets, based on core regulatory definition with reference to internal ratings and provisions for each loan, the Bank performed risk classification in a prudent manner. For retail credit alike assets (including credit cards), the Bank adopted a loan classification system of five categories, a method which considered both the ageing schedule of overdue loans and the guarantees.

During the Reporting Period, affected by COVID-19 and other factors, some customer risk accelerated to expose. There was an obvious pressure on the Bank's quality of credit assets. As at the end of the Reporting Period, the balance of non-performing loans was 96.292 billion and the impaired loan ratio was 1.68%, representing an increase of 18.249 billion and an increase of 0.21 percentage point respectively over the end of the previous year.

Distribution of loans by five categories of loan classification

(in millions of RMB unless otherwise stated)

Categories	30 June 2020 Amount	30 June 2020 Proportion (%)	31 December 2019 Amount	31 December 2019 Proportion (%)	31 December 2018 Amount	31 December 2018 Proportion (%)
Pass loan	5,531,412	96.54	5,111,715	96.37	4,662,605	96.06
Special mention loan	101,809	1.78	114,517	2.16	119,111	2.45
Total performing loan balance	5,633,221	98.32	5,226,232	98.53	4,781,716	98.51
Sub-standard loan	42,800	0.74	16,963	0.32	13,711	0.28
Doubtful loan	36,418	0.64	42,508	0.80	38,456	0.79
Loss loan	17,074	0.30	18,572	0.35	20,345	0.42
Total non-performing loan balance	96,292	1.68	78,043	1.47	72,512	1.49
Total	5,729,513	100.00	5,304,275	100.00	4,854,228	100.00

Distribution of loans and non-performing loans by business type

(in millions of RMB unless otherwise stated)

	30 June 2020 Loans	30 June 2020 Proportion (%)	30 June 2020 Non-performing loans	30 June 2020 Impaired loan ratio (%)	31 December 2019 Loans	31 December 2019 Proportion (%)	31 December 2019 Non-performing loans	31 December 2019 Impaired loan ratio (%)
Corporate loans	3,668,822	64.03	74,815	2.04	3,346,476	63.09	59,443	1.78
Individual loans	1,829,406	31.93	21,368	1.17	1,754,765	33.08	18,574	1.06
– Mortgage	1,196,808	20.89	4,831	0.40	1,135,428	21.41	4,038	0.36
– Credit cards	445,266	7.77	12,924	2.90	467,387	8.81	11,135	2.38
– Personal business loans	87,420	1.53	1,694	1.94	55,560	1.05	1,647	2.96
– Others	99,912	1.74	1,919	1.92	96,390	1.81	1,754	1.82
Discounted bills	231,285	4.04	109	0.05	203,034	3.83	26	0.01
Total	5,729,513	100.00	96,292	1.68	5,304,275	100.00	78,043	1.47

As at the end of the Reporting Period, the balance of corporate non-performing loan was 74.815 billion, representing an increase of 15.372 billion over the end of the previous year and the non-performing loan ratio was 2.04%, representing an increase of 0.26 percentage point over the end of the previous year. The balance of personal non-performing loan was 21.368 billion, representing an increase of 2.794 billion over the end of the previous year and the impaired loan ratio was 1.17%, representing an increase of 0.11 percentage point over the end of the previous year.

Distribution of loans and non-performing loans by industry

(in millions of RMB unless otherwise stated)

	30 June 2020				31 December 2019			
	Loans	Proportion (%)	Non-performing loans	Impaired loan ratio (%)	Loans	Proportion (%)	Non-performing loans	Impaired loan ratio (%)
Corporate loans	3,668,822	64.03	74,815	2.04	3,346,476	63.09	59,443	1.78
Transportation, storage and postal services	677,212	11.82	8,369	1.24	637,943	12.03	8,665	1.36
Manufacturing	695,092	12.12	30,114	4.33	601,143	11.33	24,711	4.11
Leasing and commercial services	539,270	9.41	7,162	1.33	508,863	9.59	2,428	0.48
Water conservancy, environmental and other public facilities	323,342	5.64	198	0.06	284,797	5.37	124	0.04
Real estate	320,728	5.60	4,588	1.43	264,495	4.99	877	0.33
Wholesale and retail trade	222,936	3.89	11,383	5.11	221,381	4.17	11,601	5.24
Production and supply of electric power, heat, gas and water	218,600	3.82	2,117	0.97	215,642	4.07	1,210	0.56
Construction	157,219	2.74	2,098	1.33	135,998	2.56	2,099	1.54
Mining	122,389	2.14	4,231	3.46	117,555	2.22	2,999	2.55
Finance	113,221	1.98	11	0.01	107,865	2.03	11	0.01
Education, science, culture and public health	109,823	1.92	1,145	1.04	96,875	1.83	728	0.75
Others	94,468	1.65	2,292	2.43	93,314	1.76	2,515	2.70
Accommodation and catering	34,041	0.59	657	1.93	32,259	0.61	1,051	3.26
Information transmission, software and information technology services	40,481	0.71	450	1.11	28,346	0.53	424	1.50
Individual loans	1,829,406	31.93	21,368	1.17	1,754,765	33.08	18,574	1.06
Discounted bills	231,285	4.04	109	0.05	203,034	3.83	26	0.01
Total loans and advances	5,729,513	100.00	96,292	1.68	5,304,275	100.00	78,043	1.47

Distribution of loans and non-performing loans by region

(in millions of RMB unless otherwise stated)

	30 June 2020				31 December 2019			
	Loans	Proportion (%)	Non-performing loans	Impaired loan ratio (%)	Loans	Proportion (%)	Non-performing loans	Impaired loan ratio (%)
Northern China	721,654	12.60	8,028	1.11	689,601	13.00	5,506	0.80
North Eastern China	224,615	3.92	10,378	4.62	212,871	4.01	13,826	6.50
Eastern China	1,989,225	34.71	32,721	1.64	1,830,275	34.51	21,573	1.18
Central and Southern China	1,265,117	22.08	16,984	1.34	1,106,903	20.87	14,419	1.30
Western China	606,545	10.59	11,435	1.89	532,796	10.04	10,373	1.95
Overseas	385,018	6.72	3,824	0.99	391,517	7.38	1,213	0.31
Head Office	537,339	9.38	12,922	2.40	540,312	10.19	11,133	2.06
Total loans and advances	5,729,513	100.00	96,292	1.68	5,304,275	100.00	78,043	1.47

The impaired loan ratios of North Eastern China and Western China decreased over the end of the previous year, while those of other regions increased.

Overdue loans and advances to customers

(in millions of RMB unless otherwise stated)

	30 June 2020		31 December 2019	
Overdue period	Amount	Proportion (%)	Amount	Proportion (%)
Within 3 months	22,638	0.40	28,923	0.55
3 months to 1 year	43,216	0.75	28,618	0.53
1 to 3 years	25,300	0.44	23,661	0.45
Over 3 years	8,726	0.15	9,318	0.18
Total	99,880	1.74	90,520	1.71

As at the end of the Reporting Period, the balance of overdue loans was 99.880 billion, representing an increase of 9.360 billion over the end of the previous year. The overdue ratio was 1.74%, representing an increase of 0.03 percentage point over the end of the previous year. The balance of loans overdue over 3 months was 77.242 billion, representing an increase of 15.645 billion over the end of the previous year.

Restructured loans

(in millions of RMB unless otherwise stated)

	30 June 2020		31 December 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Restructured loans	9,178	0.16	7,634	0.14
Including: Restructured loans overdue above 3 months	4,361	0.08	1,949	0.04

Loan migration rates

(%)	30 June 2020	2019	2018
Pass loan migration rate	1.14	1.71	1.85
Special mention loan migration rate	30.28	29.76	30.01
Sub-standard migration rate loan	13.80	42.76	88.62
Doubtful loan migration rate	6.48	10.92	15.36

Note: Data calculated pursuant to the *Notice on the Distribution of the Regulatory Indicator and Calculation Formula for off Field Investigation* issued by the CBIRC.

Credit risk concentration

As at the end of the Reporting Period, the total loans of the largest single borrower of the Group accounted for 3.98% of the Group's net capital. The total loans of Top 10 customers accounted for 17.55% of the Group's net capital. The following table illustrates the loans of Top 10 single borrowers as at the end of the Reporting Period.

(in millions of RMB unless otherwise stated)

	As at 30 June 2020		
	Industry	Amount	Percentage of total loans (%)
Customer A	Transportation, storage and postal services	38,157	0.67
Customer B	Production and supply of electric power, heat, gas and water	26,300	0.46
Customer C	Manufacturing – Electronics	25,089	0.44
Customer D	Transportation, storage and postal services	15,970	0.28
Customer E	Transportation, storage and postal services	12,295	0.21
Customer F	Transportation, storage and postal services	12,000	0.21
Customer G	Transportation, storage and postal services	9,928	0.17
Customer H	Leasing and commercial services	9,850	0.17
Customer I	Transportation, storage and postal services	9,585	0.17
Customer J	Leasing and commercial services	9,000	0.16
Total of Top 10 customers		168,174	2.94

(V) Market Risk Management

Market risk refers to the risk of losses of on-and-off balance sheet businesses of the Group arising from unfavourable changes in interest rate, exchange rate, commodity price and share price. Interest rate risk and exchange rate risk are the major market risks encountered by the Group.

Based on the risk appetite of the Board of Directors, the Group proactively identified, measured, monitored, controlled and reported its market risk by methods such as quota management, risk hedging and risk transfer. As a result, the Group was able to manage its market risk exposure to an acceptable level and maximise its risk-adjusted profits.

The exchange rate risk and general interest rate risk of trading book were assessed with the use of the internal model-based approach by the Group, while the market risk not covered by the internal model-based approach was assessed under the standardised approach. In terms of the internal model-based approach, historical simulation method was adopted to calculate value at risk ("VaR") and stressed value at risk ("SVaR"), which had a historical observation period of 1 year, a holding period of 10 working days and a 99% confidence interval. Daily capital transaction positions of the Group and the most updated market data were obtained to perform position valuation and sensitivity analysis in a timely manner. In addition, using the historical simulation method, the Group measured VaR of market risks on a daily basis from different perspectives, including risk factors and investment portfolios and products and performed reverse testing to verify the accuracy of the VaR model. The results obtained using the internal model-based approach were also applied to capital measurement, quota monitoring and management, performance assessment and risk monitoring and analysis.

During the Reporting Period, the Group kept improving the market risk management system, strengthened the risk management of overseas branches, enhanced exposure monitoring and risk warning in the event of severe financial market volatility, strictly controlled the market risk exposure limits, optimised the market risk management information system and promoted the construction of a large middle ground system of market risks. The Group also optimised market risk management models and configurations, closely monitored the risk management of domestic and overseas markets, performed quantitative testing of market risk and thoroughly analysed the possible challenges in new trends of market risk regulation.

(VI) Liquidity Risk Management

The governance structure of liquidity risk management of the Group consisted of a decision-making body comprised the Board of Directors and its Special Committees and Senior Management, a supervisory body comprised the Board of Supervisors and Audit Supervision Bureau and an executive body comprised Financial Management Department, Market Department, Risk Management Department, Operations and Channel Management Department, branches, subsidiaries and Head Office's departments in charge of each business.

The Group's liquidity risk management goal was to establish and improve the liquidity risk management, effectively identify, measure, monitor and manage the liquidity risk at legal person level and group level, subsidiaries, branches and business lines to ensure that the liquidity needs can be timely satisfied at a reasonable cost.

The Group annually determined liquidity risk appetite according to business strategies, business characteristics, financial strength, financing abilities, overall risk appetite and market influence. According to the liquidity risk appetite, the Group formulated written liquidity risk management strategies, policies and procedures. The strategies and policies of liquidity risk management covered all on-and off-balance sheet businesses, as well as all business departments, branches and subsidiaries that might have a significant impact on liquidity risk at home and abroad and included liquidity risk management under normal and stressful conditions.

During the Reporting Period, the Group implemented the *Rules on Liquidity Risk Management of Commercial Group* issued by the CBIRC. Various businesses of the Group were developed in a coordinative manner under a stable liquidity risk condition with satisfactory liquidity indicators under regulatory requirements of liquidity ratio, liquidity coverage ratio, net stable funding ratio and liquidity matching ratio. In accordance with regulatory policy requirements and the need for deepening reform across the Bank, the Group further strengthened on-and off-balance sheet liquidity risk management. By forecasting in advance and performing cash flow calculation and analysis, the Group reinforced the coordination and integration to improve financing management and high quality liquid assets (HQLA) management, continuously monitored to ensure daytime liquidity security and liquidity limit controllable and launched regular stress testing for liquidity risk. The results of stress tests showed that liquidity risk was in a controllable range under various pressures scenarios.

The table below shows the liquidity ratio indicator of the Group as at the end of the Reporting Period:

	Standard Value	30 June 2020	31 December 2019	31 December 2018
Liquidity ratio (%)	≥25	**72.44**	72.92	68.73

Note: Calculated according to the regulatory calibre of the CBIRC.

The liquidity coverage ratio is the ratio of HQLA to net cash outflows in the following 30 days. The Group's HQLA mainly included cash, reserves that can be withdrawn from the central bank under stress scenarios and bonds that meet the definition of primary and secondary assets in the *Administrative Measures for Liquidity Risk Management of Commercial Banks*. According to the *Administrative Measures for Liquidity Risk Management of Commercial Banks*, commercial banks with an asset scale no less than RMB200.0 billion should always meet the minimum regulatory standards with a liquidity coverage ratio not less than 100%. The daily average liquidity coverage ratio of the Group during the second quarter of 2020 was 126.53% (the daily average within the quarter is the arithmetic average of daily data of the quarter, the number of average of daily data is 91). The ratio decreased by 3.2 percentage points over the previous quarter mainly due to the decrease of HQLA.

The net stable funding ratio is the ratio of available stable funds to the required stable funds. The aim is to ensure that commercial banks have sufficient sources of stable fund to meet the demand for stable funds from all types of assets and off-balance-sheet exposures. According to the *Administrative Measures for Liquidity Risk Management of Commercial Banks*, commercial banks with an asset scale no less than RMB200.0 billion should always meet the minimum regulatory standards with a net stable funding ratio not less than 100%. The Group's net stable funding ratio for the first quarter of 2020 was 109.72%, representing a decrease of 0.3 percentage point over the previous quarter, which was mainly due to the increase in loans and securities. During the second quarter of 2020, the net stable funding ratio was 109.77%, representing an increase of 0.05 percentage point over the previous quarter, which was mainly due to the increase of wholesale funding.

For more details about the liquidity coverage ratio and detailed items during the second quarter of 2020, and the net stable funding ratio and detailed items of the first two quarters of 2020, please refer to "Supplementary Information on Leverage Ratio, Liquidity Coverage Ratio and Net Stable Funding Ratio".

(VII) Operational Risk Management

The Group developed comprehensive operational risk management system dealing with the nature, scale and product complexity of the Group's businesses. The Group also standardised the procedures of operational risk controls, control assessment, lost data collection, key risk indicator monitoring and operational risk management. During the Reporting Period, the Group strengthened operational risk management, improved the operational risk management and risk assessment mechanism, carried out operational control assessment on key processes and established an integrated business continuity management at home and abroad to extend outsourcing risk management mechanism to the whole Group.

(VIII) Legal Compliance and Anti-money Laundering

The Group attached great importance to legal compliance risk management. The Board of Directors, Senior Management and the subordinate special committees discussed and approved important legal compliance matters and deployed and promoted key legal compliance activities. During the Reporting Period, the Group strengthened the risk management and control of major sectors, critical areas and important links, promoted the development of long-term mechanisms for overseas compliance management, boosted the construction of compliance culture and enhanced the legal compliance guarantee for operation and management.

During the Reporting Period, the Group further intensified the anti-money laundering (sanctions compliance) management, improved the anti-money laundering management structure of the Head Office, optimised the anti-money laundering process, strengthened the integration of anti-money laundering management and businesses, improved the anti-money laundering data governance and advocated the establishment of anti-money laundering system.

(IX) Reputation Risk Management

The Group established and improved the reputation risk management framework. Negative comments from various stakeholders regarding the Bank's operation, management, any other behaviours or external events were well managed. Situations regarding reputation risk were appropriately handled.

The Group continued to improve reputation risk management system and mechanism, intensified the identification, warning, assessment and monitoring of reputation risk and promptly adjusted corresponding strategy and measures. During the Reporting Period, negative public opinions were actively handled and reputational risk was under control. No event occurred regarding significant reputational risk.

(X) Cross-Industry, Cross-Border and Country Risk Management

The Group set up the risk management system across industries and boarders characterised by "Centralised Management, Clear Task Allocation, Complete and Adequate System Tools, IT Support, Risk Quantification, and Consolidation of Substantially Controlled Entities". With such system, the Group promoted the risk management of subsidiaries and overseas institutions with consideration of the Group's requirements and the specific requirements from local authorities in order to prevent additional risk from operation across industries and boarders.

During the Reporting Period, the Group strengthened risk management across industries and borders. In view of the uncertainty caused by the spread of the pandemic overseas, the Group intensified the prevention and control of the pandemic in overseas institutions to ensure stable operation of business. In addition, the Group also strengthened management of key areas such as liquidity, business continuity, asset quality and pandemic prevention for staff in overseas institutions. The Group enhanced the consolidation management, issued the *Measures on Consolidation Management of Bank of Communications (2020)*, continuously optimised consolidation management system, provided better guidance and evaluated subsidiaries' consolidation management. The Group implemented country risk management, optimised country risk limit plans, regularly monitored country risk exposures and timely carried out country risk rating, assessment and indication.

(XI) Management of Large Exposure Risk

The Group thoroughly implemented the requirements of the *Administrative Measures for the Large Exposures of Commercial Banks* issued by the CBIRC, emphasised the importance on the management of large exposure risk, proactively promoted the construction of management system and optimised management process and organisation structure. The Group differentiated the management requirements and responsibilities for large exposure of different customers. Such differentiations helped to improve the Group's ability to prevent systematic and regional risks. During the Reporting Period, the Group's large exposure risk indicators met the regulatory requirements.

V. OVERVIEW OF MAJOR SUBSIDIARIES

Bank of Communications Schroder Fund Management Co., Ltd. It was set up in August 2005 with a registered capital of 0.2 billion, jointly contributed by the Bank, Schroder Investment Management Limited and China International Marine Containers (Group) Co., Ltd., accounting for 65%, 30% and 5% respectively. The primary businesses include the fund raising, fund sales and asset management. As at the end of the Reporting Period, the company's total assets and net assets were 4.865 billion and 3.979 billion respectively. The company's net profits during the Reporting Period were 499 million.

Bank of Communications International Trust Co., Ltd. It was set up in October 2007 with registered capital of 5.765 billion, of which the Bank and Hubei Provincial Communications Investment Group Co., Ltd. contributed 85% and 15% respectively. The main business scope includes trust loans, investment fund trusts, accounts receivable financing, real estate trusts, family trusts, charitable trusts, credit asset securitisation, corporate asset securitisation, qualified domestic institutional investor (QDII) and private equity investment trusts. As at the end of the Reporting Period, the company's total assets and the assets under management (AUM) were 14.417 billion and 705.696 billion respectively. The company's net profits during the Reporting Period were 613 million.

Bank of Communications Financial Leasing Co., Ltd. As the Bank's wholly-owned subsidiary, it was set up in December 2007 with a registered capital of 14.0 billion. The main business scope includes financial leasing and operating leasing in such key sectors as aviation, shipping and energy power, transportation infrastructure, equipment manufacturing and livelihood services. As at the end of the Reporting Period, the company's total assets and net assets were 277.423 billion and 31.197 billion respectively. The company's net profits during the Reporting Period were 1.590 billion.

BoCommLife Insurance Company Limited. It was set up in January 2010 with a registered capital of 5.1 billion, of which the Bank and the Commonwealth Bank of Australia contributed 62.50% and 37.50% respectively. The business scope includes life insurance, health insurance, accident insurance and reinsurance businesses of the aforementioned insurances. As at the end of the Reporting Period, the company's total assets and net assets were 64.472 billion and 6.808 billion respectively. The company's net profits during the Reporting Period were 321 million.

BoCom International Holdings Company Limited. It was set up in June 1998 (formerly known as Communications Securities Co., Ltd. It changed its name to BoCom International Holdings Company Limited in May 2007). It was listed on the main board of Hong Kong Stock Exchange on 19 May 2017. As at the end of the Reporting Period, the Bank's shareholding in BoCom International Holdings Company Limited was 73.14%. The main business of BoCom International is divided into four major sections, namely, securities brokerage and margin financing, corporate finance and underwriting, asset management and consulting, and investment and loan. For the operation result and related information of the company, please refer to the result announcement published on the Hong Kong Stock Exchange on 26 August 2020.

China BoCom Insurance Co., Ltd. As a wholly-owned subsidiary of the Bank, it was set up in November 2000 with a registered capital of HKD0.4 billion. The business scope includes all kinds of general insurance businesses approved by the Insurance Authority of Hong Kong. As at the end of the Reporting Period, the company's total assets and net assets were HKD0.819 billion and HKD0.563 billion respectively. The company's net profits during the Reporting Period were HKD6.58 million.

BOCOM Financial Asset Investment Co., Ltd. As a wholly-owned subsidiary of the Bank, it was set up in December 2017 with a registered capital of 10.0 billion. As one of the first pilot banks to implement debt-to-equity conversion as determined by the State Council, it is mainly engaged in debt-to-equity conversion and supporting services. As at the end of the Reporting Period, the company's total assets and net assets were 45.230 billion and 10.290 billion respectively. The company's net profits during the Reporting Period were 0.195 billion.

BOCOM Wealth Management Co., Ltd. As a wholly-owned subsidiary of the Bank, it was set up in June 2019 with a registered capital of 8.0 billion. It primarily issues public and private wealth management products and provides relevant asset management services such as wealth management advisory and consultation. As at the end of the Reporting Period, the company's total assets and net assets were 8.472 billion and 8.391 billion respectively. The company's net profits during the Reporting Period were 0.304 billion.

Dayi BoCom Xingmin Rural Bank Co., Ltd. It was opened in September 2008, with a registered capital of 60.00 million. The Bank holds 61% of its shares.

Zhejiang Anji BoCom Rural Bank Co., Ltd. It was opened in April 2010, with a registered capital of 0.18 billion. The Bank holds 51% of its shares.

Xinjiang Shihezi BoCom Rural Bank Co., Ltd. It was opened in May 2011, with a registered capital of 0.15 billion. The Bank holds 51% of its shares.

Qingdao Laoshan BoCom Rural Bank Co., Ltd. It was opened in September 2012, with a registered capital of 0.15 billion. The Bank holds 51% of its shares.

The business scope of the four rural banks includes absorbing deposits from the public, granting short-term, medium and long-term loans, processing domestic settlement, operating bill acceptance and discounting, engaging in inter-bank lending and borrowing and card business, carrying out agency issuance and agency settlement, underwriting treasury bonds, carrying out agency payment and agency insurance business, and other businesses approved by the CBIRC.

As at the end of the Reporting Period, the four rural banks' total assets, net assets, the balance due to customers and the balance of loans to customers were 8.418 billion, 0.646 billion, 7.224 billion and 4.704 billion respectively.

VI. OUTLOOK

Since 2020, the pandemic of COVID-19 has spread around the world, becoming the most severe shock to hit the global economy after the 2008 global financial crisis. With the normalization of domestic pandemic prevention and control and gradual improvements in domestic demand, China's economy is recovering and expects the positive economic growth over the year. Overall, both opportunities and challenges exist in the banking industry.

In the second half of 2020, the Group will continue to uphold the new concept of development, focus on value creation and adhere to stable operations with the key of the geographic advantage of Shanghai and Fintech. In addition, the Group will strengthen profitability, facilitate risk disposals and continue to create value for shareholders, customers and employees.

Firstly, to stabilize income. The Group will stabilize income via asset side structural adjustment, reduce cost via liability side management, increase volume via revenue transaction, promote influence via "geographic" advantages of being based in Shanghai, increase efficiency via sophisticated management, encourage the customer transaction within the Bank and enhance the income-generating abilities.

Secondly, to manage risks. The Group will accelerate the clearance of existing non-performing loans, innovate the means of preservation. The Group will also strengthen the increments control, strengthen the Group's unified credit risk control. The risk management via intelligence will be upgraded to improve the core capabilities of risk management. Staff strictly followed the compliance culture under the high pressure.

Thirdly, to win customers. The Group will effectively integrate service solutions with marketing organisations, speed up the transformation from a traditional "credit intermediary" to an "integrated financial service provider", realise cluster cooperation and value chain penetration, link up the excellent products more accessible to long-tail customers to build up BoCom product ecosystem.

Fourthly, to transform mode. The Group will continue Fintech path, promote the execution of Fintech for front line businesses and build up the operation management via Fintech. The Group will actively participate in the pilot projects of Fintech monitoring. In addition, the Group will facilitate the construction of middle platform and data monitoring to improve the internal and external data transmission system.

CHANGES IN ORDINARY SHARES AND SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL OF ORDINARY SHARES

As at the end of the Reporting Period, the Bank issued a total of 74,262,726,645 ordinary shares including 39,250,864,015 A shares and 35,011,862,630 H shares, which accounted for 52.85% and 47.15%, respectively. All the ordinary shares issued by the Bank are not subject to sales restrictions.

	30 June 2020		Increase or decrease during the Reporting Period	31 December 2019	
	Number of shares (share)	Percentage (%)		Number of shares (share)	Percentage (%)
I. Shares subject to sales restrictions	–	–	–	–	–
II. Shares not subject to sales restrictions	74,262,726,645	100.00	–	74,262,726,645	100.00
1. Renminbi ordinary shares	39,250,864,015	52.85	–	39,250,864,015	52.85
2. Domestically-listed foreign shares	–	–	–	–	–
3. Overseas-listed foreign shares	35,011,862,630	47.15	–	35,011,862,630	47.15
III. Total shares	**74,262,726,645**	**100.00**	**-**	**74,262,726,645**	**100.00**

II. SHAREHOLDERS OF ORDINARY SHARES

As at the end of the Reporting Period, the total number of shareholders of ordinary shares of the Bank was 362,171, of which 328,269 were shareholders of A shares and 33,902 were shareholders of H shares.

(I) Shareholdings of Top 10 Ordinary Shareholders as at the end of the Reporting Period[1]

Name of shareholders (Full name)	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares	Shares pledged or frozen	Nature of shareholders
The Ministry of Finance of the People's Republic of China	–	13,178,424,446	17.75	A Share	Nil	The State
	–	4,553,999,999	6.13	H share	Nil	
HKSCC Nominees Limited[2]	1,819,761	14,970,008,105	20.16	H share	Unknown	Foreign legal person
The Hong Kong and Shanghai Banking Corporation Limited[3]	–	13,886,417,698	18.70	H share	Nil	Foreign legal person
The National Council for Social Security Fund[4]	–	1,134,886,185	1.53	A Share	Nil	The State
	–	1,405,555,555	1.89	H share	Nil	
China Securities Finance Corporation Limited	–	2,222,588,791	2.99	A Share	Nil	State-owned legal person
The Sixth Transfer Account for State-owned Capital of the National Council for Social Security Fund[4]	–	1,970,269,383	2.65	A Share	Nil	The State
Capital Airport Holding Company	–	1,246,591,087	1.68	A Share	Nil	State-owned legal person
Shanghai Haiyan Investment Management Co., Ltd.[5]	–	808,145,417	1.09	A Share	Nil	State-owned legal person
Wutongshu Investment Platform Co., Ltd.	–	794,557,920	1.07	A Share	Nil	State-owned legal person
Yunnan Hehe (Group) Co., Ltd.[5]	–	745,305,404	1.00	A Share	Nil	State-owned legal person

Notes:

1. The relevant data and information are extracted from the Bank's register of members at the Registrar and Transfer Office.
2. The aggregate number of shares held by the nominee, HKSCC Nominees Limited, represents the total number of H shares of the Bank held by all institutional and individual investors who maintained an account with it as at the end of the Reporting Period.
3. According to the disclosure forms of interests filed with the Hong Kong Stock Exchange by HSBC Holdings plc, **HSBC beneficially held 14,135,636,613 H shares of the Bank as at the end of the Reporting Period, representing 19.03% of the Bank's total ordinary shares issued**. HSBC beneficially held 249,218,915 more H shares than shown on the Bank's register of members. The discrepancy is due to a purchase of H shares by HSBC from the secondary market in 2007 and a bonus share issued by the Bank. Those extra shares have been registered under HKSCC Nominees Limited. Please refer to "Substantial shareholders and holders of interests or short positions required to be disclosed under Divisions 2 and 3 of Part XV of the *Securities and Futures Ordinance ("**SFO**")*" for details of the H shares that deemed to be beneficially owned by HSBC.

4. The SSF and the Sixth Transfer Account for State-owned Capital of the SSF are in the relationship of acting in concert. Other than the shareholdings recorded in the table above, the SSF transferred 742,627,266 A shares in May 2019, representing 1% of total share capital, to the designated account of reduction of shares, "CITIC Securities Co., Ltd. — Social Security Fund Share Flexible Portfolio". The SSF held additional 7,649,484,777 H shares of the Bank, of which 7,027,777,777 H shares were registered under HKSCC Nominees Limited and 621,707,000 H shares were indirectly held by certain asset managers (including Hong Kong Stock Connect). **As at the end of the Reporting Period, the SSF held a total of 12,902,823,166 A shares and H shares of the Bank, representing 17.37% of the Bank's total ordinary shares issued.**
5. Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd. are parties acting in concert as defined under *Provisional Measures on Shareholdings Administration of Commercial Banks*. The Bank is not aware of the existence of any related relationship among the other top 10 ordinary shareholders, or whether they are parties acting in concert as defined in *Provisional Measures on Shareholdings Administration of Commercial Banks.*

(II) Controlling Shareholders/Actual Controllers

There is no controlling shareholder or actual controller of the Bank.

(III) Institutional Shareholders Holding 10% or more of the Issued Share Capital of the Bank[1]

Name of institutional shareholders	Person in charge or legal representative	Date of incorporation	Organization Code/Business Registration No./Unified Social Credit Code	Registered Capital	Main responsibilities or management activities
The Ministry of Finance of the People's Republic of China	Liu Kun	October 1949	00001318-6	N/A	Division of the State Council, in charge of national financial revenue and expenditure as well as fiscal and taxation policies.
The Hong Kong and Shanghai Banking Corporation Limited	Peter Wong Tung Shun	1865	00173611-000	N/A[2]	Primarily provide local and international banking services and related financial services in Asia-Pacific region.
The National Council for Social Security Fund	Liu Wei	August 2000	12100000717800822N	RMB8.00 million	Under the management of Ministry of Finance and an independent legal entity responsible for managing and operating national social security fund.

Notes:
1. Excluding HKSCC Nominees Limited.
2. As at the end of the Reporting Period, HSBC issued ordinary share capital of HKD116.1025 billion and USD7.198 billion, divided into 46.4410 billion ordinary shares.

According to the regulation of Provisional Measures on the Shareholdings Administration of Commercial Banks, the overview of the substantial shareholders and their controlling shareholders, actual controllers, parties acting in concert and ultimate beneficiary as stated above as at the end of the Reporting Period are as follows:

Name of shareholder	Controlling shareholder	Actual controller	Parties acting in concert	Ultimate beneficiary
The Ministry of Finance of the People's Republic of China	N/A	N/A	Nil	N/A
The Hong Kong and Shanghai Banking Corporation Limited	HSBC Asia Holdings Limited	HSBC Holdings plc	Nil	HSBC Holdings plc
The National Council for Social Security Fund	N/A	N/A	Nil	N/A

Details of related party transactions among the Bank and the Ministry of Finance, HSBC and the SSF are disclosed in Note 44 to the Consolidated Financial Statements.

(IV) Other Substantial Shareholders

In accordance with *Provisional Measures on the Shareholdings Administration of Commercial Banks*, substantial shareholders of the Bank other than the Ministry of Finance, HSBC and the SSF are as follow:

1. China National Tobacco Corporation. According to the information provided by China National Tobacco Corporation, 7 shareholders of the Bank (affiliated enterprises of China National Tobacco Corporation) entrusted China National Tobacco Corporation to exercise their voting rights on behalf of them. As at the end of the Reporting Period, the above 7 shareholders together held 3.00% of shares of the Bank. China National Tobacco Corporation and the above 7 shareholders did not pledge the shares of the Bank. China National Tobacco Corporation was established on 15 December 1983 with the registered capital of 57.0 billion and its legal representative was Zhang Jianmin. The Ministry of Finance performed the duties of investor on behalf of The State Council.

2. Capital Airport Holding Company. As at the end of the Reporting Period, Capital Airport Holding Company held 1.68% of the shares of the Bank and did not pledge the shares of the Bank. Capital Airport Holding Company was established on 13 June 1988 with the registered capital of 12.0 billion and its legal representative was Liu Xuesong. The shareholder's wholly-owned controlling shareholder was Civil Aviation Administration of China. As at the end of the Reporting Period, the balance of loans of Capital Airport Holding Company in the Bank was 582 million.

3. Aviation Industry Corporation of China, Ltd. As at the end of the Reporting Period, Aviation Industry Corporation of China, Ltd. held 0.40% of the Bank's shares and did not pledge the shares of the Bank. Aviation Industry Corporation of China, Ltd. was established on 6 November 2008 with registered capital of 64.0 billion and its legal representative was Tan Ruishong. The shareholder's wholly-owned controlling shareholder was State-owned Assets Supervision and Administration Commission of the State Council.

4. Daqing Petroleum Administration Bureau. As at the end of the Reporting Period, Daqing Petroleum Administration Bureau held 0.40% of the Bank's shares and did not pledge the shares of the Bank. Daqing Petroleum Administration Bureau was established on 14 September 1991 with registered capital of 46.5 billion and its legal representative was Sun Longde. The shareholder's wholly-owned controlling shareholder was China's National Petroleum Corporation.

The transactions between the Bank and the above shareholders were conducted in accordance with general commercial terms and conditions and the terms were fair and reasonable.

(V) Substantial Shareholders and Holders of Interests or Short Positions Required to be Disclosed under Divisions 2 and 3 of Part XV of the *SFO*

As at the end of the Reporting Period, to the knowledge of the Directors, Supervisors and Chief Executive of the Bank, the substantial shareholders and other persons (excluding the Directors, Supervisors and Chief Executive of the Bank) who had interests or short positions in the shares or underlying shares of the Bank as recorded in the register required to be kept pursuant to Section 336 of the *SFO* are as follows:

Name of substantial shareholders	Capacity	Number of A shares	Nature of interest[1]	Approximate percentage of total issued A shares (%)	Approximate percentage of total issued shares (%)
Ministry of Finance of the People's Republic of China	Beneficial owner	13,178,424,446[2]	Long position	33.57	17.75
The National Council for Social Security Fund	Beneficial owner	3,847,782,834[3]	Long position	9.80	5.18

Name of substantial shareholders	Capacity	Number of H shares	Nature of interest[1]	Approximate percentage of total issued H shares (%)	Approximate percentage of total issued shares (%)
The National Council for Social Security Fund	Beneficial owner	9,055,040,332[3]	Long position	25.86	12.19
Ministry of Finance of the People's Republic of China	Beneficial owner	4,553,999,999[2]	Long position	13.01	6.13
HSBC Holdings plc	Interests of controlled corporations	14,135,636,613[4]	Long position	40.37	19.03

Notes:

1. Long positions held other than through equity derivatives.
2. To the knowledge of the Bank, as at the end of the Reporting Period, the Ministry of Finance held 4,553,999,999 H shares and 13,178,424,446 A shares of the Bank, representing 6.13% and 17.75% of the total ordinary shares issued by the Bank, respectively.
3. To the knowledge of the Bank, as at the end of the Reporting Period, the SSF held 9,055,040,332 H shares and 3,847,782,834 A shares (please refer to details in Shareholdings of Top 10 Ordinary Shareholders and relevant notes) of the Bank, representing 12.19% and 5.18% of the total ordinary shares issued by the Bank, respectively.
4. HSBC Holding plc wholly owns HSBC Asia Holdings Limited, which wholly owns HSBC. HSBC beneficially held 14,135,636,613 H shares of the Bank. Pursuant to the SFO, HSBC Holding plc was deemed to own the interests associated with the 14,135,636,613 H shares held by HSBC.

Save as disclosed above, as at the end of Reporting Period, no other person (excluding the Directors, Supervisors and Chief Executive of the Bank) or corporation was recorded in the register required to be kept under Section 336 of the SFO as holding any interests or short positions in the shares or underlying shares of the Bank that would fall to be disclosed to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

INFORMATION OF PREFERENCE SHARES

I. ISSUANCE AND LISTING OF PREFERENCE SHARES IN THE LAST THREE YEARS

The Bank did not issue preferred shares during the last three years.

II. INFORMATION OF PREFERENCE SHAREHOLDERS

As at the end of the Reporting Period, the total number of domestic preference shareholders was 41 and that of offshore preference shareholders was 1.

(I) Top 10 Domestic Preference Shareholders and their Shareholdings as at the end of the Reporting Period

Name of shareholders	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares held	Shares pledged or frozen	Nature of Shareholders
China Mobile Communications Corporation	–	100,000,000	22.22	Domestic preference share	Nil	State-owned legal person
AXA SPDB Investment Managers – SPDB – Shanghai Pudong Development Bank Shanghai Branch	–	20,000,000	4.44	Domestic preference share	Nil	Others
CCB Trust Co., Ltd. – "Qian Yuan – Ri Xin Yue Yi" open-ended wealth management single fund trust	–	20,000,000	4.44	Domestic preference share	Nil	Others
Truvalue Asset Management – CMBC – China Merchants Bank Co., Ltd.	–	20,000,000	4.44	Domestic preference share	Nil	Others
Bosera Funds – ICBC – Bosera – ICBC – Flexible Allocation No. 5 Specific Multi-customer Asset Management Plan	–	20,000,000	4.44	Domestic preference share	Nil	Others
Wisdom Asset Management – Ping An Bank – Ping An Bank Co., Ltd.	–	20,000,000	4.44	Domestic preference share	Nil	Others
China Ping An Life Insurance Co., Ltd. – Self-owned capital	–	18,000,000	4.00	Domestic preference share	Nil	Others
China CITIC Bank Corporation Limited – Hui Ying Series of CITIC Banking	–	18,000,000	4.00	Domestic preference share	Nil	Others
China National Tobacco Corporation – Henan Branch	–	15,000,000	3.33	Domestic preference share	Nil	State-owned legal person
China Life Property & Casualty Insurance Company Limited – Traditional – Common insurance product	–	15,000,000	3.33	Domestic preference share	Nil	Others

Notes:

1. Shareholdings of domestic preference shareholders are summarised according to the Bank's register members of domestic preference shareholders.
2. "Percentage" refers to the percentage of number of domestic preference shares held by domestic preference shareholders in the total number of domestic preference shares.
3. The Bank is not aware of the existence of any related relationship among the top 10 domestic preference shareholders, the above shareholders and top 10 ordinary shareholders, or whether they are parties acting in concert.

(II) Offshore Preference Shareholders and their Shareholdings as at the end of the Reporting Period

Name of shareholders	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares held	Shares pledged or frozen	Nature of shareholders
DB Nominees (Hong Kong) Limited	–	122,500,000	100.00	Offshore preference share	Unknown	Foreign legal person

Notes:

1. Shareholdings of offshore preference shareholders are summarised according to the Bank's register members of offshore preference shareholders.
2. DB Nominees (Hong Kong) Limited, as a trustee, held 122,500,000 offshore preference shares, accounting for 100% of the Bank's total offshore preference shares, on behalf of all assignees in clearing systems Euroclear and Clearstream as at the end of the Reporting Period.
3. "Percentage" refers to the percentage of number of offshore preference shares held by offshore preference shareholders in the total number of offshore preference shares.
4. The Bank is not aware of the existence of any related relationship among the offshore preference shareholders and top 10 ordinary shareholders, or whether they are parties acting in concert.

III. DIVIDENDS DISTRIBUTION OF PREFERENCE SHARES

In accordance with the resolution and authorisation of the Shareholders' General Meeting, the 8th meeting of the 9th Session of Board of Directors of the Bank was held on 27 March 2020, during which the proposal for the dividend distribution of the offshore preference shares and the dividend distribution of the domestic preference shares were approved.

The total amount of offshore preference shares' dividend amounted to USD136,111,111.11, including USD122,500,000 paid to preference shareholders at the after-tax dividend rate of 5% under the terms of issuance of the offshore preference shares. In addition, in accordance with relevant laws and regulations, 10% withholding income tax of USD13,611,111.11 was withheld by the Bank on behalf of offshore preference shareholders. The above dividends were fully paid on 29 July 2020.

The dividend on domestic preference shares were calculated at the nominal dividend yield of 3.90% and amounted to 1,755,000,000 (including tax), which will be distributed on 07 September 2020.

Please refer to the announcement the Bank published for the details of the dividend distribution of preference shares.

IV. REDEMPTION AND CONVERSION OF PREFERENCE SHARES

In July 2015, the Bank issued USD2.45 billion offshore preference shares. On 27 March 2020, *the Proposal in Relation to Exercising the Redemption Right on the Offshore Preference Shares by Bank of Communications Co., Ltd.* was passed at the 8th meeting of the 9th Session of Board of Directors of the Bank. In June 2020, the Bank received a no objection letter from the CBIRC, regarding the Bank's redemption of USD2.45 billion offshore preference shares. In accordance with the terms and conditions of offshore preference shares, the Bank redeemed all of the aforementioned offshore preference shares on 29 July 2020. The redemption price of each offshore preference share is equal to the aggregate of the issue price (that is, the amount of liquidation preference) of each offshore preference share plus any declared but unpaid dividend accrued in respect of the period from (and including) the immediately preceding dividend payment date to (but excluding) the redemption date in respect of each offshore preference share. The aggregate price of the redemption amounted to USD2.5725 billion. There are no outstanding offshore preference shares after the redemption and cancellation of the aforementioned ones.

During the Reporting Period, there is no conversion of preference shares.

V. RESTORATION OF VOTING RIGHTS

During the Reporting Period, the Bank did not restore any voting rights of preference shares.

VI. ACCOUNTING POLICY FOR PREFERENCE SHARES AND ITS RATIONALE

According to *Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments* issued by the Ministry of Finance, *International Financial Report Standards 9 – Financial Instruments and International Accounting Standards 32 – Financial Instruments: Presentation* issued by International Accounting Standards Board as well as terms and conditions of the preference shares, the issuance of preference shares was classified as equity instruments.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND HUMAN RESOURCE MANAGEMENT

I. MEMBERS OF BOARD OF DIRECTORS

As at the date of this report, the members of the Board of Directors of the Bank are as below:

Name	Position	Name	Position
Ren Deqi	Chairman of the Board of Directors and Executive Director	Liu Haoyang	Non-executive Director
Liu Jun	Vice Chairman of the Board of Directors, Executive Director and President	Liu Li	Independent Non-executive Director
He Zhaobin	Non-executive Director	Jason Yeung Chi Wai	Independent Non-executive Director
Song Guobin	Non-executive Director	Raymond Woo Chin Wan	Independent Non-executive Director
Li Longcheng	Non-executive Director	Cai Haoyi	Independent Non-executive Director
Chan Siu Chung	Non-executive Director	Shi Lei	Independent Non-executive Director
Song Hongjun	Non-executive Director	Zhang Xiangdong	Independent Non-executive Director
Chen Junkui	Non-executive Director		

Notes:

1. Mr. Ren Deqi resigned as President of the Bank on 13 December 2019 and served as Acting President from 13 December 2019 to 6 July 2020.
2. Mr. Liu Jun has served as Vice Chairman of the Board of Directors and Executive Director of the Bank since 5 August 2020.
3. Mr. Zhang Xiangdong has served as Independent Non-executive Director of the Bank since 21 August 2020. In accordance with the resolution of 2019 Shareholders' Annual General Meeting, Ms. Li Jian no longer served as Independent Non-executive Director of the Bank since 21 August 2020.

II. MEMBERS OF THE BOARD OF SUPERVISORS

As at the date of this report, the members of the Board of Supervisors of the Bank are as below:

Name	Position	Name	Position
Zhang Minsheng	Shareholder Supervisor	Ju Jiandong	External Supervisor
Wang Xueqing	Shareholder Supervisor	Chen Qing	Employee Supervisor
Xia Zhihua	External Supervisor	Du Yarong	Employee Supervisor
Li Yao	External Supervisor	Guan Xingshe	Employee Supervisor
Chen Hanwen	External Supervisor	Wang Xuewu	Employee Supervisor

III. SENIOR MANAGEMENT

As at the date of this report, the members of Senior Management of the Bank are as below:

Name	Position	Name	Position
Liu Jun	President	Gu Sheng	Secretary of the Board of Directors
Yin Jiuyong	Executive Vice President	Tu Hong	Chief Business Officer (Interbank and Market Business Sector)
Guo Mang	Executive Vice President	Zhang Hui	Chief Risk Officer
Zhou Wanfu	Executive Vice President	Ng Siu On	BoCom-HSBC Strategic Cooperation Consultant

Notes:

1. Mr. Liu Jun has served as President of the Bank since 7 July 2020.
2. Mr. Zhou Wanfu has served as Executive Vice President of the Bank since 3 July 2020.
3. Mr. Zhang Hui has served as Chief Risk Officer of the Bank since 3 July 2020.
4. Mr. Lyu Jiajin resigned as Executive Vice President of the Bank on 20 July 2020.
5. Mr. Xu Han resigned as Chief Business Officer (Retail and Private Business Sector) of the Bank on 2 July 2020.

IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Newly Elected/Appointed

Name	Position	Change
Liu Jun	Vice Chairman of the Board of Directors, Executive Director and President	Elected as Vice Chairman of the Board of Directors and Executive Director at Shareholder's General Meetings, appointed as President by the Board of Directors
Li Longcheng	Non-executive Director	Elected at Shareholders' General Meetings
Liao Yijian	Non-executive Director (designated)	Elected at Shareholders' General Meetings
Zhang Xiangdong	Independent Non-executive Director	Elected at Shareholders' General Meetings
Li Xiaohui	Independent Non-executive Director (designated)	Elected at Shareholders' General Meetings
Zhang Minsheng	Shareholder Supervisor	Elected at Shareholders' General Meetings
Ju Jiandong	External Supervisor	Elected at Shareholders' General Meetings
Zhou Wanfu	Executive Vice President	Appointed by the Board of Directors
Zhang Hui	Chief Risk Officer	Appointed by the Board of Directors

Resigned/Retired

Name	Ex-position	Change
Hou Weidong	Ex-Executive Director	Retired (due to retirement)
Wang Taiyin	Ex-Non-executive Director	Retired (due to job assignment)
Li Jian	Ex-Independent Non-executive Director	Retired (due to expiration of the term)
Tang Xinyu	Ex-External Supervisor	Retired (due to expiration of the term)
Lyu Jiajin	Ex-Executive Vice President	Resigned (due to job assignment)
Xu Han	Ex-Chief Business Officer (Retail and Private Business Sector)	Resigned (due to job assignment)

V. CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, Mr. Raymond Woo Chin Wan, Independent Non-executive Director of the Bank, no longer served as Independent Non-executive Director of Dah Chong Hong Holdings Limited. Mr. Chen Hanwen, External Supervisor of the Bank, served as an Independent Non-executive Director of China Shenhua Energy Company Limited and no longer served as Independent Non-executive Director of Yango Group Co., Limited.

VI. SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Class of shares	Number of shares held at the beginning of the Reporting Period (share)	Increase (or decrease) in shareholdings during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Reason for changes
Ren Deqi	Chairman of the Board of Directors and Executive Director	A share	–	–	–	–
		H share	100,000	–	100,000	–
He Zhaobin	Non-executive Director	A share	20,000	–	20,000	–
		H share	–	–	–	–
Song Guobin	Non-executive Director	A share	20,000	–	20,000	–
		H share	–	–	–	–
Chan Siu Chung	Non-executive Director	A share	–	–	–	–
		H share	49,357	–	49,357	–
Chen Qing	Employee Supervisor	A share	40,000	–	40,000	–
		H share	20,000	–	20,000	–
Du Yarong	Employee Supervisor	A share	60,000	–	60,000	–
		H share	20,000	–	20,000	–
Wang Xuewu	Employee Supervisor	A share	25,000	–	25,000	–
		H share	–	–	–	–
Guo Mang	Executive Vice President	A share	50,000	–	50,000	–
		H share	–	–	–	–
Gu Sheng	Secretary of the Board of Directors	A share	66,100	–	66,100	–
		H share	21,000	–	21,000	–
Tu Hong	Chief Business Officer (Interbank and Market Business Sector)	A share	–	–	–	–
		H share	50,000	–	50,000	–
Zhang Hui	Chief Risk Officer	A share	45,000	–	45,000	–
		H share	20,000	–	20,000	–
Ng Siu On	BoCom-HSBC Strategic Cooperation Consultant	A share	–	–	–	–
		H share	30,000	–	30,000	–
Resigned/Retired Directors, Supervisors and Senior Management						
Hou Weidong	Executive Director and Executive Vice President	A share	80,000	–	80,000	–
		H share	20,000	–	20,000	–
Wang Taiyin	Non-executive Director	A share	80,000	–	80,000	–
		H share	50,000	–	50,000	–
Xu Han	Chief Business Officer (Retail and Private Business Sector)	A share	50,000	–	50,000	–
		H share	30,000	–	30,000	–

Additionally, Mr. Chan Siu Chung, Director of the Bank, held 98 shares of H shares of BoCom International Holdings Company Limited. Save as disclosed above, as at the end of Reporting Period, none of the Bank's Directors, Supervisors or Chief Executives had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be filed to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required to be recorded in the register as kept pursuant to section 352 of the SFO, or which were required, pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in the Appendix 10 of the Hong Kong Listing Rules to be filed to the Bank and the Hong Kong Stock Exchange.

VII. INFORMATION OF EMPLOYEES AND THE ENTITIES

As at the end of the Reporting Period, the Bank had a total of 86,646 domestic and overseas employees, of whom 84,117 employees were based in domestic branches and 2,529 were local employees in overseas branches. There were 3,257 employees in the Bank's major subsidiaries.

(I) Employees' Remuneration Policy

Under the nationwide deepening reform and the Group's strategic goals, the Bank actively promoted the mechanism innovation of employees, remuneration and assessment. The Group continued to optimise the remuneration and performance management system which was based on "the integration of position value and performance value with positions as basis", highlighted the value creation and performance-oriented assessment. The Bank also motivated staff incentives and enhanced input and output efficiency of resources.

(II) Employees' Training Management

During the Reporting Period, the Bank focused on value creation and ability improvement, centering deepened reform across the Bank and transformation of development. In order to cultivate high-quality professional cadre team, the Bank laid emphasis on training of ideals, Party spirit education and capability development. The Bank insisted on reform and innovation, strengthened problem-oriented approach, consolidated management basis, exploited the empowerment and function of training and improved the training of cadre team.

During the Reporting Period, the Bank overcame the impact of the COVID-19 by timely adjusting annual training plan and making full use of the E-campus online training platform. The Bank held rotational training series on the study and implementation of the spirit of the Fourth Plenary Session of the 19th Central Committee of the Communist Party of China, training for chiefs of provincial branches, senior manager orientation, qualification training for chiefs of second-tier branches, training for Fintech management trainees, and training on poverty alleviation and other key training programmes in the form of offline self-study, centralised online tutorials, and seminars. The Bank classified training programmes into four categories at different levels, which were leadership, expertise, business and the other. The Bank reinforced the construction of fundamental resources including teachers, curricula, channels, facilities and systems. The Bank also made new progress in building up competency models and systems. These efforts have enhanced the Bank's education and training capacities. During the Reporting Period, the Bank organised over 2,000 sessions of online or offline training programmes, for more than 0.64 million employees.

As at the end of the Reporting Period, the Bank's assets, entities and employees were presented by regions as follows:

	Assets (in millions of RMB)	Proportion (%)	Number of Entities	Proportion (%)	Number of employees	Proportion (%)
Northern China	1,269,558	11.90	449	14.52	11,197	12.92
North Eastern China	375,823	3.52	367	11.87	8,764	10.11
Eastern China	3,100,219	29.06	1,098	35.50	33,495	38.66
Central and Southern China	1,737,659	16.29	648	20.95	17,876	20.63
Western China	740,392	6.94	462	14.94	9,867	11.39
Overseas	1,213,387	11.37	68	2.19	2,529	2.92
Head Office	4,226,878	39.61	1	0.03	2,918	3.37
Eliminated and unallocated assets	(1,993,840)	(18.69)	–	–	–	–
Total	10,669,932	100.00	3,093	100.00	86,646	100.00

SIGNIFICANT EVENTS

I. CORPORATE GOVERNANCE

The Bank strictly complied with the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Commercial Bank Law of the People's Republic of China* and other relevant laws, regulations and rules. The Bank actively explored the corporate governance mechanisms of large commercial banks with Chinese characteristics. The Bank consistently enhanced the level of corporate governance in order to protect the rights of both domestic and foreign investors as well as relevant stakeholders.

In compliance with Code A.2.1 of the *Corporate Governance Code* in Appendix 14 of the Hong Kong Listing Rules, on 29 May 2020, during the 10th meeting of the 9th Session of Board of Directors of the Bank, the *Proposal on the Appointment of Mr. Liu Jun as President of Bank of Communications Co., Ltd.* was approved with agreement concluded to appoint Mr. Liu Jun as President of the Bank. Appointment of Mr. Liu Jun as President was approved by the CBIRC on 7 July 2020. Effective from 7 July 2020, Mr. Ren Deqi, Chairman of the Bank, no longer assumed the responsibilities of Acting President.

Save as disclosed above, the Board of Directors confirmed that the Bank fully complied with the principles and provisions under the *Corporate Governance Code* as set out in Appendix 14 of the Hong Kong Listing Rules, and adhered to majority of the recommended best practices as set out in the *Corporate Governance Code* during the Reporting Period.

II. SHAREHOLDERS' GENERAL MEETING

On 10 March 2020, the Bank held the 2020 First Extraordinary General Meeting, that reviewed and approved 6 proposals, including the 2018 Remuneration Plan of the Directors, the 2018 Remuneration Plan of the Supervisors, and the proposal for the issuance of undated capital bonds. On 30 June 2020, the Bank held the 2019 Annual General Meeting, during which 13 proposals were reviewed and approved, including 2019 Work Report of the Board of Directors, 2019 Report of the Board of Supervisors and 2019 Financial Budget Report. The resolution announcements for all Shareholders' General Meetings were disclosed on the websites of SSE, HKEx News and the Bank, and were published via media designated by the CSRC.

III. PROFIT DISTRIBUTION

Pursuant to 2019 Profit Distribution Plan approved at the 2019 Annual General Meeting, a cash dividend of 0.315 (before tax) for each share, totalling 23.393 billion, calculated based on the total share capital of 74.263 billion ordinary shares as at 31 December 2019 was approved. The aforementioned dividend were distributed in July 2020 and August 2020.

The Bank will not distribute an interim dividend or convert any capital reserve into share capital for the six months ended 30 June 2020.

IV. COMMITMENTS

In December 2019, the Ministry of Finance transferred 1,970,269,383 A shares of the Bank, representing 10% of its holding of the Bank's shares to the SSF as a whole, pursuant to the regulations of the *Notice of the State Council on Issuing the Implementation Plan for Transferring Part of State-Owned Capital to Replenish Social Security Funds* (Guo Fa (2017) No. 49). The SSF should fulfil its lock-up period obligations of over 3 years from the date of the transfer. During the Reporting Period, the SSF fulfilled the above commitments.

V. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group was not involved in any material litigation and arbitration. As at the end of the Reporting Period, the Group was involved in certain outstanding litigations and arbitrations as defendant or third party with an amount of 3.843 billion. The Bank reckoned that these litigations would not have any material effect on the financial position of the Bank.

VI. PUNISHMENT

During the Reporting Period, neither the Bank, nor any of its Directors, Supervisors or Senior Management was subject to any investigation by competent authorities, any enforcement measures by judiciary authorities or discipline inspection departments, any transferring to the judiciary authorities for criminal responsibilities, any investigation, administrative penalty by the CSRC, any prohibition from access to market or disqualification, any material administrative penalty by administrative departments including environmental, safety supervision and tax departments and any other administrative departments or any situations of denouncement by the stock exchanges.

VII. INTEGRITY

During the Reporting Period, the Bank did not exist the situations either of refusing the execution of court orders or unsettling significant due debts.

VIII. RELATED PARTY TRANSACTIONS

During the Reporting Period, all the transactions between the Group and its related parties were the monetary transactions conducted during the ordinary course of business. No significant related party transaction occurred during the Reporting Period. On 29 May 2020, the Bank renewed the *Interbank Transactions Master Agreement* with HSBC as approved by the Board of Directors. For details, please refer to the announcements of the Bank published on the SSE website and the website of the HKEx News on 29 May 2020. As at the end of the Reporting Period, details of continuing related party transactions of the Group are disclosed in Note 44 to the Consolidated Financial Statements set out in this Interim Report.

IX. MATERIAL CONTRACTS AND PERFORMANCE OF OBLIGATIONS THEREUNDER

(I) Material Trust, Sub-contract and Lease

During the Reporting Period, the Bank did not hold in trust to a material extent or entered into any material sub-contract or lease arrangement in respect of assets of other corporations, and no other corporation held in trust to a material extent or entered into any material sub-contract or lease arrangement in respect of the Group's assets.

(II) Material Guarantees

The provision of guarantees was one of the off-balance-sheet businesses carried out by the Bank in its ordinary and usual course of business. During the Reporting Period, the Bank did not provide any material guarantees that need to be disclosed except for the financial guarantee services within the business scope as approved by the regulatory authority.

X. CORPORATE SOCIAL RESPONSIBILITIES

With the mission of "Creating Shared Value", the Bank integrated the concept of social responsibilities into its business development, aiming at maximising the benefits for shareholders, customers, environment and communities and other stakeholders.

Targeted Poverty Alleviation During the Reporting Period, the Bank firmly implemented the decisions and arrangements of the Party Central Committee and the State Council on poverty alleviation, promoted poverty alleviation while continuing to advance pandemic control. The Bank invested a total of 24.53 million to the designated regions (Tianzhu County in Gansu Province, Litang County in Sichuan Province and Hunyuan County in Shanxi Province) for the building of first aid capacity of local medical institutions and solving prominent problems including meeting the basic needs of food and clothing and guaranteeing compulsory education, basic medical care and housing. In addition, the Bank introduced 7,204.7 thousand of supporting funds, trained 1,248 grass-root cadres and 514 technical personnel, purchased agricultural products of 6.845 million and facilitated sales of agricultural products amounting to 17,871.2 thousand, which lifted three counties out of poverty.

The Bank innovated models for poverty alleviation. It sets up a "Poverty Alleviation Zone" in "Go Pay" APP and achieved full coverage of poverty alleviation through e-commence in three counties. The Bank provided online training courses for poverty alleviation, designed featured course *E-Commerce Sales Skills Improvement and Channel Expansion for Agricultural Products* to enhance the self-development abilities of the impoverished people. Under ongoing pandemic prevention and control, the Bank helped three college students from families registered as impoverished from the targeted counties find jobs. The Bank received positive feedbacks in poverty alleviation assessments from The State Council Leading Group Office of Poverty Alleviation and Development for two consecutive years.

Environmental Protection The Bank practised the concept of green development. The Bank formulated the *Guidelines on Industry Policies and Investment of Bank of Communications*, focused on supporting high-quality energy-saving and environmental protection enterprises. The Bank strictly controlled the risk of overcapacity, adhered to the principle of "supporting and controlling, applying diversified policies", adjusted the credit structure, and promoted the coordinated development of economy and environment. As at the end of the Reporting Period, according to the special statistics of green loans by PBOC, the balance of green loans of the Bank was 328.271 billion, representing an increase of 27.318 billion over the end of the previous year. The Bank improved the online business processes and expanded the coverage of e-banking services. The diversion rate of e-channels of domestic branches increased by 0.29 percentage point from the end of the previous year to 97.96%. The Bank was rewarded "2019 Excellent Green Bank" by the Green Credit Business Committee of China Banking Association.

XI. AUDIT COMMITTEE

The Bank has established an Audit Committee under the Board of Directors in accordance with the requirements of the Hong Kong Listing Rules. The Audit Committee is mainly responsible for proposing the appointments, change or removal of the Bank's auditors, monitoring the Bank's internal audit system and implementation, acting as the communication channel between the Bank's internal and external auditors, reviewing the Bank's financial information and disclosure, examining the Bank's accounting policies, financial position and financial reporting procedures and monitoring the implementation of the Bank's internal controls. As at the date of this Report, the Audit Committee under the Board of Directors comprised 7 members, including Mr. Liu Li, Mr. He Zhaobin, Mr. Li Longcheng, Mr. Chen Junkui, Mr. Jason Yeung Chi Wai, Mr. Raymond Woo Chin Wan and Mr. Zhang Xiangdong. Mr. Liu Li, an Independent Non-executive Director, served as the Chairman. The Audit Committee and Senior Management reviewed the Bank's accounting policies and practices and discussed issues relating to internal controls and financial reporting including reviewing this Report.

XII. PURCHASE, SALE OR REPURCHASE OF THE BANK'S LISTED SECURITIES

During the Reporting Period, neither the Bank nor any of its subsidiaries purchased, sold or repurchased any listed securities of the Bank.

XIII. SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank required that the Directors, Supervisors and Senior Management of the Bank should strictly adhere to the *Rules on the Administration of Shares held by Directors, Supervisors and Senior Management Personnel of Listed Companies and the Changes of Such Shares* issued by the CSRC and *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in the Appendix 10 of the Hong Kong Listing Rules. The Bank adopted a set of codes of conduct for securities trading by the Directors and Supervisors no less stringent than the standards set out in the above rules. During the Reporting Period, all the Directors, Supervisors and Senior Management of the Bank confirmed that the securities transactions conducted by them are in compliance with the above rules.

XIV. APPOINTMENT OF ACCOUNTING FIRM

With the approval at the 2019 Annual General Meeting, the Bank has continued to appoint PricewaterhouseCoopers Zhong Tian LLP to perform the audit of the financial statements prepared by the Group in accordance with China Accounting Standards, the internal control and other related professional services and appoint PricewaterhouseCoopers to perform the audit of the financial statements prepared by the Group in accordance with IFRSs and to provide other related professional services. The term of appointment starts upon the approval on the date of the Bank's 2019 Annual General Meeting, and ceases at the end of day of 2020 Annual General Meeting. The overall remuneration is RMB36.817 million.

XV. OTHER SIGNIFICANT EVENTS

(I) As approved by Shanghai Office of the CBIRC, the registered capital of Bank of Communications Financial Leasing Co., Ltd. ("BOCOM Leasing"), a wholly-owned subsidiary of the Bank, increased from 8.5 billion to 14.0 billion. The registered capital of BOCOM Aviation and Shipping Financial Leasing Co., Ltd, a wholly-owned subsidiary of BOCOM Leasing, increased from 8.5 billion to 14.0 billion. For related details, please refer to the announcements the Bank published on 29 March 2019, 3 January and 30 March 2020.

(II) The Bank intended to issue write-down undated capital bonds with a total amount of no more than 90.0 billion or equivalent foreign currency. For related details, please refer to the announcements the Bank published on 16 January, 21 January, 10 February, 10 March, 30 July, and 10 August 2020.

(III) The Bank intended to inject capital of no more than HKD30.0 billion in stages to Bank of Communications (Hong Kong) Limited, a wholly-owned subsidiary of the Bank. For related details, please refer to the announcements the Bank published on 16 January, 21 January, 10 February, 10 March and 15 July 2020.

(IV) The Bank fully redeemed offshore preference shares of USD2.45 billion. For related details, please refer to the announcements the Bank published on 9 June, 17 June and 30 July 2020.

(V) The Bank successfully issued Tier 2 capital bonds of 40.0 billion. For related details, please refer to the announcements the Bank published on 29 April and 21 May 2020.

(VI) The Bank's third largest shareholder, the SSF, planned to sell not exceeding 742,627,266 A Shares, not exceeding 1% of the total current issued ordinary shares of the Bank by way of call auction or block trade transfer. For related details, please refer to the announcements the Bank published on 5 June and 16 July 2020.

(VII) The Bank intended to fund 7.5 billion into setting up National Green Development Fund Co., Limited. For related details, please refer to the announcement the Bank published on 16 July 2020.

LIST OF DOMESTIC AND OVERSEAS BRANCHES AND MAJOR SUBSIDIARIES

LIST OF DOMESTIC PROVINCIAL BRANCHES AND DIRECTLY OPERATING BRANCHES OF HEAD OFFICE

Region Division	Name	Address
Northern China	Beijing Branch	No. 22 Financial Street, Xicheng District, Beijing
	Tianjin Branch	No. 7 Youyi Road, Hexi District, Tianjin City
	Hebei Provincial Branch	No. 26 Ziqiang Road, Qiaoxi District, Shijiazhuang City, Hebei Province
	Shanxi Provincial Branch	No. 5 Qingnian Road, Yingze District, Taiyuan City, Shanxi Province
	Inner Mongolia Autonomous Region Branch	No. 18 Xinhua East Street, Saihan District, Hohhot, Inner Mongolia Autonomous Region
North Eastern China	Liaoning Provincial Branch	No. 258-1 Shifu Road, Shenhe District, Shenyang City, Liaoning Province
	Dalian Branch	No. 6 Zhongshan Square, Zhongshan District, Dalian City, Liaoning Province
	Jilin Provincial Branch	No. 3535 Renmin Street, Chaoyang District, Changchun City, Jilin Province
	Heilongjiang Provincial Branch	No. 428 Youyi Road, Daoli District, Harbin City, Heilongjiang Province
Eastern China	Shanghai Branch	No. 200 Jiangxi Middle Road, Huangpu District, Shanghai
	Jiangsu Provincial Branch	No. 218 Lushan Road, Jianye District, Nanjing City, Jiangsu Province
	Suzhou Branch	No. 28 Suhui Road, Suzhou Industrial Park, Suzhou City, Jiangsu Province
	Wuxi Branch	No. 8 Second Jinrong Street, Binhu District, Wuxi City, Jiangsu Province
	Zhejiang Provincial Branch	No. 1-39 Juyuan Road, Jianggan District, Hangzhou City, Zhejiang Province
	Ningbo Branch	No. 455 Haiyan North Road, Yinzhou District, Ningbo City, Zhejiang Province
	Anhui Provincial Branch	Intersection of Huizhou Avenue and Jialingjiang Road, Baohe District, Hefei City, Anhui Province
	Fujian Provincial Branch	No. 116 Hudong Road, Gulou District, Fuzhou City, Fujian Province
	Xiamen Branch	No. 9 Hubin Middle Road, Siming District, Xiamen City, Fujian Province
	Jiangxi Provincial Branch	No. 199 Huizhan Road, Honggutan New District, Nanchang City, Jiangxi Province
	Shandong Provincial Branch	No. 98 Gongqingtuan Road, Shizhong District, Jinan City, Shandong Province
	Qingdao Branch	No. 6 Zhongshan Road, Shinan District, Qingdao City, Shandong Province

Region Division	Name	Address
Central and Southern China	Henan Provincial Branch	No. 11 Zhenghua Road, Jinshui District, Zhengzhou City, Henan Province
	Hubei Provincial Branch	No. 847 Jianshe Avenue, Jianghan District, Wuhan City, Hubei Province
	Hunan Provincial Branch	No. 37 Shaoshan Middle Road, Yuhua District, Changsha City, Hunan Province
	Guangdong Provincial Branch	No. 11 Xiancun Road, Tianhe District, Guangzhou City, Guangdong Province
	Shenzhen Branch	No. 3018 Shennan Middle Road, Futian District, Shenzhen City, Guangdong Province
	Guangxi Zhuang Autonomous Region Branch	No. 228 Renmin East Road, Xingning District, Nanning City, Guangxi Zhuang Autonomous Region
	Hainan Provincial Branch	No.45 Guomao Avenue, Longhua District, Haikou City, Hainan Province
Western China	Chongqing Branch	No. 3 Jiangbei City West Street, Jiangbei District, Chongqing City
	Sichuan Provincial Branch	No. 211 West Yulong Street, Qingyang District, Chengdu City, Sichuan Province
	Guizhou Provincial Branch	East Third Tower, Financial City, Guanshanhu District, Guiyang City, Guizhou Province
	Yunnan Provincial Branch	No. 397 Baita Road, Panlong District, Kunming City, Yunnan Province
	Shaanxi Provincial Branch	No. 88 Xixin Street, Xincheng District, Xi'an City, Shaanxi Province
	Gansu Provincial Branch	No. 129 Qingyang Road, Chengguan District, Lanzhou City, Gansu Province
	Ningxia Hui Autonomous Region Branch	No. 296 MinZu North Street, Xingqing District, YinChuan City, NingXia Hui Autonomous Region
	Xinjiang Uygur Autonomous Region Branch	No. 16 Dongfeng Road, Tianshan District, Urumqi, Xinjiang Uygur Autonomous Region
	Qinghai Provincial Branch	No. 67 Wusi West Road, Chengxi District, Xining City, Qinghai Province

Note: For the business outlet address and contact information of the Bank, please visit the Bank's official website (www.bankcomm.com) and click on "Outlet Search" for relevant information.

LIST OF OVERSEAS BANKING INSTITUTIONS

Name	Address
Hong Kong Branch/Bank of Communications (Hong Kong) Limited	20 Pedder Street, Central, Hong Kong
New York Branch	ONE EXCHANGE PLAZA 55 BROADWAY,31ST & 32ND FLOOR, NEW YORK NY 10006-3008, U.S.A.
San Francisco Branch	575 MARKET STREET, 38th FLOOR, SAN FRANCISCO, CA 94105, U.S.A.
Tokyo Branch	SANYO Group Building, 1-3-5 Nihombashi, Chuo-ku, Tokyo, Japan
Singapore Branch	50 Raffles Place #18-01 Singapore Land Tower
Seoul Branch	6th Floor Samsung Fire & Marine Bldg. #87, Euljiro 1-Ga, Jung-Gu, Seoul 100-782, Korea
Frankfurt Branch	Neue Mainzer Strasse 75, 60311 Frankfurt am Main, Germany
Macau Branch	16th Floor, AIA Tower, No. 251A-301, Avenida Commercial De Macau
Ho Chi Minh City Branch	17th floor, Vincom Center, 72 Le Thanh Ton, Dist.1, HCMC, VN
Sydney Branch	Level 23, 60 Martin Place, NSW 2000 Australia
Brisbane Branch	Level 35, 71 Eagle Street, Brisbane, Australia
Melbourne Branch	Level 34, 525 Collins Street, Melbourne, Australia
Taipei Branch	A Wing, 29th Floor, No. 7, Section 5, Xinyi Road, Taipei (101 Tower), Taiwan
London Branch	4th Floor, 1 Bartholomew Lane, London EC2N 2AX UK
Luxemburg Branch/Bank of Communications (Luxembourg) Co., S.A.	7 Ruede la Chapelle, Luxembourg, L-1325, Luxembourg
Bank of Communications (Luxemburg) S.A. Paris Branch	90, Avenue des Champs-Elysees, 75008, Paris, France
Bank of Communications (Luxemburg) S.A. Rome Branch	3rd Floor, Piazza Barberini 52, Rome. 00187, Italy
Banco BOCOM BBM S.A.	Av Barão de Tefé, 34-20th, Rio de Janeiro, Brazil, 20220-460
Prague Branch	7th floor, RUSTONKA R2, Rohanske nabrezi 693/10, Prague 8, 186 00, Czech Republic
Toronto Representative Office	Suite 2460, 22 Adelaide Street West, Toronto, ON M5H 4E3, Canada

LIST OF MAJOR SUBSIDIARIES

Name	Address
Bank of Communications Schroder Fund Management Co., Ltd.	No. 8 Century Avenue, Pudong New District, Shanghai
Bank of Communications International Trust Co., Ltd.	No.333 Lujiazui Ring Road, Pudong New District, Shanghai, No. 847 Jianshe Avenue, Wuhan
Bank of Communications Financial Leasing Co., Ltd.	No. 333 Lujiazui Ring Road, Pudong New District, Shanghai
BoCommLife Insurance Company Limited	No. 333 Lujiazui Ring Road, Pudong New District, Shanghai
BoCom International Holdings Company Limited	No. 68 Des Voeux Road Central, Central, Hong Kong
China BoCom Insurance Co., Ltd.	No. 8 Cotton Tree Drive, Central, Hong Kong
BoCom Financial Asset Investment Co., Ltd.	No. 333 Lujiazui Ring Road, Pudong New District, Shanghai
BoCom Wealth Management Co., Ltd.	No. 333 Lujiazui Ring Road, Pudong New District, Shanghai
Dayi BoCom Xingmin Rural Bank Ltd.	No. 168-170 Central Fumin Road, Dayi County, Chengdu City, Sichuan Province
Zhejiang Anji BoCom Rural Bank Ltd.	Tower 1, Changshuo Square, Changshuo Street, Anji County, Huzhou city, Zhejiang Province
Xinjiang Shihezi BoCom Rural Bank Ltd.	No. 127 Dongyi Road, Shihezi City, Xinjiang Uygur Autonomous Region
Qindao Laoshan BoCom Rural Bank Co., Ltd.	Room 101, Building 1, No. 156 Shenzhen Road, Laoshan District, Qingdao, Shandong

Appendix – Report on Review of Interim Financial Information and the Interim Condensed Consolidated Financial Statements

Contents

Report on Review of Interim Financial Information

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羅兵咸永道

TO THE BOARD OF DIRECTORS OF BANK OF COMMUNICATIONS CO., LTD
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 79 to 181, which comprises the interim condensed consolidated statement of financial position of Bank of Communications Co., Ltd (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2020 and the interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 August 2020

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(All amounts expressed in millions of RMB unless otherwise stated)

		Six months ended 30 June	
	Notes	2020	2019
Interest income		186,229	181,862
Interest expense		(112,380)	(111,800)
Net interest income	4	73,849	70,062
Fee and commission income	5	26,215	25,070
Fee and commission expense	6	(1,938)	(1,948)
Net fee and commission income		24,277	23,122
Net gains arising from trading activities	7	7,353	8,289
Net gains arising from financial investments		1,505	328
Including: Net gains on derecognition of financial assets measured at amortised cost		*68*	*87*
Share of profits of associates and joint ventures		85	292
Insurance business income		10,936	8,311
Other operating income	8	8,954	7,910
Credit impairment losses	9	(33,333)	(21,544)
Other assets impairment losses	10	(159)	(6)
Insurance business expense		(11,022)	(7,878)
Other operating expenses	11	(42,487)	(39,927)
Profit before tax		39,958	48,959
Income tax	14	(2,961)	(5,811)
Net profit for the period		36,997	43,148

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

(All amounts expressed in millions of RMB unless otherwise stated)

	Notes	Six months ended 30 June 2020	2019
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Loans and advances to customers at fair value through other comprehensive income			
Amount recognised directly in equity		*249*	*(901)*
Amount reclassified to profit or loss		*(198)*	–
Debt investments at fair value through other comprehensive income			
Amount recognised directly in equity		*(127)*	*1,741*
Amount reclassified to profit or loss		*(1,062)*	*(181)*
Effective portion of gains or losses on hedging instruments in cash flow hedges			
Changes in fair value recorded in equity		*(659)*	*110*
Changes in fair value reclassified from equity to profit or loss		*4*	*(171)*
Translation difference on foreign operations		1,093	141
Others		28	16
		(672)	755
Items that will not be reclassified subsequently to profit or loss:			
Changes in fair value of equity investments designated at fair value through other comprehensive income		(371)	99
Actuarial losses on pension benefits		(34)	3
Changes in fair value attributable to changes in the credit risk of financial liability designated at fair value through profit or loss		44	74
Others		26	–
Other comprehensive income, net of tax	39	(1,007)	931
Total Comprehensive income for the period		35,990	44,079
Net profit attributable to:			
Shareholders of the Bank		36,505	42,749
Non-controlling interests		492	399
		36,997	43,148
Total comprehensive income attributable to:			
Shareholders of the Bank		35,403	43,651
Non-controlling interests		587	428
		35,990	44,079
Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (in RMB yuan)	15	0.46	0.54

The accompanying notes form a part of these condensed consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts expressed in millions of RMB unless otherwise stated)

	Notes	As at 30 June 2020	As at 31 December 2019
ASSETS			
Cash and balances with central banks	16	801,146	760,185
Due from and placements with banks and other financial institutions	17	693,101	648,488
Derivative financial assets	19	28,130	20,937
Loans and advances to customers	20	5,602,356	5,183,653
Financial investments at fair value through profit or loss	18	519,544	406,498
Financial investments at amortised cost	21	1,940,765	1,929,689
Financial investments at fair value through other comprehensive income	21	786,837	669,656
Investments in associates and joint ventures	22	4,745	4,600
Property and equipment	23	174,746	171,179
Deferred income tax assets	24	26,045	24,065
Other assets	25	92,517	86,650
Total assets		10,669,932	9,905,600
LIABILITIES			
Due to and placements from banks and other financial institutions	26	1,916,759	1,904,082
Financial liabilities at fair value through profit or loss	27	26,916	26,980
Derivative financial liabilities	19	41,303	26,424
Due to customers	28	6,560,867	6,072,908
Certificates of deposits issued	29	621,792	498,991
Current income tax liabilities		4,830	7,086
Deferred income tax liabilities	24	890	918
Debt securities issued	30	459,405	403,918
Other liabilities	31	223,038	163,381
Total liabilities		9,855,800	9,104,688
EQUITY			
Share capital	32	74,263	74,263
Other equity instruments	33	99,870	99,870
Including: Preference shares		*59,876*	*59,876*
Perpetual bonds		*39,994*	*39,994*
Capital surplus	32	113,663	113,663
Other reserves		339,109	328,310
Retained earnings		175,638	177,141
Equity attributable to shareholders of the Bank		802,543	793,247
Equity attributable to non-controlling interests of ordinary shares		8,053	7,665
Equity attributable to non-controlling interests of other equity instruments	36	3,536	–
Non-controlling interests		11,589	7,665
Total equity		814,132	800,912
Total equity and liabilities		10,669,932	9,905,600

The condensed consolidated financial statements were approved and authorised for issuance by the Board of Directors on 28 August 2020 and signed on its behalf by:

Chairman, and Executive Director: Ren Deqi *Vice Chairman, Executive Director and President: Liu Jun*

The accompanying notes form a part of these condensed consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts expressed in millions of RMB unless otherwise stated)

		Other equity instruments			Other reserves											Non-controlling interests		
	Share capital Note 32	Preference shares Note 33	Perpetual bonds Note 33	Capital surplus Note 32	Statutory reserve Note 34	Discretionary reserve Note 34	Statutory general reserve Note 34	Revaluation reserve for financial assets at fair value through other comprehensive income	Revaluation reserve for the changes in credit risk of the financial liabilities designated at fair value through profit or loss	Effective portion of gains or losses on hedging instruments in cash flow hedges	Translation reserve on foreign operations	Actuarial changes reserve	Others	Retained earnings Note 34	Attributable to the shareholders of the Bank	Attributable to non-controlling interests of ordinary shares Note 36	Attributable to non-controlling interests of other equity instruments Note36	Total
Balance at 31 December 2019	74,263	59,876	39,994	113,663	64,897	139,853	117,567	3,421	5	15	1,199	(10)	1,363	177,141	793,247	7,665	-	800,912
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	36,505	36,505	492	-	36,997
Other comprehensive income	-	-	-	-	-	-	-	(1,363)	44	(655)	852	(34)	54	-	(1,102)	17	78	(1,007)
Total comprehensive income	-	-		-	-	-	-	(1,363)	44	(655)	852	(34)	54	36,505	35,403	509	78	35,990
Capital contribution to holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,458	3,458
Dividends paid to ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(23,393)	(23,393)	(121)	-	(23,514)
Dividends paid to preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,714)	(2,714)	-	-	(2,714)
Transfer to reserves	-	-	-	-	7,209	-	4,690	-	-	-	-	-	-	(11,899)	-	-	-	-
Transferred from other comprehensive income	-	-	-	-	-	-	-	2	-	-	-	-	-	(2)	-	-	-	-
Balance at 30 June 2020	74,263	59,876	39,994	113,663	72,106	139,853	122,257	2,060	49	(640)	2,051	(44)	1,417	175,638	802,543	8,053	3,536	814,132
Balance at 31 December 2018	74,263	59,876	-	113,663	64,516	139,796	114,281	1,397	(20)	24	93	10	1,345	129,161	698,405	6,903	-	705,308
Impact of adoption of IFRS 16	-	-	-	-	-	-	-	-	-	-	-	-	-	(616)	(616)	(7)	-	(623)
Balance at 1 January 2019	74,263	59,876	-	113,663	64,516	139,796	114,281	1,397	(20)	24	93	10	1,345	128,545	697,789	6,896	-	704,685
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	42,749	42,749	399	-	43,148
Other comprehensive income	-	-	-	-	-	-	-	754	74	(61)	116	3	16	-	902	29	-	931
Total comprehensive income	-	-	-	-	-	-	-	754	74	(61)	116	3	16	42,749	43,651	428	-	44,079
Capital contribution to holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid to ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(22,279)	(22,279)	(66)	-	(22,345)
Dividends paid to preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,671)	(2,671)	-	-	(2,671)
Transfer to reserves	-	-	-	-	110	19	2,850	-	-	-	-	-	-	(2,979)	-	-	-	-
Balance at 30 June 2019	74,263	59,876	-	113,663	64,626	139,815	117,131	2,151	54	(37)	209	13	1,361	143,365	716,490	7,258	-	723,748

The accompanying notes form a part of these condensed consolidated financial statements.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts expressed in millions of RMB unless otherwise stated)

		Six months ended 30 June	
	Notes	2020	2019
Cash flows from operating activities:			
Net profit before tax:		39,958	48,959
Adjustments for:			
Provision for impairment losses		33,333	21,544
Provision for other assets impairment losses		159	6
Provision for insurance contracts reserve		9,051	5,807
Depreciation and amortisation		7,236	6,758
(Reversal of)/Provision for outstanding litigation and unsettled obligation		(63)	180
Net gains on the disposal of property, equipment and other assets		(211)	(132)
Interest income from financial investments		(46,272)	(43,620)
Unwind of discount on allowances during the period		(767)	(728)
Fair value losses		3,040	1,258
Share of profit of associates and joint venture		(85)	(292)
Net gains arising from financial investments		(1,505)	(328)
Interest expense on debt securities issued		6,901	5,783
Operating cash flows before movements in operating assets and liabilities		50,775	45,195
Net decrease in balances with central banks		36,202	6,191
Net (increase)/ decrease in due from and placements with banks and other financial institutions		(41,526)	28,733
Net increase in financial assets at fair value through profit or loss		(108,518)	(53,576)
Net increase in loans and advances to customers		(450,276)	(294,368)
Net increase in other assets		(9,738)	(7,327)
Net increase/(decrease) in due to and placements from banks and other financial institutions		12,173	(192,977)
Net increase in financial liabilities at fair value through profit or loss		2,578	2,250
Net increase in due to customers		606,571	456,798
Net increase in other liabilities		27,321	16,408
Net increase in value-added tax and surcharge payable		688	669
Income tax paid		(6,892)	(4,429)
Net cash flows from operating activities		119,358	3,567

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(All amounts expressed in millions of RMB unless otherwise stated)

	Notes	Six months ended 30 June 2020	2019
Cash flows from investing activities:			
Purchase of financial investments		(551,012)	(435,027)
Disposal or redemption of financial investments		423,024	329,261
Dividends received		1,150	353
Interest received from financial investments		46,961	43,824
Acquisition of intangible assets and other assets		(720)	(490)
Disposal of intangible assets and other assets		366	214
Purchase and construction of property and equipment		(13,741)	(18,964)
Disposal of property and equipment		4,539	1,741
Net cash flows from investing activities		(89,433)	(79,088)
Cash flows from financing activities:			
Cash received from issuing other equity instruments		3,458	–
Cash received on debt securities issued		68,528	27,182
Repayment of principals and interests of lease liabilities		(1,131)	(622)
Repayment of principals of debt securities issued		(18,442)	(10,408)
Cash payments for interest on debt securities		2,910	(2,949)
Dividends paid to non-controlling interests		(20)	(9)
Net cash flows generated from financing activities		49,483	13,194
Effect of exchange rate changes on cash and cash equivalents		1,170	136
Net increase/(decrease) in cash and cash equivalents		80,578	(62,191)
Cash and cash equivalents at the beginning of the period		167,735	243,492
Cash and cash equivalents at the end of the period	40	248,313	181,301
Net cash flows from operating activities include:			
Interest received		140,667	140,703
Interest paid		(102,391)	(110,951)

The accompanying notes form a part of these condensed consolidated financial statements.

(All amounts expressed in millions of RMB unless otherwise stated)

1 GENERAL

Bank of Communications Co., Ltd. (the "Bank") is a joint-stock national state-owned commercial bank, reorganised on 1 April 1987 at the approval of notice Guo Fa (1986) No. 81 issued by the State Council of the PRC and notice Yin Fa (1987) No. 40 issued by the People’s Bank of China ("PBOC"). Headquartered in Shanghai, the Bank operates 245 branches in Mainland China and 22 branches (sub-branches), subsidiary banks and representative offices overseas. The Bank’s A shares are listed on Shanghai Stock Exchange and H shares on Hong Kong Stock Exchange.

The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") include corporate and personal banking services, interbank and financial market business, fund management, trustees, financial leasing, insurance, overseas securities, debt-to-equity swap, asset management and other financial services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standard Board, as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The Group adopted the going concern basis in preparing its unaudited interim condensed consolidated financial statements.

These unaudited interim condensed consolidated financial statements of the Group should be read in conjunction with the 2019 annual consolidated financial statements.

Taxes on income in interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except as described below, the Group’s accounting policies applied in preparing these unaudited interim condensed consolidated financial statements are consistent with those policies applied in preparing the 2019 annual consolidated financial statements.

2.1.1 New and amended standards adopted by the Group

The Group has adopted the following new or amendments to the International Financial Reporting Standards (“IFRSs”):

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Revised Conceptual Framework for Financial Reporting	Conceptual Framework for Financial Reporting
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform
Amendments to IFRS 16	Covid-19-related Rent Concessions

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 New and amended standards adopted by the Group *(Continued)*

Amendments to IAS 1 and IAS 8

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

Amendments to IFRS 3

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting

- reinstating prudence as a component of neutrality

- defining a reporting entity, which may be a legal entity, or a portion of an entity

- revising the definitions of an asset and a liability

- removing the probability threshold for recognition and adding guidance on derecognition

- adding guidance on different measurement basis, and

- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 New and amended standards adopted by the Group *(Continued)*

Amendments to IFRS 9, IAS 39 and IFRS 7

The IASB has published Amendments to IFRS 9, IAS 39 and IFRS 7- Interest Rate Benchmark Reform as a first reaction to the potential effects the Interest Rate Benchmark Reform ("IBOR") could have on financial reporting. The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform. Key changes include:

- modifying specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;

- mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;

- are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and

- requiring specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.

Amendments to IFRS 16

The IASB has published Covid-19-related Rent Concessions (Amendment to IFRS 16). Its key amendments include:

- Lessees were provided an exemption from assessing a rent concession related to COVID-19 is a lease modification.

- Lessees applying the exemption need to account for rent concessions as if they were not lease modification.

- Lessees that apply the exemption need to disclose that fact.

- Lessees need to apply the exemption retrospectively as required by IAS 8 without restatement of comparative amount for prior period.

The adoption of the new IFRSs and amendments to IFRSs above does not have a material impact on the Group's operating results, financial position or other comprehensive income.

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(All amounts expressed in millions of RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.2 Standards and amendments issued but not yet effective

		Effective for annual period commencing on or after
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
IFRS 17 and its amendments	Insurance Contracts	1 January 2023
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018-2020	1 January 2022

Amendments to IFRS 10 and IAS 28
The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

Amendments to IAS 16
The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

IFRS 17 and its amendments
IFRS 17 Insurance Contracts was issued in May 2017 as replacement for IFRS 4. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of discounted probability weighted cash flows, an explicit risk adjustment, and a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.2 Standards and amendments issued but not yet effective *(Continued)*

IFRS 17 and its amendments (Continued)

There is a modification of the general measurement model called the "variable fee approach" for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The IASB issued the amendments to IFRS 17 Insurance contracts, on 25 June 2020, together with an amendment to IFRS 4, so that eligible insurers can still apply IFRS 9 alongside IFRS 17. This concluded the IASB's targeted amendments to IFRS 17 which aimed to ease implementation of the standard by reducing implementation costs and making it easier for entities to explain, to investors and others, the results from applying IFRS 17. The amendments to IFRS 17 include:

- Effective date

The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.

- Expected recovery of insurance acquisition cash flows

An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.

- Contractual service margin attributable to investment services

Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.

- Reinsurance contracts held – recovery of losses

When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.

- Other amendments to IFRS 17 include:

  – Scope exclusions for some credit card (or similar) contracts, and some loan contracts;

  – Presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups;

  – Applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss;

  – An accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17;

  – Inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows;

  – Selected transition reliefs and other minor amendments.

The Group has not completed its assessment of the impact on the Group's operating results and financial position of adopting IFRS 17.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.2 Standards and amendments issued but not yet effective *(Continued)*

Amendments to IFRS 3

The amendments to IFRS 3, 'Business combinations', referred to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the amendments add a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The amendments also clarify that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

Amendments to IAS 37

The amendment clarifies the meaning of 'costs to fulfil a contract' and explains that the direct cost of fulfilling a contract comprises:

- The incremental costs of fulfilling that contract (for example, direct labour and materials); and

- An allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of PP&E used to fulfil the contract).

The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

Annual Improvements to IFRS Standards 2018-2020

The Annual Improvements to IFRSs 2018-2020 Cycle include a number of amendments to various IFRSs:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

- IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

Except for the above-mentioned impact of IFRS 17, the adoption of the above new standards and amendments issued but not yet effective is not expected to have a material effect on the Group's operating results, financial position or other comprehensive income.

2.2 Critical accounting estimates and judgments in applying accounting policies

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

3 FINANCIAL RISK MANAGEMENT

Overview

The Group's business activities expose it to a variety of financial risks regarding analysis, evaluation, acceptance and management. The Group's aim is to achieve an appropriate balance between risks and returns and minimise potential adverse effects on the Group's financial performance. The main types of financial risks are credit risk, liquidity risk, market risk, operational risk, etc.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, monitor the risks and to control the risk limits through reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets and products and the latest best practice.

Risk management framework

The Board of Directors sets out risk management strategies, overall risk preference and risk tolerance level. The senior management establishes risk management policies and procedures according to the strategies set by the Board of Directors. The Risk Management Department (Internal Control and Crime Prevention Office) at Head Office leads the risk management. The risk management division in each operation department at Head Office, in each domestic and overseas branch and in each subsidiary undertakes specific risk management function. Internal Audit Department is responsible for independent review of risk management and control environment.

3.1 Credit risk

Credit risk is the risk of loss that a borrower or counterparty fails to or is unwilling to meet its obligations. Credit risk arises principally from loans and advances to customers, financial investments, derivative instruments and due from and placements with banks and other financial institutions. There is also credit risk in off-balance sheet items such as loan commitments, financial guarantees, acceptances and letters of credit. Credit risk is a major risk to which the Bank is exposed. Therefore, the Group manages and controls the overall credit risk in a prudent manner and the Risk Management Department (Internal Control and Crime Prevention Office) at Head Office reports regularly to the senior management and the Board of Directors of the Group.

3.1.1 Credit risk management

The Group's credit risk management is assumed by major functions such as Corporate Business Department, Inclusive Finance Department, Personal Finance Business Department, Pacific Credit Card Centre, Credit Authorisation Department and Risk Management Department (Internal Control and Crime Prevention Office). They are responsible for the standardised management of corporate and retail credit businesses in terms of guidance on credit investment, credit investigation and report, credit approval, loan granting, post-loan monitoring and non-performing loan management.

(a) Loans and advances to customers and off-balance sheet commitments

As for corporate loans, the Group's relationship managers are responsible for receiving application files submitted by the applicants, conducting pre-loan investigation, assessing the credit risk, and raising the proposed rating. The Group adopts the hierarchical approval system at the branch and Head Office level based on the credit approval authority. Credit line is determined by taking into account the credit record, financial position, collaterals and guarantees of the applicant, overall credit risk of the credit portfolio, macroeconomic regulation and control policies and relevant laws and regulations. The Group keeps a close eye on the economic and financial trend and credit risk profile in the industry and provides more guidance on credit investment by formulating guidance for different industries, provides more guidance on credit investment, formulate guidance for different industries, strengthens daily risk pre-warning, monitoring and specific risk investigation, identify customers under major risks and material potential risk points, enhances the refinement of post-loan management. The independent loan granting centre shall review the compliance, completeness and effectiveness of relevant credit files before loan granting according to the applications for drawdown of credit line. The Group's relationship managers are primarily responsible for post-loan management. The Group adopts a series of tools and approaches, such as risk filtering, list management, risk warning and risk investigation, in daily risk monitoring of corporate loans. The Group manages non-performing loans mainly through (1) collection; (2) restructuring; (3) disposal of collaterals or recourse to the guarantors; (4) litigation or arbitration.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.1 Credit risk management *(Continued)*

(a) Loans and advances to customers and off-balance sheet commitments (Continued)

For retail credit assets, the Group manages the overall risk profile of retail credit business through on-site review and adoption of reporting system on material matters, strengthens daily risk monitoring and pre-warning through optimising management system, standardises operation process of retail credit business through formulating manuals for individual loans and small-enterprise loans, identifies and reveals material potential risks on a timely manner through strengthening risk monitoring and early-warning, and understands and forecasts the quality trends so as to adopt targeted risk control measures in advance by using stress testing and quality migration analysis. In addition, the Group continues to carry out fast response mechanism to address emergencies properly and maintains a list to manage those key risk projects through risk monitoring, guidance, collection and mitigation.

The Group adopts categorised management for retail credit assets on the basis of overdue ageing and guarantee type. With regard to retail credit customers with overdue loans, different approaches are adopted to collect such loans based on their overdue days.

Credit Card Centre of the Group is in charge of the operation and management of credit card business. Credit Card Centre of the Group adopts various supervisory and preventive measures. It reinforces data cross-validation to enhance risk prevention in the approval process, tightens credit line to high risk customers through subsequent credit investigation and enters into the collection process earlier than scheduled, effectively improves collection result through reasonable allocation of available resources, and optimises data analytic system to further enhance the management of credit card business.

(b) Treasury business

For treasury business (including debt investments), the Group chooses banks and other financial institutions prudently and balances the credit risk and return rate of investments. By making reference to internal and external credit rating information, the Group approves credits of different levels and uses an appropriate credit limit management system to review and adjust credit lines, aiming to manage the credit risk exposed to the treasury business.

For debt securities, internal and external ratings (such as Standard and Poor's) are used by the Group when available for managing the credit risk exposed to debt securities and bills. The investment in those debts and bills is to have better credit quality assets while maintaining readily available liquidity resource. The bond issuers involved with the Group are subject to the credit granting review and approval of the Head Office and credit limits are placed on such issuers.

Debt investments other than debt securities include investments in fund trust schemes, asset management plans and wealth management products set up by banking financial institutions. Fund trust schemes and asset management plans, the funds of which ultimately go to trust loans, are mainly managed and operated by third-party trustees and asset managers. The Group implements a rating system for accepting trust companies, securities companies and fund companies, sets credit limits for repurchase parties of trust beneficiary right, ultimate borrowers of targeted asset management plans, and issuers of inter-bank wealth management products, and carries out follow-up risk management on a regular basis.

As for derivative instruments, the Group maintains strict limits on net open derivative investment positions (i.e., the difference between long and short contracts), by both amount and maturity. At any time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (i.e., assets where their fair value is positive), which, in relation to derivative instruments, is only a fraction of the contract's notional amount used to express the amount outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market fluctuations. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except when the Group requires margin deposits from counterparties. The management has set limits of these contracts according to counterparty, and regularly monitor and control the actual credit risk when the Group concludes foreign exchange and interest rate contracts with other financial institutions and clients.

The Group manages the credit quality of due from and placements with banks and other financial institutions, and balances arising from transactions for precious metals, by considering the size, financial position, the internal and external credit rating of the banks and financial institutions. The Head Office monitors and reviews the credit risk of due from and placements with banks and other financial institutions by counterparties periodically. Limits are placed on different counterparties.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.1 Credit risk management *(Continued)*

(c) Credit-related commitments

Credit risk exposures to financial guarantees are the same as that of loans. However, commercial letters of credit are usually pledged by the relevant shipped goods, and therefore are subject to lower risk compared with direct loans. Credit-related commitments are included in the management of overall credit line granted to the applicant. For customers with transactions beyond the credit limit or infrequent transactions, the applicant shall be requested to provide relevant guarantee in order to reduce credit risk exposures.

(d) Credit risk quality

In accordance with the Guideline for Loan Credit Risk Classification issued by the China Banking and Insurance Regulatory Commission ("CBIRC"), the Group has established a loan credit risk classification system and performs credit risk management based on loan classification in one of five categories. The Group classifies loans into the following five categories: normal, special-mention, substandard, doubtful and loss, of which substandard, doubtful and loss loans are regarded as non-performing loans.

The five categories of loan classification into which the Group classifies its loans and advances to customers are set out below:

Normal: Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.

Special-mention: Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.

Substandard: Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operating revenues to repay principal and interest. Losses may ensue even when collaterals or guarantees are invoked.

Doubtful: Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collaterals or guarantees are invoked.

Loss: Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

3.1.2 Expected credit loss ("ECL")

The Group measures the ECL of financial instruments at amortised cost or debt investments at fair value through other comprehensive income. The Group divides them into 3 stages by assessing whether there has been a significant increase in credit risk since initial recognition.

The Group measures the ECL of a financial instrument in a way that reflects:

(1) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(2) the time value of money;

(3) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.2 Expected credit loss ("ECL") *(Continued)*

Stage classification

The Group divides them into 3 stages. Stage 1 is "financial assets without significant increase in credit risk since initial recognition", at which the Group only needs to measure ECL in the next 12 months. Stage 2 is "financial assets with significant increase in credit risk" and stage 3 is "credit-impaired financial assets", at both of which the Group needs to measure lifetime ECL.

Definition of credit-impaired

The Group considers a financial instrument is default, when it is credit-impaired.

The Group considers a financial instrument to be credit-impaired when one or more of the following criteria have been met:

(1) Principal (including advances, applies to below) or interest of the asset is more than 90 days past due;

(2) The issuer or obligor is in significant financial difficulty, or has already become insolvent;

(3) It is becoming probable that the obligor will enter bankruptcy;

(4) An active market for that financial asset has disappeared because of financial difficulties of issuers;

(5) Other objective evidence indicating impairment of the financial asset.

A significant increase in credit risk

The Group assesses quarterly whether the credit risk on a financial instrument has increased significantly since initial recognition. In determining the stage classification of a financial asset, the Group considers all reasonable and supportable information which reflects whether there have been significant changes in credit risk, including that which is forward-looking. Based on an individual financial instrument or a portfolio of financial instruments with similar credit risk characteristics, the Group compares risk of default occurring at reporting date as with initial recognition, in order to determine possible changes in risk of default occurring during the expected life of the financial instrument. The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met:

(1) Principal or interest of the instrument is more than 30 days past due;

(2) Credit rating of obligor changes significantly. Credit rating is based on both internal and external rating results, and the criteria are as follow: (a) a significant increase in credit risk is determined when internal and external rating during the reporting period is below the Group's credit acceptance standards; (b) When the borrower's internal rating is downgraded to a certain level, there has been a significant increase in credit risk. Criteria to determine significant increase in credit risk varies based on the original internal rating upon initial recognition;

(3) Significant adverse issues have negative impacts on obligator's repayment ability;

(4) Other circumstances of significant increase in credit risk. For example, appearance of other risk alarm indicators which imply growing potential risk and could cause losses of financial assets to the Group.

The financial assets are moveable between stages. For instance, financial instruments originally classified at stage 1 should be downgraded to stage 2 if events occur such as a significant increase in credit risk. Financial instruments at stage 2 could be upgraded to stage 1 if credit risk decreases and the criteria for the determination of "a significant increase in credit risk" are no longer met.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.2 Expected credit loss ("ECL") *(Continued)*

Stage classification (Continued)

A significant increase in credit risk *(Continued)*

After the outbreak of the epidemic of COVID-19, the Group strictly followed the regulatory policies and requirements and prudently evaluates the repayment ability of the clients who apply for payment holiday. On the premise that the subsequent risks will not be enlarged and subsequent settlement will not be affected, the Group rescues those client meeting specific criteria by extending the maturity and so on. The Group has assessed whether the rescues would cause a significant increase in credit risks and has adjusted the stage classification as appropriate.

Description of parameters, assumptions and estimation techniques

The Group recognises a loss allowance to different financial instruments at an amount equal to 12-month or lifetime expected credit loss based on whether there has been a significant increase in credit risk and whether the financial instrument is credit-impaired. ECL is the result of discounted product of the weighted average of "probability of default (PD)", "loss given default (LGD)", "exposure at default (EAD)" under the three scenarios, which are defined as follows:

Probability of default (PD) is the probability of default occurring of a client and its assets in a given period of time in the future.

Exposure at default (EAD) represents the total amount of on-balance sheet and off-balance sheet exposure at the time of default by debtor, reflecting the total amount of possible losses likely to be incurred. In general, this includes the utilised credit limit, interest receivable, the anticipated usage of unused credit facilities as well as the related expenses to be incurred.

Loss given default (LGD) represents the percentage of amount of loss to be incurred in the event of default to the total risk exposure. It is expressed as the loss percentage per unit of exposure which typically varies by nature of debtor, type and seniority of claim and the availability of collaterals or other credit enhancements.

Definition of default has been consistently applied to model establishment of probability of default (PD), exposure at default (EAD), loss given default (LGD) in ECL calculation throughout the Group.

Estimation of ECL: the impairment models

The impairment model's adopt a top down approach. Through grouping, the models cover the risk exposures of financial institutions, companies and retailers. The Group has established a macro-economic forecast model driven by Gross Domestic Product (GDP) growth rate to annually forecast values of macro-economic indicators in multiple categories, including national accounts, price index, foreign trades, fixed asset investments, currency and interest rates, under three economic scenarios (i.e., Optimistic Scenario, Basic Scenario, and Pessimistic Scenario). The forecasts, after evaluation and confirmation by economic experts and senior management of the Bank, are used in asset impairment model. The macro scenario settings and the rationality of the weightings are reviewed and adjusted quarterly, based on changes in the internal and external economic environment.

Where impairment models cannot be established due to lack of data support, the Group endeavours to select appropriate methods in order to make prospective estimation. The Group makes prospective adjustments to impairment calculation of overseas branches and subsidiaries regularly based on macro-forecast data from authoritative institutions (such as IMF and the World Bank). For asset portfolios not covered by impairment models, expected loss rate is set by referring to that of similar asset portfolios with impairment models available.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.2 Expected credit loss ("ECL") *(Continued)*

Description of parameters, assumptions and estimation techniques *(Continued)*

Estimation of ECL: the impairment models *(Continued)*

When the management believes that the model predictions cannot fully reflect recent credit or economic events, management overlay adjustments can be used to supplement ECL allowances. New management overlay adjustments in this period are mainly about payment holidays under the epidemic of Covid-19. The amount of management overlay adjustments in total do not have a significant impact on the Group's ECL allowance.

Influence of the epidemic of Covid-19

The outbreak of the epidemic of COVID-19 over the first half year of 2020 has led to differing impacts throughout the world and has obviously impinged upon domestic production and economic operations. The epidemic is still ongoing and evolving. At the same time, various measures have been introduced for resumption of work and helping enterprises to relieve the difficulties. Considering the impacts of the epidemic of COVID-19 on the global macro-economy, the management has added a New Scenario under the epidemic during the period and re-adjusted the weightings between scenarios, based on the actual values of various macroeconomic indicators in the first quarter of 2020 and 2021, combined with the IMF and other authorities' outlook for China's macroeconomics in 2020. The New Scenario is defined as the most probable situation and benchmark for other scenarios. At the same time, the management believes that the Basic Scenario and the Pessimistic Scenario are still possible while the Optimistic Scenario is no longer applicable under the current macro-economic background. The above scenarios apply to all portfolios.

Sensitivity analysis

If the weighting of New Scenario increases to 100%, the impairment allowance of loans and advances will increase RMB2,093 million, and the impairment allowance of debt investments at amortised cost and fair value through other comprehensive income will increase RMB421 million.

Grouping of instruments with similar risk characteristics

To calculate the relevance between ECL allowance modelled on a collective basis and macro-economic indicators, a grouping of exposure is performed on the basis of shared risk characteristics, so that risk exposures within a group are homogenous. In performing this grouping, there must be sufficient information for the Group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data for modelling purposes. Non-retail assets of the Group are mainly grouped according to industries, while retail assets are mainly grouped based on product types, repayment methods and so on.

3.1.3 Maximum exposure to credit risk

3.1.3.1 Maximum exposure to credit risk – financial instruments included in impairment assessment

The Group categorises asset risk characteristics based on the quality of the assets, differentiating financial instruments included in expected credit losses calculation as "Low risk", "Medium risk", "High risk" and "Impaired". "Low risk" refers to counterparty with strong repayment ability, low probability of impairment in the future, and minor effect of adverse external factors; "Medium risk" refers to counterparty with certain repayment ability, but continuously unstable and worsening business, finance, and economic conditions will potentially cause its repayment ability to descend; "High risk" refers to counterparty with existence of adverse factors having significant effect on repayment ability or high probability of impairment in the future; and "Impaired" refers to the assets met the Group's definition of credit-impaired.

For the six months ended 30 June 2020

(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.3 Maximum exposure to credit risk *(Continued)*

3.1.3.1 Maximum exposure to credit risk – financial instruments included in impairment assessment (Continued)

The table below analyses exposure to credit risk of financial instruments included in expected credit losses assessment. The balance of financial instruments below is the maximum exposure to credit risk of these instruments in the Group.

	As at 30 June 2020									As at 31 December 2019
	Low risk	Medium risk	High risk	Impaired	Domestic branches	Overseas and subsidiaries	Group total	Allowance for impairment losses	Group carrying amount	Group carrying amount
On-balance sheet item										
Cash and balances with central banks (Stage 1)	743,902	–	–	–	743,902	42,717	786,619	–	786,619	745,704
Loans and advances to customers (Corporate)										
–at amortised cost	1,854,664	1,084,754	83,505	68,542	3,091,465	537,604	3,629,069	(110,360)	3,518,709	3,208,926
Stage 1	1,853,854	1,051,176	3,182	–	2,908,212	527,282	3,435,494	(32,841)	3,402,653	3,091,854
Stage 2	810	33,578	80,323	–	114,711	4,075	118,786	(30,162)	88,624	99,741
Stage 3	–	–	–	68,542	68,542	6,247	74,789	(47,357)	27,432	17,331
–FVOCI	155,512	106,589	8,771	136	271,008	30	271,038	–	271,038	235,414
Stage 1	155,512	104,739	3,683	–	263,934	30	263,964	–	263,964	228,957
Stage 2	–	1,850	5,088	–	6,938	–	6,938	–	6,938	6,404
Stage 3	–	–	–	136	136	–	136	–	136	53
Loans and advances to customers (Individuals)										
–at amortised cost	1,363,952	376,423	21,947	21,147	1,783,469	45,937	1,829,406	(30,957)	1,798,449	1,727,216
Stage 1	1,363,668	375,505	14,419	–	1,753,592	45,588	1,799,180	(9,892)	1,789,288	1,718,712
Stage 2	284	918	7,528	–	8,730	128	8,858	(3,766)	5,092	5,892
Stage 3	–	–	–	21,147	21,147	221	21,368	(17,299)	4,069	2,612
Due from and placements with banks and other financial institutions (Stage 1)	391,698	1,001	–	–	392,699	301,610	694,309	(1,208)	693,101	648,488
Financial investments at amortised cost	1,863,447	22,003	793	1,079	1,887,322	56,216	1,943,538	(2,773)	1,940,765	1,929,689
Stage 1	1,863,447	22,003	–	–	1,885,450	55,114	1,940,564	(1,867)	1,938,697	1,927,617
Stage 2	–	–	793	–	793	704	1,497	(265)	1,232	1,319
Stage 3	–	–	–	1,079	1,079	398	1,477	(641)	836	753
Financial investments at FVOCI	336,492	2,791	–	–	339,283	437,063	776,346	–	776,346	660,711
Stage 1	336,492	2,791	–	–	339,283	436,934	776,217	–	776,217	660,711
Stage 2	–	–	–	–	–	15	15	–	15	–
Stage 3	–	–	-	–	–	114	114	–	114	–
Other financial assets at amortised cost	20,121	12,460	63	1,355	33,999	15,931	49,930	(3,205)	46,725	40,483
Stage 1	20,120	12,452	–	–	32,572	15,931	48,503	(2,329)	46,174	39,777
Stage 2	1	8	63	–	72	–	72	(18)	54	215
Stage 3	–	–	–	1,355	1,355	–	1,355	(858)	497	491
On-balance sheet total	6,729,788	1,606,021	115,079	92,259	8,543,147	1,437,108	9,980,255	(148,503)	9,831,752	9,196,631
Financial guarantees and credit related commitments										
Stage 1	1,172,609	318,579	2,711	–	1,493,899	75,457	1,569,356	(7,307)	1,562,049	1,453,957
Stage 2	–	3,491	4,493	–	7,984	941	8,925	(636)	8,289	11,881
Off-balance sheet total	1,172,609	322,070	7,204	–	1,501,883	76,398	1,578,281	(7,943)	1,570,338	1,465,838
Total	7,902,397	1,928,091	122,283	92,259	10,045,030	1,513,506	11,558,536	(156,446)	11,402,090	10,662,469

For the six months ended 30 June 2020
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.3 Maximum exposure to credit risk *(Continued)*

3.1.3.2 Maximum exposure to credit risk – financial instruments not included in impairment assessment

The analysis of credit risk exposure of those financial assets which are not included in the impairment assessment are as follows:

	Maximum exposure to credit risk	
	30 June 2020	31 December 2019
Financial assets at fair value through profit or loss		
Derivative financial assets	28,130	20,937
Bond investments	159,571	134,950
Funds, trusts and debt investments	274,816	170,435
Precious metal contracts	29,193	39,532
Placements with banks and other financial institutions	5,145	11,864
Total	496,855	377,718

3.1.3.3 Collaterals and other credit enhancements

The Group manages, limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparties, company and groups, industry segments and geographical regions.

The Group structures the levels of credit risk it undertakes by placing limits in relation to one borrower, or group of borrowers. Such risks are monitored on a regular basis and subject to annual or more frequent review, whenever necessary.

The exposure to any single borrower including banks and brokers is further restricted by sub-limits covering on-balance and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing their lending limits where appropriate.

Some other specific control and risk mitigation measures are outlined below.

(a) Collaterals

The Group employs a range of policies and practices to mitigate credit risk. The most useful practice is to accept collaterals or pledges. The Group implements guidelines on the acceptability of specific classes of collaterals and pledges. The principal types of collaterals and pledges for loans and advances to customers are:

- Residential properties;
- Business assets such as premises, inventory and receivables;
- Financial instruments such as debt securities and stocks.

(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.3 Maximum exposure to credit risk *(Continued)*

3.1.3.3 Collaterals and other credit enhancements *(Continued)*

(a) Collaterals *(Continued)*

The value of collaterals at the time of loan origination is determined by the Credit Authorisation Department and the amount of the loans granted is subject to loan-to-value ratio limits based on collateral types. The principal types of collaterals for corporate loans and individual loans are as follows:

Collaterals	Maximum loan-to-value ratio
Cash deposits with the Group	90%
PRC treasury bonds	90%
Financial institution bonds	90%
Publicly traded stocks	60%
Rights to collect fees or right of management	65%
Properties	70%
Land use rights	70%
Vehicles	50%

Long-term loans and advances to corporate and individual customers are generally secured, while revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss, the Group will seek additional collaterals and pledges from the counterparties as soon as impairment indicators are noted for the individual loans and advances.

For loans guaranteed by a third-party guarantor, the Group will assess the financial condition, credit history and ability to meet obligations of the guarantor.

Collaterals and pledges held as security for financial assets other than loans and advances to customers are determined by the nature of the instrument. Debt securities, PRC treasury bonds and PBOC bills are generally unsecured, with the exception of asset-backed securities, which are secured by portfolios of financial instruments.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
As at 30 June 2020				
Credit-impaired assets				
Loans and advances to customers				
Loans to corporate entities	74,924	(47,357)	27,567	29,029
Loans to individuals	21,368	(17,299)	4,069	15,030
Financial investments				
Financial investments at amortised cost	2,974	(906)	2,068	6,943
Debt investments at FVOCI	796	(524)	129	–

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(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.3 Maximum exposure to credit risk (Continued)

3.1.3.3 Collaterals and other credit enhancements (Continued)

(a) Collaterals *(Continued)*

	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
As at 31 December 2019				
Credit-impaired assets				
Loans and advances to customers				
Loans to corporate entities	59,469	(42,085)	17,384	18,839
Loans to individuals	18,574	(15,962)	2,612	10,559
Financial investments				
Financial investments at amortised cost	2,880	(808)	2,072	6,079
Debt investments at FVOCI	393	(393)	–	–

(b) Master netting arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of assets and liabilities in the statement of financial position, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as each transaction subject to the arrangement affects credit risk.

3.1.4 Derivative instruments

The Group undertakes its transactions in foreign exchange, commodity, interest rate and other derivative contracts with other financial institutions and customers. The management has established limits for these contracts based on counterparties, industry sectors and countries. Actual credit exposures and limits are regularly monitored and controlled by management.

Credit risk-weighted amounts

	As at 30 June 2020	As at 31 December 2019
Counterparty credit risk-weighted amount	45,915	36,175

The credit risk-weighted amounts are the amounts calculated with reference to the guidelines issued by the CBIRC and are dependent on, amongst other factors, the creditworthiness of the counterparty and the maturity characteristics of each type of contract.

The credit risk-weighted amounts stated above have not taken the effects of netting arrangements into account.

For the six months ended 30 June 2020
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.5 Foreclosed assets

	As at 30 June 2020	As at 31 December 2019
Buildings	854	873
Land use rights	20	20
Others	14	14
Gross	888	907
Less: Impairment allowances	(140)	(148)
Net	748	759

Foreclosed assets are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. The Group does not generally occupy foreclosed assets for its own business use. Foreclosed assets are classified as other assets in the statement of financial position.

3.1.6 Concentration risk analysis for financial assets with credit risk exposure

The Group mainly manages concentration risk for loans and advances to customers by industry sectors and also manages concentration risk for financial assets by geographical sectors.

Geographical sectors

	Mainland China	Hong Kong	Others	Total
As at 30 June 2020				
Financial assets				
Balances with central banks	746,104	21,276	18,979	786,359
Due from and placements with banks and other financial institutions	445,487	70,967	176,647	693,101
Derivative financial assets	20,184	6,075	1,871	28,130
Financial investments at FVPL	419,306	10,675	38,744	468,725
Loans and advances to customers	5,222,523	220,487	159,346	5,602,356
Financial investments at FVOCI	396,015	68,738	311,593	776,346
Financial investments at amortised cost	1,919,577	3,312	17,876	1,940,765
Other financial assets	36,717	19,488	4,120	60,325
	9,205,913	421,018	729,176	10,356,107
Off-balance sheet exposures				
Guarantees, acceptances and letters of credit	732,318	10,569	12,202	755,089
Loan commitments and other credit related commitments	780,081	28,400	14,711	823,192
	1,512,399	38,969	26,913	1,578,281

For the six months ended 30 June 2020
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.6 Concentration risk analysis for financial assets with credit risk exposure *(Continued)*

Geographical sectors (Continued)

	Mainland China	Hong Kong	Others	Total
As at 31 December 2019				
Financial assets				
Balances with central banks	732,414	1,027	11,972	745,413
Due from and placements with banks and other financial institutions	546,171	30,082	72,235	648,488
Derivative financial assets	15,636	4,295	1,006	20,937
Financial investments at FVPL	321,366	10,064	25,351	356,781
Loans and advances to customers	4,792,758	218,575	172,320	5,183,653
Financial investments at FVOCI	347,311	112,537	200,863	660,711
Financial investments at amortised cost	1,915,749	4,181	9,759	1,929,689
Other financial assets	37,301	15,414	2,513	55,228
	8,708,706	396,175	496,019	9,600,900
Off-balance sheet exposures				
Guarantees, acceptances and letters of credit	652,860	13,761	13,646	680,267
Loan commitments and other credit related commitments	750,807	30,572	10,524	791,903
	1,403,667	44,333	24,170	1,472,170

(a) *Geographical risk concentration for loans and advances to customers*

	As at 30 June 2020	%	As at 31 December 2019	%
Northern China (1)	721,654	12.60	689,601	13.00
North Eastern China (2)	224,615	3.92	212,871	4.01
Eastern China (3)	1,989,225	34.71	1,830,275	34.51
Central and Southern China (4)	1,265,117	22.08	1,106,903	20.87
Western China (5)	606,545	10.59	532,796	10.04
Overseas (6)	385,018	6.72	391,517	7.38
Head Office	537,339	9.38	540,312	10.19
Gross amount of loans and advances	5,729,513	100.00	5,304,275	100.00

Note: (1) Including Beijing, Tianjin, Hebei Province, Shanxi Province and Inner Mongolia Autonomous Region.

(2) Including Liaoning Province, Jilin Province and Heilongjiang Province.

(3) Including Shanghai (excluding Head Office), Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province and Shandong Province.

(4) Including Henan Province, Hunan Province, Hubei Province, Guangdong Province, Hainan Province and Guangxi Zhuang Autonomous Region.

(5) Including Chongqing, Sichuan Province, Guizhou Province, Yunnan Province, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Uyghur Autonomous Region.

(6) Including Hong Kong, New York, Tokyo, Singapore, Seoul, Frankfurt, Macau, Ho Chi Minh City, San Francisco, Sydney, Taipei, London, Luxembourg, Brisbane, Paris, Rome, Brazil, Toronto, Melbourne, Prague, and other overseas affiliates.

For the six months ended 30 June 2020
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Credit risk *(Continued)*

3.1.6 Concentration risk analysis for financial assets with credit risk exposure *(Continued)*

(b) *Industry analysis for loans and advances to customers*

	As at 30 June 2020	%	As at 31 December 2019	%
Corporate loans				
Mining	122,389	2.14	117,555	2.22
Manufacturing				
– *Petroleum and chemical*	124,012	2.16	106,108	2.00
– *Electronics*	140,977	2.46	95,736	1.80
– *Steel*	44,267	0.77	35,156	0.66
– *Machinery*	96,512	1.68	93,393	1.76
– *Textile and clothing*	29,008	0.51	27,049	0.51
– *Other manufacturing*	260,316	4.54	243,701	4.60
Production and supply of power, heat, gas and water	218,600	3.82	215,642	4.07
Construction	157,219	2.74	135,998	2.56
Transportation, storage and postal service	677,212	11.82	637,943	12.03
Information transmission, software and IT services	40,481	0.71	28,346	0.53
Wholesale and retail	222,936	3.89	221,381	4.17
Accommodation and catering	34,041	0.59	32,259	0.61
Finance	113,221	1.98	107,865	2.03
Real estate	320,728	5.60	264,495	4.99
Leasing and commercial services	539,270	9.41	508,863	9.59
Water conservancy, environmental and other public services	323,342	5.64	284,797	5.37
Education, science, culture and public health	109,823	1.92	96,875	1.83
Others	94,468	1.65	93,314	1.76
Discounted bills	231,285	4.04	203,034	3.83
Total corporate loans	3,900,107	68.07	3,549,510	66.92
Individual loans				
Mortgages	1,196,808	20.89	1,135,428	21.41
Credit cards	445,266	7.77	467,387	8.81
Others	187,332	3.27	151,950	2.86
Total individual loans	1,829,406	31.93	1,754,765	33.08
Gross amount of loans and advances before impairment allowances	5,729,513	100.00	5,304,275	100.00

Note: The classification of industries is consistent with the latest national standards for industry classification (Industrial classification for national economic activities (GB/T 4754-2017) issued by SAC and AQSIQ in 2017).

The industry risk concentration analysis for loans and advances to customers is based on the type of industry of the borrowers.

For the six months ended 30 June 2020
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Market risk

3.2.1 Overview

Market risk is risk of loss on the Group's on balance sheet and off balance sheet businesses, which is originated from the unfavourable changes and fluctuations in interest rates, foreign exchange rates, commodity price and equity product price. Market risk consists of interest rate risk, foreign exchange rate risk, commodity price risk and equity product price risk. The market risk of the Group mainly comprises interest rate risk and foreign exchange risk.

The Group established a management model of "large and small middle offices" for its market risk management, which is a centralised control framework led by Board of Directors, Board of Supervisors and senior management. The risk management department takes the lead in the Group's market risk management, while business units such as financial markets department, domestic and overseas branches and subsidiaries are the execution units of the Bank's market risk management. The internal audit department is responsible for the internal audit of the market risk management system of the Bank.

In accordance with the requirements of the CBIRC, the Group's financial instrument positions are divided into trading book and banking book. The trading book consists of financial instruments held either for trading intent or economic hedging for other elements of the trading book. The banking book consists of all financial instruments other than those included in trading book. The Group recognises, measures, monitors and controls the market risks in trading book and banking book according to their nature and characteristics.

With regard to the exchange rate risk and the interest rate risk of trading book, the Group established an effective limit management system by implementing Net Position, Risk Sensitivity, Value at Risk ("VaR") and other indicators. Meanwhile, with regard to the interest risk of banking book, net interest income sensitivity tests and gap analysis are the major tools used by the Group to monitor the interest risk of its overall businesses. In addition, through adequate repricing management and structure adjustment of assets and liabilities, the Group strives to maximise its rate of return while keeping its risks under control.

The Group has continuously improved the management system of market risk. The Group conducted stress tests on historical scenarios and hypothetical scenarios in the consideration of the Group's major market risk factors. The Group has realised daily automatic collection of trading data and market data in the system. The Group conducted the management of risk capital and VaR quota and formulated the quota allocation plans.

The Group also applies sensitivity analysis to assess and measure the market risk of trading book and banking book. Sensitivity analysis indicates the impact on the relevant market risk assuming that only a single variable changes. As any risk variable rarely changes isolatedly, and the correlation between variables will have a significant effect on the final impact amount of the change of a risk variable, the results of sensitivity analysis can only provide limited market risk information.

The major measurement techniques used to measure and control market risk are outlined below:

(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Market risk *(Continued)*

3.2.2 VaR

VaR refers to the maximum loss that an investment portfolio may incur at a given confidence level and holding period caused by the changes in market price factors such as interest rates and exchange rates etc. The Group adopted the historical simulation method to calculate daily VaR (99% confidence interval, the holding period of one day).

A summary of VaR by risk type of the Group's portfolios is as follows:

	Six months ended 30 June 2020			
Items	30 June 2020	Average	Maximum	Minimum
VaR	455	487	552	441
Including: Interest rate risk	357	289	472	127
Foreign exchange risk	441	474	526	419

	Six months ended 30 June 2019			
Items	30 June 2019	Average	Maximum	Minimum
VaR	617	607	674	545
Including: Interest rate risk	182	181	209	145
Foreign exchange risk	669	656	695	597

3.2.3 Sensitivity analysis

Interest rate sensitivity analysis

The table below illustrates the impact on net profit of the Group for the following year based on the structure of financial assets and liabilities as at the date of statement of financial position, resulting from a parallel upward or downward shift of 100 basis points in related yield curves.

	Changes in net profit	
	As at 30 June 2020	As at 31 December 2019
+100 basis points parallel shift in yield curves	9,381	15,794
-100 basis points parallel shift in yield curves	(9,381)	(15,794)

The table below illustrates the impact on other comprehensive income of the Group for the following year based on the structure of financial assets and liabilities as at the date of statement of financial position, resulting from a parallel upward or downward shift of 100 basis points in related yield curves.

	Changes in other comprehensive income	
	As at 30 June 2020	As at 31 December 2019
+100 basis points parallel shift in yield curves	(12,076)	(11,748)
-100 basis points parallel shift in yield curves	12,397	11,570

The above-mentioned impact on other comprehensive income arises from the changes in the fair value of fixed-interest-rate bonds at fair value through other comprehensive income, and loans and advances to customers at fair value through other comprehensive income.

For the six months ended 30 June 2020

(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Market risk *(Continued)*

3.2.3 Sensitivity analysis *(Continued)*

Interest rate sensitivity analysis (Continued)

The results of the interest rate sensitivity analysis set out in the table above are illustrative only and are based on simplified scenarios. The figures represent the projected impact to the net profit and other comprehensive income caused by the projected movement of current interest risk structure yield curves. This effect, however, does not take into account actions that would be taken by the Group to mitigate the impact of interest rate changes. The projections above also assume that interest rates of all maturities excluding demand deposits move by the same amount and, therefore, do not reflect the potential impact on net profit due to changes in certain rates while others remain unchanged. The projections are based on other simplified assumptions as well, including that all positions are to be held to maturity. There will be changes to the projection if positions are not held to maturity but it is not expected that the changes would be material.

The Group believes the assumption does not represent the Group's policy on use of funds and interest rate risk management. As a result, the above impact may differ from the actual situation.

Foreign exchange sensitivity analysis

The table below illustrates the impact of a concurrent appreciation or depreciation of RMB spot and forward rates against HKD and USD by 5% on the Group's net profit:

	Changes in net profit	
	As at 30 June 2020	As at 31 December 2019
5% appreciation of RMB	**(1,357)**	(1,758)
5% depreciation of RMB	**1,357**	1,758

The table below illustrates the impact of a concurrent appreciation or depreciation of RMB spot and forward rates against HKD and USD by 5% on the Group's other comprehensive income:

	Changes in other comprehensive income	
	As at 30 June 2020	As at 31 December 2019
5% appreciation of RMB	**(1,038)**	(954)
5% depreciation of RMB	**1,038**	954

The impact on net profit arises from the influences of RMB exchange rate fluctuation on the net position of monetary assets (excluding other book value other than amortised cost of monetary assets at fair value through other comprehensive income) and liabilities denominated in foreign currencies, the net position of non-monetary financial assets (excluding non-monetary items denominated in foreign currencies measured at fair value through other comprehensive income) and liabilities denominated in foreign currencies measured at fair value, and the fair value of currency derivatives denominated in RMB.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Market risk *(Continued)*

3.2.3 Sensitivity analysis (Continued)

Foreign exchange sensitivity analysis (Continued)

The impact on other comprehensive income arises from the influences of RMB exchange rate fluctuation on the differences on translation of foreign currency financial statements of foreign operators, the overseas investment portion of monetary assets denominated in foreign currencies, other book value other than amortised cost of the non-monetary items denominated in foreign currencies measured at fair value through other comprehensive income (such as stock) and monetary items at fair value through other comprehensive income.

The above impact on net profit is based on the assumption that the sensitive position of the Group's period-end exchange rate and currency derivatives denominated in RMB remain unchanged during the reporting period. While in practice, the Group will, based on its judgement on the trend of exchange rate, actively adjust the foreign currency position and use appropriate derivative instruments to mitigate the impact of the foreign currency risk. Therefore, the above impact might differ from the actual situation.

3.2.4 Interest rate risk

The Group's interest rate risk mainly arises from interest rate repricing and maturity mismatching of assets and liabilities, and the fluctuation of market interest rates, as well as from the adjustments in the interest rate policies made by the People's Bank of China ("PBOC"). On 20 July 2013, PBOC cancelled the lower limit of benchmark interest rates of loans dominated in RMB, allowing financial institutions to determine the loan interest rates independently based on commercial principles. On 24 October 2015, PBOC cancelled the upper limit of the benchmark interest rates for deposits. The Group conducts most of its domestic businesses including loans and deposits as well as the majority of its financial guarantees and credit commitments at benchmark interest rates published by PBOC. On 20 August 2019, the first quotation formed in accordance with the new Loan Prime Rate (LPR) mechanism was officially launched, and the newly issued loans are priced mainly at LPR. On 28 December 2019, PBOC announced that financial institutions should complete the conversion of the pricing benchmark of existing floating rate loans to LPR between March and August in 2020. Therefore, the Group organised a team to promote the processes, developing the implementation plan and offering guidances to the conversion, and managing the interest rate risks effectively at the same time. The Group has initially established a relatively complete interest rate risk monitoring system. By using the gap analysis system, the Group regularly monitors the repricing maturity gap of interest rate-sensitive assets and liabilities throughout the Group, takes the initiative to adjust the proportion of interest-bearing assets at floating interest rates and fixed interest rates, and adjusts the repricing term structure of interest rate and manages interest rate risk by applying appropriate derivatives such as interest rate swaps based on allocation strategy of assets and liabilities. Consequently, the Group is less vulnerable to interest rate risk.

During the reporting period, the Group closely monitored the interest rate trend for RMB and foreign currencies, conducted specific management of risk limits, and strengthened comprehensive operations and limit monitoring. In addition, the Group, by rationally adjusting the loan repricing strategies, reinforced the specific management of price negotiation to maximise its rate of return while keeping its risks under control.

For the six months ended 30 June 2020

(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Market risk *(Continued)*

3.2.4 Interest rate risk (Continued)

At the date of statement of financial position, the Group's assets and liabilities categorised by the repricing date or maturity date (whichever is earlier) are as follows:

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
As at 30 June 2020							
Assets							
Cash and balances with central banks	776,368	–	–	–	–	24,778	801,146
Due from and placements with banks and other financial institutions	314,870	109,623	180,154	69,053	13,999	5,402	693,101
Derivative financial assets	–	–	–	–	–	28,130	28,130
Financial investments at FVPL	22,272	35,331	41,914	32,985	46,752	340,290	519,544
Loans and advances to customers	775,800	696,478	3,459,803	240,664	126,780	302,831	5,602,356
Financial investments at FVOCI	76,032	148,631	82,466	279,821	181,737	18,150	786,837
Financial investments at amortised cost	45,000	59,264	261,316	897,203	650,059	27,923	1,940,765
Other assets	499	–	–	–	–	297,554	298,053
Total assets	2,010,841	1,049,327	4,025,653	1,519,726	1,019,327	1,045,058	10,669,932
Liabilities							
Due to and placements from banks and other financial institutions	(886,264)	(360,707)	(616,171)	(22,459)	(17,218)	(13,940)	(1,916,759)
Financial liabilities at FVPL	(5,404)	(9,250)	(8,389)	(1,304)	–	(2,569)	(26,916)
Derivative financial liabilities	–	–	–	–	–	(41,303)	(41,303)
Due to customers	(3,468,389)	(661,169)	(954,651)	(1,387,062)	(52)	(89,544)	(6,560,867)
Other liabilities	(74,673)	(120,677)	(523,734)	(227,456)	(176,712)	(186,703)	(1,309,955)
Total liabilities	(4,434,730)	(1,151,803)	(2,102,945)	(1,638,281)	(193,982)	(334,059)	(9,855,800)
Total interest sensitivity gap	(2,423,889)	(102,476)	1,922,708	(118,555)	825,345	710,999	814,132

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
As at 31 December 2019							
Assets							
Cash and balances with central banks	729,335	–	–	–	–	30,850	760,185
Due from and placements with banks and other financial institutions	217,899	94,206	262,663	57,535	10,639	5,546	648,488
Derivative financial assets	–	–	–	–	–	20,937	20,937
Financial investments at FVPL	24,970	27,425	49,446	39,634	35,329	229,694	406,498
Loans and advances to customers	2,422,040	475,631	1,695,459	190,829	91,463	308,231	5,183,653
Financial investments at FVOCI	61,795	152,393	87,723	243,110	109,231	15,404	669,656
Financial investments at amortised cost	21,782	39,197	249,195	1,027,815	562,411	29,289	1,929,689
Other assets	493	–	–	–	–	286,001	286,494
Total assets	3,478,314	788,852	2,344,486	1,558,923	809,073	925,952	9,905,600
Liabilities							
Due to and placements from banks and other financial institutions	(720,024)	(273,836)	(837,746)	(39,236)	(19,803)	(13,437)	(1,904,082)
Financial liabilities at FVPL	(4,103)	(6,006)	(6,779)	(8,190)	–	(1,902)	(26,980)
Derivative financial liabilities	–	–	–	–	–	(26,424)	(26,424)
Due to customers	(3,188,008)	(668,974)	(998,242)	(1,102,269)	(26,026)	(89,389)	(6,072,908)
Other liabilities	(47,541)	(123,654)	(391,494)	(241,821)	(136,354)	(133,430)	(1,074,294)
Total liabilities	(3,959,676)	(1,072,470)	(2,234,261)	(1,391,516)	(182,183)	(264,582)	(9,104,688)
Total interest sensitivity gap	(481,362)	(283,618)	110,225	167,407	626,890	661,370	800,912

(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Market risk *(Continued)*

3.2.5 Foreign exchange risk

The Group conducts the majority of its businesses in RMB, and the recording currency is RMB. Certain foreign transactions are conducted in USD, HKD and other currencies. The exchange rate of RMB to USD, HKD or other currencies is subject to the trading rules of China Foreign Exchange Trade System. Exchange rate risk mainly results from currency mismatch of foreign currency assets and liabilities and off balance sheet currency exposures. The Group has formulated management measures for exchange rate risks, defining the functional division and scope of work of the exchange rate risk management department, risk identification, measurement, monitoring and control methods, and specific measures. Moreover, the Group controls exchange rate risk by setting relevant limits, taking the initiative to adjust the structure of foreign currency assets for a proper matching of currency structure of assets and liabilities, and applying appropriate exchange rate financial derivatives for transfers and hedging based on its own risk tolerance and operating level.

As at 30 June 2020, the exchange rates for US dollar and HK dollar are 1 US dollar to RMB7.0795 (31 December 2019: RMB6.9762) and 1 HK dollar to RMB0.9134 (31 December 2019: RMB0.8958), respectively.

Carrying amounts of the Group's total assets and liabilities categorised by the original currency as at the date of statement of financial position are as follows:

	RMB	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	Total
As at 30 June 2020					
Assets					
Cash and balances with central banks	745,119	20,384	22,129	13,514	801,146
Due from and placements with banks and other financial institutions	270,729	374,966	30,001	17,405	693,101
Derivative financial assets	24,525	1,807	1,326	472	28,130
Financial investments at FVPL	437,324	56,094	2,347	23,779	519,544
Loans and advances to customers	5,059,724	309,987	156,703	75,942	5,602,356
Financial investments at FVOCI	357,387	323,666	48,803	56,981	786,837
Financial investments at amortised cost	1,919,980	17,789	18	2,978	1,940,765
Other assets	142,982	145,308	8,359	1,404	298,053
Total assets	8,957,770	1,250,001	269,686	192,475	10,669,932
Liabilities					
Due to and placements from banks and other financial institutions	(1,455,448)	(398,751)	(7,651)	(54,909)	(1,916,759)
Financial liabilities at FVPL	(3,154)	(1,759)	(9,214)	(12,789)	(26,916)
Derivative financial liabilities	(24,560)	(14,256)	(1,366)	(1,121)	(41,303)
Due to customers	(5,814,775)	(394,133)	(314,657)	(37,302)	(6,560,867)
Other liabilities	(1,085,298)	(186,905)	(17,359)	(20,393)	(1,309,955)
Total liabilities	(8,383,235)	(995,804)	(350,247)	(126,514)	(9,855,800)
Net position	574,535	254,197	(80,561)	65,961	814,132
Financial guarantees and credit-related commitments	1,426,959	112,751	23,689	14,882	1,578,281

(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Market risk *(Continued)*

3.2.5 Foreign exchange risk *(Continued)*

	RMB	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	Total
As at 31 December 2019					
Assets					
Cash and balances with central banks	730,031	17,082	1,874	11,198	760,185
Due from and placements with banks and other financial institutions	296,047	308,665	22,958	20,818	648,488
Derivative financial assets	17,991	1,503	1,206	237	20,937
Financial investments at FVPL	336,039	43,167	2,947	24,345	406,498
Loans and advances to customers	4,664,589	282,461	162,892	73,711	5,183,653
Financial investments at FVOCI	277,710	282,552	55,646	53,748	669,656
Financial investments at amortised cost	1,910,731	16,213	–	2,745	1,929,689
Other assets	142,776	132,093	10,646	979	286,494
Total assets	8,375,914	1,083,736	258,169	187,781	9,905,600
Liabilities					
Due to and placements from banks and other financial institutions	(1,489,552)	(354,673)	(7,031)	(52,826)	(1,904,082)
Financial liabilities at FVPL	(2,273)	(1,882)	(10,963)	(11,862)	(26,980)
Derivative financial liabilities	(21,149)	(3,058)	(1,815)	(402)	(26,424)
Due to customers	(5,403,579)	(391,803)	(241,714)	(35,812)	(6,072,908)
Other liabilities	(844,270)	(187,717)	(22,048)	(20,259)	(1,074,294)
Total liabilities	(7,760,823)	(939,133)	(283,571)	(121,161)	(9,104,688)
Net position	615,091	144,603	(25,402)	66,620	800,912
Financial guarantees and credit-related commitments	1,327,987	110,286	18,482	15,415	1,472,170

3.2.6 Other price risk

The Group is exposed to other price risk arising from financial assets such as equity investments and derivatives linked to commodity price. The equity investments arise from the proprietary trading of the Group's subsidiaries which hold the qualification of securities dealing and brokerage as well. As for the proprietary trading exposure, the Group enforces strict management of the risk exposure limit and the balance is insignificant to the Group's financial assets. The Group considers the exposure to the other price risk to be insignificant.

3.3 Liquidity risk

3.3.1 Overview

Liquidity risk is the risk that occurs when the Group cannot obtain sufficient funds in time and at a reasonable cost to repay debts when they are due, fulfill other payment obligations, or meet other funding needs in the normal course of business. The Group's liquidity risk mainly comes from depositors' early or centralised withdrawals, borrowers' deferred repayment of loans, the amount of assets and liabilities and maturity mismatches.

(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Liquidity risk *(Continued)*

3.3.2 Liquidity risk management process

The Group implements centralised management of liquidity risk and, on the basis of forecasting liquidity requirements, formulates corresponding liquidity management plans and actively manages the liquidity of the Bank. The specific measures mainly include:

- Pay close attention to changes in the macroeconomic situation, central bank monetary policy, capital market dynamics, etc.
- Enhance weighting of core deposits as a percentage of liabilities, so as to maintain the stability of liabilities;
- Monitor and manage liquidity position bank-wide by implementing a series of indicators and restrictions;
- Liquidity position management and cash utilisation functions are centralised by the Head offices;
- Maintain an appropriate level of central bank reserves, overnight inter-bank transactions, highly liquid debt investment, actively involve in capital management through open market, monetary market and bond market in order to ensure optimal financing capability at market places;
- Minimise liquidity risk by proper management of asset maturity structures and multi-level liquidity portfolios.

3.3.3 Non-derivative financial instruments cash flows

The table below presents the structural analysis by contracted maturities on non-derivative financial assets and liabilities of the Group at the balance sheet date. The amount of financial assets and liabilities for each period is the amount of undiscounted cash flows The Group's expected cash flows on these financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

	Overdue	Undated	On Demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
As at 30 June 2020									
Liabilities									
Due to and placements from banks and other financial institutions	–	–	(609,065)	(280,433)	(367,290)	(633,551)	(24,285)	(17,629)	(1,932,253)
Financial liabilities at FVPL	–	–	(1,980)	(5,447)	(7,219)	(10,669)	(1,813)	–	(27,128)
Due to customers	–	–	(2,789,846)	(717,938)	(675,563)	(989,877)	(1,505,689)	(61)	(6,678,974)
Certificates of deposit issued	–	–	–	(61,316)	(84,030)	(463,225)	(21,163)	–	(629,734)
Debt securities issued	–	–	–	(2,786)	(7,083)	(81,381)	(265,376)	(168,813)	(525,439)
Other financial liabilities	–	–	(86,519)	(24,728)	(1,891)	(918)	(14,221)	(35,290)	(163,567)
Total liabilities (contractual maturity dates)	–	–	(3,487,410)	(1,092,648)	(1,143,076)	(2,179,621)	(1,832,547)	(221,793)	(9,957,095)
Assets									
Cash and balances with central banks	–	633,975	166,911	–	260	–	–	–	801,146
Due from and placements with banks and other financial institutions	–	–	75,875	240,920	112,213	184,297	71,930	15,706	700,941
Financial investments at FVPL	–	328,011	12,126	7,449	23,321	47,842	60,611	62,042	541,402
Loans and advances to customers	46,623	–	–	609,501	369,362	1,533,473	1,793,545	3,447,353	7,799,857
Financial investments at FVOCI	114	10,491	–	17,977	29,546	130,504	468,163	203,900	860,695
Financial investments at amortised cost	843	–	–	46,547	63,355	310,607	1,080,378	756,793	2,258,523
Other financial assets	4,920	–	55,405	–	–	–	–	–	60,325
Assets held for managing liquidity risk (contractual maturity dates)	52,500	972,477	310,317	922,394	598,057	2,206,723	3,474,627	4,485,794	13,022,889
Net position	52,500	972,477	(3,177,093)	(170,254)	(545,019)	27,102	1,642,080	4,264,001	3,065,794

For the six months ended 30 June 2020

(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Liquidity risk *(Continued)*

3.3.3 Non-derivative financial instruments cash flows *(Continued)*

	Overdue	Undated	On Demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
As at 31 December 2019									
Liabilities									
Due to and placements from banks and other financial institutions	–	–	(409,571)	(312,459)	(279,062)	(861,415)	(41,653)	(24,479)	(1,928,639)
Financial liabilities at FVPL	–	–	(1,087)	(4,129)	(6,110)	(7,644)	(8,370)	–	(27,340)
Due to customers	–	–	(2,608,940)	(620,749)	(687,767)	(1,032,419)	(1,184,740)	(26,470)	(6,161,085)
Certificates of deposit issued	–	–	–	(47,583)	(112,660)	(326,884)	(19,723)	(104)	(506,954)
Debt securities issued	–	–	–	(356)	(11,595)	(83,202)	(246,898)	(124,044)	(466,095)
Other financial liabilities	–	–	(62,915)	(157)	(980)	(994)	(9,289)	(31,022)	(105,357)
Total liabilities (contractual maturity dates)	–	–	(3,082,513)	(985,433)	(1,098,174)	(2,312,558)	(1,510,673)	(206,119)	(9,195,470)
Assets									
Cash and balances with central banks	–	669,268	90,626	–	291	–	–	–	760,185
Due from and placements with banks and other financial institutions	–	–	68,990	150,526	96,100	271,267	60,169	13,316	660,368
Financial investments at FVPL	–	221,829	7,455	5,633	17,275	53,313	68,842	53,129	427,476
Loans and advances to customers	41,983	–	–	662,690	350,205	1,349,166	1,675,654	3,135,246	7,214,944
Financial investments at FVOCI	–	8,945	–	11,356	37,795	124,191	422,104	127,664	732,055
Financial investments at amortised cost	740	–	–	22,301	39,748	303,842	1,206,797	628,632	2,202,060
Other financial assets	4,524	–	45,990	–	–	–	–	–	50,514
Assets held for managing liquidity risk (contractual maturity dates)	47,247	900,042	213,061	852,506	541,414	2,101,779	3,433,566	3,957,987	12,047,602
Net position	47,247	900,042	(2,869,452)	(132,927)	(556,760)	(210,779)	1,922,893	3,751,868	2,852,132

Assets available to repay all of the liabilities and fulfill loan commitments include cash, balances with central banks, due from and placements with banks and other financial institutions, financial investment at fair value through profit or loss, etc. In the normal course of business, a majority of matured deposits will not be withdrew immediately on the maturity date but will continue to be kept by the Group. In addition, financial investments at fair value through other comprehensive income can also be disposed of when necessary to obtain funds for repayment of matured debts.

3.3.4 Derivative financial instruments cash flows

The Group's derivative financial instruments are either settled on a net basis or a gross basis.

(a) Derivative settled on a net basis

The Group's derivative financial instruments that will be settled on a net basis include foreign exchange contracts, commodity contracts, interest rate contracts and others.

The table below analyses the undiscounted cash flows of the Group's derivative financial instruments which will be settled on a net basis and are classified based on the remaining contractual period from the balance sheet date to maturity date.

For the six months ended 30 June 2020
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Liquidity risk *(Continued)*

3.3.4 *Derivative financial instruments cash flows (Continued)*

(a) *Derivative settled on a net basis (Continued)*

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
As at 30 June 2020						
Assets						
Derivative financial instruments						
– Foreign exchange and commodity contracts	2	1	165	–	–	168
– Interest rate contracts and others	768	1,258	4,807	11,061	174	18,068
Total	770	1,259	4,972	11,061	174	18,236
Liabilities						
Derivative financial instruments						
– Foreign exchange and commodity contracts	–	(11)	(42)	–	–	(53)
– Interest rate contracts and others	(855)	(1,633)	(6,301)	(17,798)	(1,785)	(28,372)
Total	(855)	(1,644)	(6,343)	(17,798)	(1,785)	(28,425)

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
As at 31 December 2019						
Assets						
Derivative financial instruments						
– Foreign exchange and commodity contracts	–	–	–	–	–	–
– Interest rate contracts and others	163	315	1,148	2,547	208	4,381
Total	163	315	1,148	2,547	208	4,381
Liabilities						
Derivative financial instruments						
– Foreign exchange and commodity contracts	(203)	(728)	(1,545)	–	–	(2,476)
– Interest rate contracts and others	(178)	(396)	(1,387)	(3,720)	(526)	(6,207)
Total	(381)	(1,124)	(2,932)	(3,720)	(526)	(8,683)

For the six months ended 30 June 2020
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Liquidity risk *(Continued)*

3.3.4 *Derivative financial instruments cash flows* *(Continued)*

(b) Derivative settled on a gross basis

The Group's derivative financial instruments that will be settled on a gross basis mainly include currency and commodity derivatives. The table below analyses the undiscounted cash flows of the Group's derivative financial instruments which will be settled on a gross basis and are classified based on the remaining contractual period from the balance sheet date to maturity date.

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
As at 30 June 2020						
Derivative financial instruments settled on a gross basis						
– Outflow	(835,295)	(675,378)	(1,129,759)	(93,136)	(5,357)	(2,738,925)
– Inflow	834,338	672,872	1,126,093	93,462	7,017	2,733,782
Total	(957)	(2,506)	(3,666)	326	1,660	(5,143)

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
As at 31 December 2019						
Derivative financial instruments settled on a gross basis						
– Outflow	(652,146)	(611,954)	(1,031,667)	(96,867)	(1,451)	(2,394,085)
– Inflow	652,036	610,048	1,028,315	96,800	3,443	2,390,642
Total	(110)	(1,906)	(3,352)	(67)	1,992	(3,443)

3.3.5 *Maturity analysis*

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the end of reporting date to the contractual maturity date.

	On demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Overdue	Undated	Total
As at 30 June 2020									
Assets									
Cash and balances with central banks	166,911	–	260	–	–	–	–	633,975	801,146
Due from and placements with banks and other financial institutions	75,875	240,003	111,098	181,851	70,227	14,047	–	–	693,101
Derivative financial assets	–	2,506	2,461	7,235	14,194	1,734	–	–	28,130
Financial investments at FVPL	12,126	7,312	22,942	44,629	49,886	55,745	–	326,904	519,544
Loans and advances to customers	–	590,759	333,023	1,393,533	1,250,686	1,997,037	37,318	–	5,602,356
Financial investments at FVOCI	–	17,730	28,757	119,763	426,545	183,437	114	10,491	786,837
Financial investments at amortised cost	–	46,219	59,859	272,630	911,034	650,180	843	–	1,940,765
Other assets	73,185	72	29	10,244	19,782	3,892	851	189,998	298,053
Total assets	328,097	904,601	558,429	2,029,885	2,742,354	2,906,072	39,126	1,161,368	10,669,932
Liabilities									
Due to and placements from banks and other financial institutions	(609,065)	(280,082)	(365,401)	(622,319)	(22,581)	(17,311)	–	–	(1,916,759)
Financial liabilities at FVPL	(1,980)	(5,427)	(7,165)	(10,544)	(1,800)	–	–	–	(26,916)
Derivative financial liabilities	–	(3,412)	(3,298)	(9,094)	(19,879)	(5,620)	–	–	(41,303)
Due to customers	(2,786,442)	(714,711)	(671,396)	(972,456)	(1,415,810)	(52)	–	–	(6,560,867)
Other liabilities	(86,519)	(91,491)	(109,424)	(540,378)	(298,436)	(183,707)	–	–	(1,309,955)
Total liabilities	(3,484,006)	(1,095,123)	(1,156,684)	(2,154,791)	(1,758,506)	(206,690)	–	–	(9,855,800)
Net amount on liquidity gap	(3,155,909)	(190,522)	(598,255)	(124,906)	983,848	2,699,382	39,126	1,161,368	814,132

For the six months ended 30 June 2020

(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Liquidity risk *(Continued)*

3.3.5 Maturity analysis *(Continued)*

	On demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Overdue	Undated	Total
As at 31 December 2019									
Assets									
Cash and balances with central banks	90,626	–	291	–	–	–	–	669,268	760,185
Due from and placements with banks and other financial institutions	68,990	149,937	95,479	265,628	57,812	10,642	–	–	648,488
Derivative financial assets	–	3,350	4,941	7,339	3,971	1,336	–	–	20,937
Financial investments at FVPL	7,455	5,468	16,748	50,326	58,460	47,292	–	220,749	406,498
Loans and advances to customers	–	645,176	316,350	1,217,899	1,168,046	1,802,390	33,792	–	5,183,653
Financial investments at FVOCI	–	11,231	36,586	112,932	386,254	113,708	–	8,945	669,656
Financial investments at amortised cost	–	21,690	36,753	267,765	1,040,314	562,427	740	–	1,929,689
Other assets	65,540	5	15	7,807	20,326	3,802	696	188,303	286,494
Total assets	232,611	836,857	507,163	1,929,696	2,735,183	2,541,597	35,228	1,087,265	9,905,600
Liabilities									
Due to and placements from banks and other financial institutions	(409,571)	(312,213)	(276,142)	(846,554)	(39,762)	(19,840)	–	–	(1,904,082)
Financial liabilities at FVPL	(1,087)	(4,103)	(6,026)	(7,453)	(8,311)	–	–	–	(26,980)
Derivative financial liabilities	–	(3,494)	(5,876)	(10,477)	(5,121)	(1,456)	–	–	(26,424)
Due to customers	(2,608,492)	(616,996)	(680,301)	(1,018,114)	(1,122,574)	(26,431)	–	–	(6,072,908)
Other liabilities	(60,594)	(50,219)	(145,757)	(398,664)	(277,546)	(141,514)	–	–	(1,074,294)
Total liabilities	(3,079,744)	(987,025)	(1,114,102)	(2,281,262)	(1,453,314)	(189,241)	–	–	(9,104,688)
Net amount on liquidity gap	(2,847,133)	(150,168)	(606,939)	(351,566)	1,281,869	2,352,356	35,228	1,087,265	800,912

3.3.6 Off-balance sheet items

The off-balance sheet items of the Group primarily comprise loan commitments, credit card commitments, letter of credit commitments, guarantee and letters of guarantee issued, acceptance notes, etc. The table below lists the liquidity analysis of the off-balance sheet items of the Group, and financial guarantees are included at notional amounts and based on the earliest contractual maturity date.

	Up to 1 year	1 – 5 years	Over 5 years	Total
As at 30 June 2020				
Loan commitments and other credit related commitments	784,205	23,444	15,543	823,192
Guarantees, acceptances and letters of credit	636,003	110,951	8,135	755,089
Total	1,420,208	134,395	23,678	1,578,281
As at 31 December 2019				
Loan commitments and other credit related commitments	761,484	22,389	8,030	791,903
Guarantees, acceptances and letters of credit	570,426	104,593	5,248	680,267
Total	1,331,910	126,982	13,278	1,472,170

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.4 Fair value of financial assets and liabilities

(a) Determination of fair value and valuation techniques

Certain financial assets and liabilities of the Group are measured at fair value or with fair value disclosed for financial reporting purposes. The fair value has been determined using appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the valuation techniques and the inputs to the fair value measurements are reviewed by the Board of Directors periodically.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

(1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

(2) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

(3) Level 3 inputs are unobservable inputs for the asset or liability.

The fair value of financial instruments with unadjusted quoted prices for identical instruments in active markets is determined by the open market quotations. These instruments are classified as level 1.

The Group uses valuation techniques to determine the fair value of financial instruments when an open market quotation in active markets is not obtainable.

If the key parameters used in valuation techniques for financial instruments (including debt securities and derivatives) are substantially observable and obtainable from active open market, the instruments are classified as level 2. The second hierarchy of financial instruments held by the Group includes over-the-counter derivatives, certificates of deposit without quotations from active market, loans and advances to customers carried at FVOCI, precious metals, debt securities issued and debt instruments trading in inter-bank market. The fair value of RMB denominated bonds is mainly valued based on the yield curves of the bonds from China Central Depository & Clearing Co., Ltd., while the fair value of the foreign currency denominated bonds is determined based on the valuation results published by Bloomberg. The fair value of foreign currency forwards, swaps and interest rate swaps, currency options is estimated by the discounted cash flow method and Black-Scholes model; the fair value of precious metal contract is mainly determined in accordance with the closing prices of the Shanghai Gold Exchange or the settlement prices of the Shanghai Futures Exchange. The main parameters used in discounted cash flow model include recent market prices, the relevant yield curve, exchange rates and counterparty's credit spreads; main parameters used in Black-Scholes model include the relevant yield curve, exchange rate, level of volatilities and counterparty's credit spreads, etc. All parameters used in valuation techniques are substantially observable and obtainable from active open market.

For trust and asset management plan at fair value through profit or loss, loans and advances to customers at fair value through other comprehensive income, the fair value is determined based on discounted cash flow model using unobservable discount rates that reflect credit risk and liquidity. These financial instruments are classified as Level 3.

For convertible bonds, unlisted equities, unlisted funds and equity derivatives held by the Group, the fair value of these financial instruments is determined with reference to certain unobservable inputs, and therefore the instruments have been classified by the Group as level 3. Management determines the fair value of these financial instruments using a variety of techniques, including using valuation models that incorporate and take into account unobservable inputs such as Discount for Lack of Marketability (DLOM). The Group has established internal control procedures to monitor the Group's exposure to such financial instruments.

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(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.4 Fair value of financial assets and liabilities *(Continued)*

(b) Financial instruments not measured at fair value

The table below summarises the carrying amount and fair value of those financial assets and liabilities that are not presented at fair value as at the date of statement of financial position. Financial assets and liabilities with carrying amount approximate to fair value, such as cash and balances with central banks, due from and placements with banks and other financial institutions, loans and advances to customers, due to and placements from banks and other financial institutions, and due to customers, are not included in the table below.

	As at 30 June 2020		As at 31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial investments at amortised cost	1,940,765	1,997,177	1,929,689	1,954,341
Financial liabilities				
Debt securities issued	(445,296)	(447,791)	(383,481)	(388,177)

Fair value hierarchy of financial instruments not measured at fair value

As at 30 June 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments at amortised cost	4,716	1,837,142	155,319	1,997,177
Financial liabilities				
Debt securities issued	–	(447,791)	–	(447,791)

As at 31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments at amortised cost	7,655	1,806,199	140,487	1,954,341
Financial liabilities				
Debt securities issued	–	(388,177)	–	(388,177)

The carrying amounts and fair values of other financial assets and liabilities (including loans and advances to customers, due from and placements with banks and other financial institutions, due to and placements from banks and other financial institutions) are approximately the same, because the interest rates of most of these assets and liabilities are adjusted following the changes in interest rates determined by PBOC, other regulatory bodies or market.

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(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.4 Fair value of financial assets and liabilities *(Continued)*

(c) Financial assets and financial liabilities measured at fair value on a recurring basis

The financial assets and liabilities measured at fair value on a recurring basis by the three levels are analysed below:

As at 30 June 2020	Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Bond investments				
– Governments and central banks	2,694	3,037	–	5,731
– Public sector entities	–	1,541	–	1,541
– Banks and other financial institutions	10,602	82,899	107	93,608
– Corporate entities	4,998	49,959	3,734	58,691
Funds, trusts and debt investments	253	267,428	7,135	274,816
Equity securities and others	4,310	2,007	44,502	50,819
Precious metal contracts	–	29,193	–	29,193
Placements with banks and other financial institutions	–	5,145	–	5,145
Derivative financial instruments				
– Foreign exchange and commodity contracts	–	10,616	–	10,616
– Interest rate contracts and others	–	16,532	982	17,514
	22,857	468,357	56,460	547,674
At fair value through other comprehensive income				
Debt Investments at FVOCI				
– Governments and central banks	48,082	274,160	–	322,242
– Public sector entities	485	2,207	–	2,692
– Banks and other financial institutions	175,821	204,095	–	379,916
– Corporate entities	40,413	30,124	959	71,496
Investments in equity instruments designated at FVOCI	2,190	362	7,939	10,491
Loans and advances to customers designated at FVOCI	–	270,902	136	271,038
	266,991	781,850	9,034	1,057,875
Total assets	289,848	1,250,207	65,494	1,605,549
Financial liabilities at FVPL				
– Certificates of deposits issued	–	(11,696)	–	(11,696)
– Financial liabilities related to precious metal contracts	–	(14,769)	–	(14,769)
– Notes issued	–	(451)	–	(451)
Derivative financial instruments				
– Foreign exchange and commodity contracts	–	(15,139)	–	(15,139)
– Interest rate contracts and others	–	(26,164)	–	(26,164)
Debt securities issued	–	(14,109)	–	(14,109)
Total liabilities	–	(82,328)	–	(82,328)

For the six months ended 30 June 2020
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.4 Fair value of financial assets and liabilities *(Continued)*

(c) Financial assets and financial liabilities measured at fair value on a recurring basis *(Continued)*

As at 31 December 2019	Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Debt securities				
– Governments and central banks	4,220	3,382	–	7,602
– Public sector entities	–	2,000	–	2,000
– Banks and other financial institutions	8,757	79,922	104	88,783
– Corporate entities	4,625	28,178	3,762	36,565
Fund investments and other asset management products	56	158,698	11,681	170,435
Equity securities and others	2,576	–	47,141	49,717
Precious metal contracts	–	39,532	–	39,532
Placements with banks and other financial institutions	–	11,864	–	11,864
Derivative financial instruments				
– Foreign exchange and commodity contracts	–	15,784	–	15,784
– Interest rate contracts and others	–	4,145	1,008	5,153
	20,234	343,505	63,696	427,435
At fair value through other comprehensive income				
Debt Investments at FVOCI				
– Governments and central banks	57,694	201,265	–	258,959
– Public sector entities	136	1,972	–	2,108
– Banks and other financial institutions	134,110	195,593	–	329,703
– Corporate entities	39,804	29,299	838	69,941
Investments in equity instruments designated at FVOCI	1,895	421	6,629	8,945
Loans and advances to customers designated at FVOCI	–	235,361	53	235,414
	233,639	663,911	7,520	905,070
Total assets	253,873	1,007,416	71,216	1,332,505
Financial liabilities at FVPL				
– Certificates of deposits issued	–	(13,392)	–	(13,392)
– Financial liabilities related to precious metal contracts	–	(12,950)	–	(12,950)
– Notes issued	–	(638)	–	(638)
Derivative financial instruments				
– Foreign exchange and commodity contracts	–	(20,423)	–	(20,423)
– Interest rate contracts and others	–	(6,001)	–	(6,001)
Debt securities issued	–	(20,437)	–	(20,437)
Total liabilities	–	(73,841)	–	(73,841)

There was no transfer between level 1 and 2 during the period.

For the six months ended 30 June 2020
(All amounts expressed in millions of RMB unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.4 Fair value of financial assets and liabilities *(Continued)*

(c) Financial assets and financial liabilities measured at fair value on a recurring basis *(Continued)*

Reconciliation of level 3 items

	Financial assets at FVPL	Financial assets at FVOCI
Balance at 1 January 2020	63,696	7,520
Total gains or losses		
– Profit/(losses)	1,096	(2)
– Other comprehensive income	–	(665)
Additions	1,149	2,229
Disposals and settlement	(8,510)	(48)
Transfer to other levels	(971)	–
Balance at 30 June 2020	56,460	9,034
Total gains/(losses) for the six months ended 30 June 2020		
– Realised gains/(losses)	1,556	5
– Unrealised gains/(losses)	(693)	(670)

	Financial assets at FVPL	Financial assets at FVOCI
Balance at 1 January 2019	21,050	5,698
Total gains or losses		
– Profit	1,120	64
– Other comprehensive income	–	(429)
Additions	53,632	3,235
Disposals and settlement	(9,891)	(941)
Transfer to other levels	(2,215)	(107)
Balance at 31 December 2019	63,696	7,520
Total gains/(losses) for the year ended 31 December 2019		
– Realised gains/(losses)	974	68
– Unrealised gains/(losses)	104	(435)

These financial instruments with fair values determined based on unobservable inputs are primarily convertible bonds, unlisted equities, unlisted debts, unlisted funds, part of the trust and asset management plan, equity derivatives and part of loans and advances to customers. The fair value of these financial instruments is determined primarily using discounted cash flow method and market comparison method. These valuation methods involve inputs from various unobservable assumptions such as cash flow, risk-adjusted discount rate, price to book value ratio, price to earning ratio and marketability discounts.

3.5 Offsetting financial assets and financial liabilities

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such a mutual consent, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. These financial assets and financial liabilities of the Group are not offset in accordance with IFRS.

As at 30 June 2020, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements is not material to the Group.

For the six months ended 30 June 2020
(All amounts expressed in millions of RMB unless otherwise stated)

4 NET INTEREST INCOME

	Six months ended 30 June	
	2020	2019
Interest income		
Loans and advances to customers	124,636	119,865
Financial investments	46,272	43,620
Due from and placements with banks and other financial institutions	9,822	12,419
Balances with central banks	5,499	5,958
	186,229	181,862
Interest expense		
Due to customers	(71,996)	(70,047)
Due to and placements from banks and other financial institutions	(26,058)	(28,772)
Certificates of deposit issued	(7,425)	(7,198)
Debt securities issued	(6,901)	(5,783)
	(112,380)	(111,800)
Net interest income	73,849	70,062
Including:		
Interest income on impaired financial assets	767	728

5 FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2020	2019
Bank cards	10,303	10,213
Management services	8,949	7,372
Investment banking	2,030	2,632
Agency services	2,594	2,274
Guarantee and commitment	1,381	1,437
Settlement services	825	1,024
Others	133	118
	26,215	25,070

	Six months ended 30 June	
	2020	2019
Fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading or designated at FVPL	1,005	665
Fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	1,597	1,778

For the six months ended 30 June 2020
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6 FEE AND COMMISSION EXPENSE

	Six months ended 30 June	
	2020	2019
Bank card business	1,177	1,341
Settlement services	550	437
Others	211	170
	1,938	1,948

	Six months ended 30 June	
	2020	2019
Fee expense, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading or designated at FVPL	–	2

7 NET GAINS ARISING FROM TRADING ACTIVITIES

	Six months ended 30 June	
	2020	2019
Financial instruments at FVPL	7,283	7,317
Foreign exchange	1,555	877
Interest rate instruments and others	(1,485)	95
	7,353	8,289

Net gains or losses on foreign exchange include trading gains or losses and fair value changes of spot and forward contracts, currency swaps, cross currency interest rate swaps, currency options and the translation of foreign currency monetary assets and liabilities into RMB.

Net gains or losses on interest rate instruments and others include trading gains or losses and fair value changes of interest rate swaps, interest rate options, commodity and other derivatives.

Net gains arising from trading activities for the six months ended 30 June 2020 included a loss of RMB296 million (for the six months ended 30 June 2019: a loss of RMB144 million) in relation to changes in the fair value of financial liabilities designated at fair value through profit or loss.

8 OTHER OPERATING INCOME

	Six months ended 30 June	
	2020	2019
Leasing income	6,687	5,918
Income from sales of precious metal merchandise	825	807
Revaluation of investment properties	(15)	40
Net gain on the disposal of fixed and foreclosed assets	211	132
Other miscellaneous income	1,246	1,013
	8,954	7,910

Other miscellaneous income mainly includes income arising from miscellaneous banking services provided to the Group's customers.

For the six months ended 30 June 2020
(All amounts expressed in millions of RMB unless otherwise stated)

9 CREDIT IMPAIRMENT LOSSES

	Six months ended 30 June	
	2020	2019
Due from and placements with banks and other financial institutions	136	(122)
Loans and advances to customers at amortised cost	30,568	22,673
Loans and advances to customers at FVOCI	566	(588)
Off-balance sheet businesses	2,024	(997)
Financial investments at amortised cost	(490)	(38)
Debt investments at FVOCI	320	(104)
Other receivables and prepayments	995	678
Accrued interest of loans and advances to customers at amortised cost	(239)	(30)
Others	(547)	72
	33,333	21,544

10 OTHER ASSETS IMPAIRMENT LOSSES

	Six months ended 30 June	
	2020	2019
Impairment losses on operating lease assets	163	–
Impairment losses on foreclosed assets	(4)	6
	159	6

11 OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2020	2019
Staff costs and benefits (Note 12)	12,676	13,570
General operating and administrative expenses	18,276	15,101
Depreciation and amortisation	3,908	4,034
Costs of operating lease business	4,676	4,290
Tax and surcharges	1,349	1,277
Provision for outstanding litigations	(63)	180
Others	1,665	1,475
	42,487	39,927

12 STAFF COSTS AND BENEFITS

	Six months ended 30 June	
	2020	2019
Salaries, bonuses, allowances and subsidies	9,124	9,177
Post-employment benefit (a)	1,069	1,660
Other social security and benefit costs	2,483	2,733
	12,676	13,570

The comparative information of 2019 was restated since the presentation of “Other operating expenses” has been changed.

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(All amounts expressed in millions of RMB unless otherwise stated)

12 STAFF COSTS AND BENEFITS *(Continued)*

(a) Post-employment benefit

Defined contribution plans

The Group participates in various defined contribution retirement benefit plans organised by municipal and provincial governments in Mainland China under which it is required to make monthly contributions to these plans at rates ranging from 10% to 27% of the employees' basic salary for the year. The Group's contributions to these pension plans are charged to profit or loss and other comprehensive income in the year to which they relate.

Employees who retire after 1 January 2009 can voluntarily participate in an Annuity Plan. The Bank contributes to the Annuity Plan based on certain percentage of the employees' gross salary which is recognised in profit or loss as incurred.

The amount recognised in profit or loss is as follows:

	Six months ended 30 June	
	2020	2019
Expenses incurred for retirement benefit plans and unemployment insurance	601	1,221
Expenses incurred for annuity plan	459	423
Total	1,060	1,644

The amount payable at the end of the period or year is as follows:

	As at 30 June 2020	As at 31 December 2019
Expenses incurred for retirement benefit plans and unemployment insurance	47	65
Expenses incurred for annuity plan	1,017	966
Total	1,064	1,031

Defined benefit plans

The Group pays supplementary retirement benefits to employees in Mainland China, who retired before 31 December 2008. The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of future benefits that the Group is committed to pay to the employees after their retirement using actuarial techniques. Such benefits, which are estimated by using key parameters such as inflation rate and mortality ratio, are discounted to their present values. The discount rate is the yield on government bonds at the end of reporting date, the maturity dates of which approximate to the terms of the Group's obligations. Actuarial gains or losses and changes in actuarial assumptions are recognised in other comprehensive income, and amendments to pension plan are recognised in profit or loss in the period of a plan amendment. The amounts recognised in the statement of financial position represent the present value of unfunded obligations.

The Group's retirement benefit obligations in locations other than Mainland China are immaterial and are made in accordance with the relevant local policies and regulations.

	As at 30 June 2020	As at 31 December 2019
Statement of financial position		
– Obligations for pension benefits	417	399

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(All amounts expressed in millions of RMB unless otherwise stated)

12 STAFF COSTS AND BENEFITS *(Continued)*

(a) Post-employment benefit *(Continued)*

Defined benefit plans *(Continued)*

Amounts recognised in comprehensive income in respect of the supplementary retirement benefits are as follows:

	Six months ended 30 June	
	2020	2019
Components of defined benefit costs recognised in profit or loss	9	16
Components of defined benefit costs recognised in other comprehensive income	34	(3)
Total	43	13

Past service cost and interest expense are recognised in other operating expense in the income statement. The average duration of the supplementary retirement benefits plan at 30 June 2020 is 9.81 years (31 December 2019: 10.21 years).

The Group expects to make a contribution of RMB40 million (2019: RMB40 million) to the defined benefit plan during the next financial year.

The supplementary retirement benefits plan exposes the Group to actuarial risks such as interest risk, longevity risk and inflation risk. A decrease in the government bond yield will increase the present value of unfunded obligations. The present value of unfunded obligations is calculated by reference to the best estimate of the mortality of plan participants. An increase in the life expectancy of the plan participants will increase the plan's liability. The present value of unfunded obligations is also measured by future payment standards, which are determined by inflation rate. Hence, an increase in inflation rate will increase the present value of the unfunded obligations.

The principal actuarial assumptions regarding interest risk and inflation risk used by the Group are discount rate and inflation rate, which were 2.92% (31 December 2019: 3.22%) and 3.73% (31 December 2019: 2.68%) respectively as at 30 June 2020. In the meantime, assumptions regarding future mortality rate are set based on published statistics by China Insurance Regulatory Commission. As at 30 June 2020, the average lifespan of the pensioner after retirement at age 60 for male is 19.70 years (31 December 2019: 19.70 years) while a pensioner after retirement at age 55 for female is 28.70 years (31 December 2019: 28.70 years).

13 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

	Six months ended 30 June	
	2020	2019
Remuneration	7	6

No director or supervisor waived or agreed to waive any emoluments during the above periods.

For the six months ended 30 June 2020, RMB0.40 million was accrued for independent non-executive directors' emolument (six months ended 30 June 2019, RMB0.51 million).

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14 INCOME TAX

	Six months ended 30 June	
	2020	2019
Current income tax		
– Mainland China enterprise income tax	3,968	7,128
– Hong Kong profits tax	475	569
– Income tax arising in Macao, Taiwan and other countries or regions	193	251
	4,636	7,948
Deferred income tax (Note 24)	(1,675)	(2,137)
	2,961	5,811

The provision for enterprise income tax in Mainland China is calculated based on the statutory rate of 25% (2019: 25%) of the assessable income of the Bank and each subsidiary established in Mainland China. Taxation arising in other jurisdictions (including Hong Kong) is calculated at the rates prevailing in the relevant jurisdictions. The shortfall arising from the differential in tax rates of overseas branches as compared with the Mainland China tax rate shall be paid by Head Office.

The actual taxation on the Group differs from the theoretical amount calculated using the Group's profit before tax at the tax rate of 25% (2019: 25%). The major reconciliation items are as follows:

	Six months ended 30 June	
	2020	2019
Profit before tax	39,958	48,959
Tax calculated at a tax rate of 25%	9,990	12,240
Effects of different tax rates in Hong Kong, Macao, Taiwan and other countries or regions	(94)	86
Effects of expense not deductible for tax purposes	1,944	649
Effects of income not taxable for tax purposes (1)	(8,449)	(7,595)
Adjustments for income tax of prior periods	(430)	431
Income tax expense	2,961	5,811

(1) Non-taxable income primarily includes interest income from PRC treasury bonds and municipal government bonds and fund investment income gained in Mainland China.

15 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2020	2019
Net profit attributable to shareholders of the Bank	36,505	42,749
Less: Net profit attributable to preference shareholders of the Bank	(2,714)	(2,671)
Net profit attributable to ordinary shareholders of the Bank	33,791	40,078
Weighted average number of ordinary shares in issue (expressed in millions) at the end of the period	74,263	74,263
Basic and diluted earnings per share (expressed in RMB per share)	0.46	0.54

For the six months ended 30 June 2020

(All amounts expressed in millions of RMB unless otherwise stated)

15 BASIC AND DILUTED EARNINGS PER SHARE *(Continued)*

The Bank issued non-cumulative preference shares on 29 July 2015 and 2 September 2016 under the terms and conditions as detailed in Note 33.1 Preference Shares. For the purpose of calculating basic earnings per share, a cash dividend of RMB2,714 million on non-cumulative preference shares declared for the period was deducted from the amounts attributable to ordinary shareholders of the Bank. The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the six months ended 30 June 2020, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

The Bank issued non-cumulative perpetual bonds on 18 September 2019 under the terms and conditions as detailed in Note 33.2 Perpetual Bonds. For the purpose of calculating basic earnings per share, distributions on non-cumulative perpetual bonds declared in respect of the period should be deducted from the amounts attributable to shareholders of the Bank. The Bank has not declared any distributions on perpetual bonds for the six months ended 30 June 2020.

16 CASH AND BALANCES WITH CENTRAL BANKS

	As at 30 June 2020	As at 31 December 2019
Cash	14,527	14,481
Mandatory reserve deposits	623,984	653,190
Excess reserve deposits	152,384	76,145
Fiscal deposits and others	9,991	16,078
Accrued interest	260	291
	801,146	760,185

The Group places mandatory reserves with PBOC and several other central banks of overseas countries and regions. Such mandatory reserves are not available for use by the Group in its day-to-day operations.

The Bank's domestic mandatory deposit reserve rates as at the balance sheet date are as follows:

	As at 30 June 2020 %	As at 31 December 2019 %
Domestic mandatory reserve rate for deposits denominated in RMB	11.00	12.50
Domestic mandatory reserve rate for deposits denominated in foreign currencies	5.00	5.00

Reserve rate for deposits denominated in RMB of the Group's subsidiaries in Mainland China is subject to relevant regulations of PBOC.

Mandatory reserve rate for deposits with central banks of overseas countries and regions is subject to regulations of local regulatory bodies.

Excess reserve deposits with central banks are mainly used for capital settlement, financial institution transfer, etc.

For the six months ended 30 June 2020

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17 DUE FROM AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2020	As at 31 December 2019
Due from banks and other financial institutions		
– Banks and other financial institutions operating in Mainland China	86,982	96,489
– Banks and other financial institutions operating outside Mainland China	43,909	39,783
Accrued interest	682	559
Less: Allowance for impairment losses	(178)	(176)
Financial assets purchased under resale agreements		
Securities		
– Governments	11,551	4,787
– Policy banks	22,750	950
– Financial institutions	29,396	9,030
– Corporates	–	450
Bills	5,450	329
Accrued interest	16	20
Less: Allowance for impairment losses	(62)	(11)
Placements with and loans to banks		
– Banks operating in Mainland China	124,703	100,074
– Banks operating outside Mainland China	104,372	55,132
Placements with and loans to other financial institutions		
– Placements with and loans to other financial institutions in Mainland China	172,126	262,885
– Placements with and loans to other financial institutions outside Mainland China	87,660	74,080
Accrued interest	4,712	4,979
Less: Allowance for impairment losses	(968)	(872)
	693,101	648,488

As at 30 June 2020, placements and bonds purchased under resale agreements with certain wealth management products that were sponsored and not consolidated by the Group had been matured and the amounts had been fully repaid. (31 December 2019: RMB4,500 million). These transactions were carried out at market prices and the Group were not contractually obliged to make such arrangements. The maximum exposure to loss of those transactions approximated the carrying amount of the placements and bonds purchased under resale agreements. The average exposure of the above transactions for the period ended 30 June 2020 was RMB205 million and the weighted average outstanding period was 1.05 days (The average exposure during 2019 was RMB47,930 million and the weighted average outstanding period was 2.42 days).

For the six months ended 30 June 2020
(All amounts expressed in millions of RMB unless otherwise stated)

18 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2020	As at 31 December 2019
Government bonds		
– Listed in Hong Kong	2,723	2,829
– Listed outside Hong Kong (a)	2,739	3,176
– Unlisted	269	1,597
Other bonds		
– Listed in Hong Kong	29,152	21,244
– Listed outside Hong Kong (a)	117,744	100,680
– Unlisted – corporate entities	3,901	3,869
– Unlisted – banks	3,043	1,555
Equity securities and others		
– Listed in Hong Kong	857	820
– Listed outside Hong Kong	4,429	1,756
– Unlisted	45,533	47,141
Funds, trusts and debt investments		
– Listed outside Hong Kong	184	92
– Unlisted	274,632	170,343
Precious metal contracts	29,193	39,532
Placements with banks and other financial institutions	5,145	11,864
Total	519,544	406,498

(a) Bonds traded in the China domestic inter-bank bond market are included in “Listed outside Hong Kong”.

Debt securities at fair value through profit or loss are analysed by issuer as follows:

	As at 30 June 2020	As at 31 December 2019
– Banks and other financial institutions	93,608	88,783
– Corporate entities	58,691	36,565
– Governments and central banks	5,731	7,602
– Public sector entities	1,541	2,000
	159,571	134,950

The financial investments at fair value through profit or loss include financial assets held for trading and financial assets that cannot pass the ’SPPI test’.

(All amounts expressed in millions of RMB unless otherwise stated)

19 DERIVATIVE FINANCIAL INSTRUMENTS

The following derivative instruments are utilised by the Group for trading or hedging purposes:

Currency and commodity forwards are contracts between two parties to buy or sell certain currencies or commodities at a specified future date at a pre-determined price. The party agreeing to buy the underlying currency or commodities in the future assumes a long position, and the party agreeing to sell the currency or commodities in the future assumes a short position. The price agreed upon is called the delivery price, which is equal to the forward price at the time the contract is entered into.

Currency, commodity and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies, commodities or interest rates (for example, fixed rate for floating rate) or a combination of these (i.e. cross-currency interest rate swaps). The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Currency, commodity and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) on or before a set date or during a set period, a specific amount of a currency or commodity at a pre-determined price or to receive an interest payment based on a variable interest rate and pay at a fixed interest rate or vice versa. The seller receives a premium from the purchaser in consideration for assuming foreign exchange, interest rate risk or commodity price fluctuations. Options may be either exchange-traded or negotiated between the Group and a customer (over the counter market).

The notional amounts of certain types of financial instruments provide a reference of the amounts recognised in the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments may become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or commodity price relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out in the following tables.

As at 30 June 2020	Contractual/ Notional Amount	Fair values Assets	Fair values Liabilities
Foreign exchange and commodity contracts	2,740,284	10,616	(15,139)
Interest rate contracts and others	4,083,768	17,514	(26,164)
Total amount of derivative instruments recognised	6,824,052	28,130	(41,303)

As at 30 December 2019	Contractual/ Notional Amount	Fair values Assets	Fair values Liabilities
Foreign exchange and commodity contracts	2,173,598	15,784	(20,423)
Interest rate contracts and others	3,826,987	5,153	(6,001)
Total amount of derivative instruments recognised	6,000,585	20,937	(26,424)

The tables above provide a breakdown of the contractual or notional amounts and the fair values of the Group's derivative financial instruments outstanding at year end. These instruments, comprising foreign exchange, interest rate and commodity derivatives allow the Group and its customers to transfer, modify or reduce their foreign exchange, interest rate and commodity price fluctuation risks.

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(All amounts expressed in millions of RMB unless otherwise stated)

19 DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

The Group undertakes its transactions in foreign exchange, interest rates and commodity contracts with other financial institutions and customers. Management has established limits for these contracts based on counterpart types, industry sectors and countries. Related risks are regularly monitored and controlled by management.

Notional amounts of derivative financial instruments by original currency:

	As at 30 June 2020	As at 31 December 2019
RMB	4,898,670	4,442,337
USD	1,548,762	1,209,161
HKD	251,995	204,007
Others	124,625	145,080
Total	6,824,052	6,000,585

Hedge accounting

The above derivative financial instruments include those designated as hedging instruments by the Group as follows:

	Contractual/Notional	Fair values	
As at 30 June 2020	Amount	Assets	Liabilities
Derivative financial instruments designated as hedging instruments in fair value hedges	154,878	37	(7,355)
Derivative financial instruments designated as hedging instruments in cash flow hedges	50,590	227	(1,086)
Total	205,468	264	(8,441)

	Contractual/Notional	Fair values	
As at 30 December 2019	Amount	Assets	Liabilities
Derivative financial instruments designated as hedging instruments in fair value hedges	121,791	295	(1,794)
Derivative financial instruments designated as hedging instruments in cash flow hedges	29,379	130	(168)
Total	151,170	425	(1,962)

(a) Fair value hedge

The Group uses interest rate swaps to hedge against changes in fair value arising from changes in interest rates. Some purchased interest rate swap contracts are designated as hedging instruments, whose terms are identical with those of the corresponding hedged items regarding interest rate, maturity and currency. The Group uses regression analysis to evaluate the effectiveness of hedging. With the supporting of testing results, the Group's management considers the hedging relationship to be highly effective. The hedged items include due from and placements with banks and other financial institutions, debt investments at FVOCI, due to and placements from banks and other financial institutions, loans and advances to customers and certificates of deposits issued.

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(All amounts expressed in millions of RMB unless otherwise stated)

19 DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Hedge accounting *(Continued)*

(a) ***Fair value hedge*** *(Continued)*

The following table shows the profit or loss effects of the fair value hedges:

	Six months ended 30 June	
	2020	2019
Net (losses)/gains from fair value hedges:		
Hedging instruments	(5,913)	(2,580)
Hedged items attributable to the hedged risk	5,799	2,598
Total	(114)	18

(b) ***Cash flow hedge***

The Group uses foreign exchange contracts to hedge against exposures to cash flow variability primarily resulting from foreign exchange risks, and uses interest rate swaps to hedge against exposures to cash flow variability primarily resulting from interest rate risks. The hedged items include debt investments at FVOCI, due from and placements with banks and other financial institutions, loans and advances to customers, due to and placements from banks and other financial institutions and certificates of deposits issued. The Group mainly uses regression analysis to evaluate the effectiveness of hedging. With the supporting of testing results, the Group's management considers the hedging relationship to be highly effective.

For the six months ended 30 June 2020, the Group's loss from effective portion of cash flow hedge of RMB829 million (for the six months ended 30 June 2019: a net profit of RMB156 million) was recognized and the gains or losses arising from the ineffective portion of cash flow hedge was immaterial. There were no transactions for which cash flow hedge accounting had to be ceased as a result of the highly probable cash flows no longer being expected to occur.

20 LOANS AND ADVANCES TO CUSTOMERS

20.1 Loans and advances to customers

	As at 30 June 2020	As at 31 December 2019
Loans and advances to customers		
– Carried at amortised cost	5,458,475	5,068,861
– Carried at FVOCI	271,038	235,414
Less: Allowance for impairment losses	(141,317)	(132,719)
Accrued interest	16,475	14,648
Less: Allowance for impairment losses of accrued interest	(2,315)	(2,551)
	5,602,356	5,183,653

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(All amounts expressed in millions of RMB unless otherwise stated)

20 LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

20.2 Movements of ECL allowance

Movements of ECL allowance – Corporate loan at amortised cost:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2020	23,125	39,960	42,085	105,170
Addition/(Reversal)	1,804	(1,740)	(476)	(412)
Transfer in	–	417	–	417
Written-offs and disposals	–	(2,702)	(11,118)	(13,820)
Transfers:	(27)	(10,436)	10,463	–
Transfer between Stage 1 and Stage 2, net	23	(23)	–	–
Transfer between Stage 1 and Stage 3, net	(50)	–	50	–
Transfer between Stage 2 and Stage 3, net	–	(10,413)	10,413	–
Remeasurement	7,917	4,654	5,580	18,151
Recoveries of loans written-off in previous years	–	–	1,476	1,476
Unwind of discount	–	–	(651)	(651)
Exchange differences	22	9	(2)	29
As at 30 June 2020	32,841	30,162	47,357	110,360

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2019	23,323	42,503	36,577	102,403
Addition/(Reversal)	3,443	(3,596)	(4,142)	(4,295)
Transfer in/(out)	(51)	189	–	138
Written-offs and disposals	–	(217)	(27,330)	(27,547)
Transfers:	844	(13,068)	12,224	–
Transfer between Stage 1 and Stage 2, net	1,148	(1,148)	–	–
Transfer between Stage 1 and Stage 3, net	(304)	–	304	–
Transfer between Stage 2 and Stage 3, net	–	(11,920)	11,920	–
Remeasurement	(4,459)	14,145	24,560	34,246
Recoveries of loans written-off in previous years	–	–	1,464	1,464
Unwind of discount	–	–	(1,292)	(1,292)
Exchange differences	25	4	24	53
As at 31 December 2019	23,125	39,960	42,085	105,170

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(All amounts expressed in millions of RMB unless otherwise stated)

20 LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

20.2 Movements of ECL allowance *(Continued)*

Movements of ECL allowance – Individual Loan at amortised cost:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2020	8,394	3,193	15,962	27,549
Addition/(Reversal)	599	(63)	(543)	(7)
Written-offs and disposals	–	–	(9,967)	(9,967)
Transfers:	245	(1,146)	901	–
Transfer between Stage 1 and Stage 2, net	312	(312)	–	–
Transfer between Stage 1 and Stage 3, net	(67)	–	67	–
Transfer between Stage 2 and Stage 3, net	–	(834)	834	–
Remeasurement	652	1,731	10,453	12,836
Recoveries of loans written-off in previous years	–	–	660	660
Unwind of discount	–	–	(116)	(116)
Exchange differences	2	51	(51)	2
As at 30 June 2020	9,892	3,766	17,299	30,957

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2019	7,710	2,302	11,446	21,458
Addition/(Reversal)	909	(225)	(1,219)	(535)
Written-offs and disposals	–	–	(14,436)	(14,436)
Transfers:	380	(686)	306	–
Transfer between Stage 1 and Stage 2, net	295	(295)	–	–
Transfer between Stage 1 and Stage 3, net	85	–	(85)	–
Transfer between Stage 2 and Stage 3, net	–	(391)	391	–
Remeasurement	(605)	1,800	18,816	20,011
Recoveries of loans written-off in previous years	–	–	1,224	1,224
Unwind of discount	–	–	(175)	(175)
Exchange differences	–	2	–	2
As at 31 December 2019	8,394	3,193	15,962	27,549

(All amounts expressed in millions of RMB unless otherwise stated)

20 LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

20.2 Movements of ECL allowance *(Continued)*

Movements of ECL allowance – Loans and advances to customers at fair value through other comprehensive income:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2020	839	205	289	1,333
Addition	128	68	30	266
Transfers:	(2)	(96)	98	–
Transfer between Stage 1 and Stage 2, net	(2)	2	–	–
Transfer between Stage 1 and Stage 3, net	–	(98)	98	–
Remeasurement	301	30	9	340
Exchange differences	22	(3)	(19)	–
As at 30 June 2020	1,288	204	407	1,899

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2019	1,163	283	233	1,679
Addition/(Reversal)	(376)	(78)	49	(405)
Transfers:	(3)	–	3	–
Transfer between Stage 1 and Stage 3, net	(3)	–	3	–
Remeasurement	55	–	4	59
As at 31 December 2019	839	205	289	1,333

20.3 Loans and advances to customers analysed by security type

	As at 30 June 2020	As at 31 December 2019
Unsecured loans	1,854,610	1,844,304
Guaranteed loans	1,107,450	943,076
Collateralised and other secured loans	2,767,453	2,516,895
Including: Loans secured by collateral	1,966,636	1,926,508
Pledged loans	800,817	590,387
Total	5,729,513	5,304,275

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20 LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

20.4 Overdue loans analysed by security type

	As at 30 June 2020				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	11,457	16,171	1,559	551	29,738
Guaranteed loans	4,650	12,502	13,606	4,020	34,778
Collateralised and other secured loans	6,531	14,543	10,135	4,155	35,364
Including: Loans secured by collateral	5,985	13,070	9,392	3,969	32,416
Pledged loans	546	1,473	743	186	2,948
Total	22,638	43,216	25,300	8,726	99,880

	As at 31 December 2019				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	10,622	12,014	1,009	299	23,944
Guaranteed loans	4,983	7,781	11,294	3,893	27,951
Collateralised and other secured loans	13,318	8,823	11,358	5,126	38,625
Including: Loans secured by collateral	11,805	7,934	9,505	4,695	33,939
Pledged loans	1,513	889	1,853	431	4,686
Total	28,923	28,618	23,661	9,318	90,520

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21 FINANCIAL INVESTMENTS

	As at 30 June 2020	As at 31 December 2019
Financial investments at amortised cost		
– Listed in Hong Kong	10,536	7,427
– Listed outside Hong Kong	1,765,106	1,747,791
– Unlisted	140,758	149,170
Accrued interest	27,138	28,564
Less: Allowance for impairment losses	(2,773)	(3,263)
Total	1,940,765	1,929,689
Financial investments at FVOCI		
Debt investments at FVOCI		
– Listed in Hong Kong	181,117	155,781
– Listed outside Hong Kong	476,047	382,695
– Unlisted	111,627	115,776
Accrued interest	7,555	6,459
Subtotal	776,346	660,711
Equity investments at FVOCI		
– Listed in Hong Kong	812	677
– Listed outside Hong Kong	1,740	1,639
– Unlisted	7,939	6,629
Subtotal	10,491	8,945
Total	786,837	669,656

The Group designates part of non-trading equity investments as financial investments measured at FVOCI.

For the six months ended 30 June 2020, the Group's cash dividends received from equity investments at FVOCI was RMB19 million (for the six months ended 30 June 2019: RMB11 million).

The movements in allowance for impairment losses of financial investments at amortised cost are summarised as follows:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2020	2,455	178	630	3,263
Addition/(Reversal)	(663)	–	–	(663)
Written-offs	–	–	–	–
Recovery after written-offs	–	–	–	–
Transfers:	–	–	–	–
Transfer between Stage 1 and Stage 2, net	–	–	–	–
Transfer between Stage 1 and Stage 3, net	–	–	–	–
Transfer between Stage 2 and Stage 3, net	–	–	–	–
Remeasurement	75	87	11	173
Exchange differences	–	–	–	–
As at 30 June 2020	1,867	265	641	2,773

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(All amounts expressed in millions of RMB unless otherwise stated)

21 FINANCIAL INVESTMENTS *(Continued)*

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2019	2,884	–	485	3,369
Addition/(Reversal)	(148)	–	(13)	(161)
Written-offs	–	–	–	–
Recovery after written-offs	–	–	13	13
Transfers:	(56)	52	4	–
Transfer between Stage 1 and Stage 2, net	(52)	52	–	–
Transfer between Stage 1 and Stage 3, net	(4)	–	4	–
Transfer between Stage 2 and Stage 3, net	–	–	–	–
Remeasurement	(226)	126	141	41
Exchange differences	1	–	–	1
As at 31 December 2019	2,455	178	630	3,263

The movements in allowance for impairment losses of Debt investments at FVOCI are summarised as follows:

	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
As at 1 January 2020	660	–	393	1,053
Addition/(Reversal)	159	–	–	159
Written-offs	–	–	–	–
Recovery after written-offs	–	–	–	–
Transfers:	(24)	–	24	–
Transfer between Stage 1 and Stage 2, net	–	–	–	–
Transfer between Stage 1 and Stage 3, net	(24)	–	24	–
Transfer between Stage 2 and Stage 3, net	–	–	–	–
Remeasurement	61	–	100	161
Exchange differences	(6)	–	7	1
As at 30 June 2020	850	–	524	1,374

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2019	718	–	467	1,185
Addition/(Reversal)	114	–	(81)	33
Written-offs	–	–	–	–
Recovery after written-offs	–	–	–	–
Transfers:	–	–	–	–
Transfer between Stage 1 and Stage 2, net	–	–	–	–
Transfer between Stage 1 and Stage 3, net	–	–	–	–
Transfer between Stage 2 and Stage 3, net	–	–	–	–
Remeasurement	(193)	–	–	(193)
Exchange differences	21	–	7	28
As at 31 December 2019	660	–	393	1,053

(All amounts expressed in millions of RMB unless otherwise stated)

21 FINANCIAL INVESTMENTS *(Continued)*

Debt securities analysed by issuer are as follows:

	As at 30 June 2020	As at 31 December 2019
Debt investments at FVOCI		
– Governments and central banks	322,242	258,959
– Public sector entities	2,692	2,108
– Banks and other financial institutions	379,916	329,703
– Corporate entities	71,496	69,941
Total	776,346	660,711
Bond investments at amortised cost		
– Governments and central banks	1,590,260	1,521,473
– Public sector entities	24,294	25,689
– Banks and other financial institutions	169,587	215,817
– Corporate entities	26,654	27,038
Total	1,810,795	1,790,017

The certificates of deposits held included in financial investments are analysed as follows:

	As at 30 June 2020	As at 31 December 2019
Financial investments at FVOCI		
– Listed in Hong Kong	43	1,411
– Listed outside Hong Kong	7,412	3,606
– Unlisted	42,125	38,088
Total	49,580	43,105

The maturity profile of certificates of deposits in the inter-bank market held by the remaining period as at period end to the contractual maturity dates are summarised as follows:

	As at 30 June 2020	As at 31 December 2019
Within 3 months	13,262	3,129
3 months to 12 months	20,372	15,341
1 year to 5 years	15,728	22,368
Over 5 years	218	2,267
Total	49,580	43,105

22 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As at 30 June 2020	As at 31 December 2019
Investments in associates		
Investment cost	3,506	3,506
Share of net profit of associates for the period	1,165	1,080
Share of other equity changes of associates for the period	121	71
Dividend income	(97)	(93)
Subtotal	4,695	4,564
Investments in joint ventures	50	36
Total	4,745	4,600

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22 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES *(Continued)*

The Group's investments in associates mainly include the investments in Jiangsu Changshu Rural Commercial Bank Co., Ltd. and Bank of Tibet Co., Ltd.

Jiangsu Changshu Rural Commercial Bank Co., Ltd. was incorporated in Changshu City, Jiangsu Province on 3 December 2001. The registered capital of the entity is RMB2,741 million, and the principal activities of the entity are banking activities. The Group held 9.01% of equity interest in this associate as at 30 June 2020 (31 December 2019: 9.01%).

There are 15 directors at the Board of Directors of Jiangsu Changshu Rural Commercial Bank Co., Ltd., of which 3 directors were nominated by the Group. Accordingly, the Group is able to exert significant influence on such company, so such company is accounted for as an associate.

Bank of Tibet Co., Ltd. was incorporated in Tibet Autonomous Region, PRC on 30 December 2011. The registered capital of the entity is RMB3,320 million, and the principal activities of the entity are banking activities. The Group held 10.60% of equity interest in this associate as at 30 June 2020 (31 December 2019: 10.60%).

There are 12 directors at the Board of Directors of Bank of Tibet Co., Ltd., of which 3 directors were nominated by the Group. Accordingly, the Group is able to exert significant influence on such company, so such company is accounted for as an associate.

23 PROPERTY AND EQUIPMENT

	Land and buildings	Construction in progress	Equipment	Transportation equipment	Property improvement	Total
Cost						
As at 1 January 2020	61,764	2,625	25,350	134,440	9,378	233,557
Additions	89	323	333	13,318	7	14,070
Disposals	(113)	–	(699)	(4,470)	(38)	(5,320)
Construction in progress transfer in/(out)	180	(221)	–	–	41	–
Transfer in from investment properties	65	–	–	–	–	65
Transfer into investment properties	(4)	–	–	–	–	(4)
Other transfer out	–	(143)	–	–	–	(143)
As at 30 June 2020	61,981	2,584	24,984	143,288	9,388	242,225
Accumulated depreciation						
As at 1 January 2020	(18,678)	–	(20,243)	(17,277)	(5,824)	(62,022)
Charge for the period	(987)	–	(995)	(3,327)	(406)	(5,715)
Disposals	31	–	691	37	21	780
Transfer into investment properties	2	–	–	–	–	2
As at 30 June 2020	(19,632)	–	(20,547)	(20,567)	(6,209)	(66,955)
Allowance for impairment losses						
As at 1 January 2020	–	(16)	–	(340)	–	(356)
Provision for impairment	–	–	–	(163)	–	(163)
Exchange differences	–	–	–	(5)	–	(5)
As at 30 June 2020	–	(16)	–	(508)	–	(524)
Net book value						
As at 30 June 2020	42,349	2,568	4,437	122,213	3,179	174,746

As at 30 June 2020, the net book value of aircrafts and vessels leased out by the Group under operating lease arrangements was RMB121,935 million (31 December 2019: RMB116,540 million). Among them, the net book value of the aircrafts and vessels used as collateral for borrowings was RMB57,932 million (31 December 2019: RMB59,957 million).

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23 PROPERTY AND EQUIPMENT *(Continued)*

As at 30 June 2020, the property and equipment with re-registration procedure not completed amounted to RMB198 million (31 December 2019: RMB198 million). However, this registration process does not affect the rights of the Bank to these assets.

	Land and buildings	Construction in progress	Equipment	Transportation equipment	Property improvement	Total
Cost						
As at 1 January 2019	61,594	2,407	25,523	108,553	9,133	207,210
Additions	173	965	2,077	28,201	103	31,519
Disposals	(468)	–	(2,250)	(2,314)	(124)	(5,156)
Construction in progress transfer in/(out)	326	(731)	–	–	405	–
Other transfers in/(out)	139	(16)	–	–	(139)	(16)
As at 31 December 2019	61,764	2,625	25,350	134,440	9,378	233,557
Accumulated depreciation						
As at 1 January 2019	(16,860)	–	(20,288)	(11,540)	(5,103)	(53,791)
Charge for the year	(1,975)	–	(2,065)	(5,908)	(822)	(10,770)
Disposals	157	–	2,110	171	101	2,539
As at 31 December 2019	(18,678)	–	(20,243)	(17,277)	(5,824)	(62,022)
Allowance for impairment losses						
As at 1 January 2019	–	(16)	–	(117)	–	(133)
Provision for impairment	–	–	–	(233)	–	(233)
Decrease	–	–	–	10	–	10
As at 31 December 2019	–	(16)	–	(340)	–	(356)
Net book value						
As at 31 December 2019	43,086	2,609	5,107	116,823	3,554	171,179

24 DEFERRED INCOME TAX

Deferred income taxes for transactions in PRC are calculated on all temporary differences using an effective tax rate of 25% for the six months ended 30 June 2020 (for the year ended 31 December 2019: 25%). Deferred income taxes for transactions in Hong Kong are calculated on all temporary differences using an effective tax rate of 16.5% (for the year ended 31 December 2019: 16.5%).

The movements in the deferred income tax account are as follows:

	Allowance for impairment losses	Provisions	Retirement supplementary pension payable	Changes in fair value of financial assets at FVOCI	Changes in fair value of derivative instruments	Changes in fair value of investment properties	Changes in fair value of financial investments and financial liabilities at FVPL	Others	Total
As at 1 January 2020	21,078	1,840	99	(530)	1,371	(680)	(1,574)	1,543	23,147
Recognised in profit or loss	684	383	5	-	1,753	1	(658)	(493)	1,675
Recognised in other comprehensive income	(172)	-	-	339	169	(3)	-	-	333
As at 30 June 2020	21,590	2,223	104	(191)	3,293	(682)	(2,232)	1,050	25,155

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24 DEFERRED INCOME TAX *(Continued)*

	Allowance for impairment losses	Provisions	Retirement supplementary pension payable	Changes in fair value of financial assets at FVOCI	Changes in fair value of derivative instruments	Changes in fair value of investment properties	Changes in fair value of financial investments and financial liabilities at FVPL	Others	Total
As at 1 January 2019	18,947	1,516	102	484	(412)	(584)	(538)	1,862	21,377
Recognised in profit or loss	2,742	324	(3)	–	1,778	(96)	(1,036)	(319)	3,390
Recognised in other comprehensive income	(611)	–	–	(1,014)	5	–	–	–	(1,620)
As at 31 December 2019	21,078	1,840	99	(530)	1,371	(680)	(1,574)	1,543	23,147

Deferred income tax assets and liabilities are attributable to the following items:

	As at 30 June 2020		As at 31 December 2019	
	Deductible/ (Taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (Taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax liabilities				
Changes in fair value of financial assets at FVOCI	(4,228)	(1,057)	(4,632)	(1,158)
Changes in fair value of financial assets and liabilities at FVPL	(8,928)	(2,232)	(8,272)	(2,068)
Changes in fair value of derivative instruments	(28,130)	(7,032)	(20,937)	(5,235)
Changes in fair value of investment properties	(2,728)	(682)	(2,720)	(680)
Others	(2,532)	(633)	(2,408)	(602)
	(46,546)	(11,636)	(38,969)	(9,743)
Deferred income tax assets				
Allowance for impairment of assets	86,360	21,590	84,312	21,078
Retirement supplementary pension payable	417	104	399	99
Provisions	8,893	2,223	7,361	1,840
Changes in fair value of financial assets and liabilities at FVPL	–	–	1,976	494
Changes in fair value of financial assets at FVOCI	3,464	866	2,512	628
Changes in fair value of derivative instruments	41,303	10,325	26,424	6,606
Others	6,732	1,683	8,580	2,145
	147,169	36,791	131,564	32,890
Net deferred income tax assets	100,623	25,155	92,595	23,147

The above net deferred income tax assets are disclosed separately on the statements of financial position based on different taxation authorities and entities:

	As at 30 June 2020	As at 31 December 2019
Deferred income tax assets	26,045	24,065
Deferred income tax liabilities	(890)	(918)

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25 OTHER ASSETS

	As at 30 June 2020	As at 31 December 2019
Interest receivable[1]	4,069	3,827
Settlement accounts	11,010	7,567
Other receivables and prepayments	45,073	41,344
Less: Allowance for impairment losses (c)	(3,031)	(2,717)
Investment properties (b)	7,851	7,894
Right-of-use assets (e)	6,592	6,521
Land use rights and others	2,050	1,936
Intangible assets (a)	1,383	1,368
Long-term deferred expenses	653	714
Precious metal	606	758
Foreclosed assets	748	759
Goodwill (d)	407	430
Refundable deposits	499	493
Unsettled assets	33	33
Others	14,574	15,723
	92,517	86,650

Note 1: The interest receivable account only reflects the interest for relevant financial instruments which is due but not received on balance sheet date.

(a) Intangible assets

	Software
Cost	
As at 1 January 2020	3,386
Additions	182
Transfers in	–
Disposals	(13)
As at 30 June 2020	3,555
Accumulated amortisation	
As at 1 January 2020	(2,018)
Amortisation expense	(159)
Transfers in	–
Disposals	5
As at 30 June 2020	(2,172)
Net book value	1,383

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25 OTHER ASSETS *(Continued)*

(a) Intangible assets *(Continued)*

	Software
Cost	
As at 1 January 2019	3,028
Additions	365
Transfers in	–
Disposals	(7)
As at 31 December 2019	3,386
Accumulated amortisation	
As at 1 January 2019	(1,719)
Amortisation expense	(306)
Transfers in	–
Disposals	7
As at 31 December 2019	(2,018)
Net book value	1,368

(b) Investment properties

	As at 1 January 2020	Additions/ (Decreases) of the period	Gains on property revaluation	Exchange differences	As at 30 June 2020
Investment properties	7,894	(51)	(15)	23	7,851

	As at 1 January 2019	Additions/ (Decreases) of the year	Gains on property revaluation	Exchange differences	As at 31 December 2019
Investment properties	7,899	–	31	(36)	7,894

The Group's investment properties are located in active real estate markets. The external appraisers make reasonable estimation of fair value using market prices of the similar properties.

As at 30 June 2020, fair value hierarchies of the investment properties of the Group are as follows:

	Level 1	Level 2	Level 3	As at 30 June 2020
Commercial property units located in Hong Kong	–	–	1,128	1,128
Commercial property units located outside Hong Kong	–	–	6,723	6,723

The valuation of investment properties was performed by independent qualified professional valuers not connected to the Group. Valuation methodologies include "Rental Income Approach" and "Direct Comparison Approach". The inputs to these models mainly include growth rate of rental, capitalisation rate and unit price.

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25 OTHER ASSETS *(Continued)*

(c) Allowance for impairment losses

	As at 1 January 2020	Amounts accrued	Reversal	Written-offs	Transfers (in)/out	Recoveries after written-offs	Exchange differences	As at 30 June 2020
Other receivables and prepayments	(2,717)	(1,223)	228	745	–	(52)	(12)	(3,031)
Total	(2,717)	(1,223)	228	745	–	(52)	(12)	(3,031)

	As at 1 January 2019	Amounts accrued	Reversal	Written-offs	Transfers (in)/out	Recoveries after written-offs	Exchange differences	As at 31 December 2019
Other receivables and prepayments	(2,152)	(2,134)	524	1,140	(13)	(80)	(2)	(2,717)
Total	(2,152)	(2,134)	524	1,140	(13)	(80)	(2)	(2,717)

(d) Goodwill

	As at 1 January 2020	Addition during the period	Decrease during the period	Exchange differences	As at 30 June 2020
Bank of Communications International Trust Co., Ltd.	200	–	–	–	200
BoCommLife Insurance Company Limited	122	–	–	–	122
BANCO Bocom BBM S.A	108	–	–	(23)	85
Total	430	–	–	(23)	407

	As at 1 January 2019	Addition during the year	Decrease during the year	Exchange differences	As at 31 December 2019
Bank of Communications International Trust Co., Ltd.	200	–	–	–	200
BoCommLife Insurance Company Limited	122	–	–	–	122
BANCO Bocom BBM S.A	115	–	–	(7)	108
Total	437	–	–	(7)	430

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25 OTHER ASSETS *(Continued)*

(e) Right-of-use assets

	As at 30 June 2020	As at 31 December 2019
Gross:		
Opening balance	13,513	14,493
Additions	1,213	2,124
Decreases	(1,089)	(3,104)
Balance at the end of the period/year	13,637	13,513
Accumulated depreciation:		
Opening balance	(6,992)	(7,372)
Additions	(1,204)	(2,550)
Decreases	1,151	2,930
Balance at the end of the period/year	(7,045)	(6,992)
Net book value:	6,592	6,521
Lease liabilities	6,488	6,344

As at 30 June 2020, committed by leases but not yet commenced amount to RMB105 million (as at 31 December 2019: RMB195 million).

The Group's right-of-use assets include the above assets and land use rights.

26 DUE TO AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2020	As at 31 December 2019
Borrowing from central banks	436,224	456,314
Accrued interest	7,210	6,619
Due to banks		
– Banks operating in Mainland China	282,815	284,254
– Banks operating outside Mainland China	11,205	14,213
Due to other financial institutions		
– Other financial institutions operating in Mainland China	600,996	602,870
– Other financial institutions operating outside Mainland China	10,753	14,645
Accrued interest	5,024	5,672
Placements from banks		
– Banks operating in Mainland China	209,707	154,740
– Banks operating outside Mainland China	231,433	245,877
Placements from other financial institutions		
– Other financial institutions operating in Mainland China	600	701
– Other financial institutions operating outside Mainland China	11,703	10,303
Accrued interest	1,615	1,016
Financial assets sold under repurchase agreements		
Securities		
– Governments	9,417	4,505
– Policy banks	2,264	4,325
– Financial institutions	32,163	21,704
– Corporates	3,516	3,642
Bills	60,023	72,553
Accrued interest	91	129
Total	1,916,759	1,904,082

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27 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2020	As at 31 December 2019
Certificates of deposit issued	11,696	13,392
Financial liabilities related to precious metal contracts	14,769	12,950
Notes issued	451	638
Total	26,916	26,980

Except for certificates of deposit issued and notes issued which are designated at fair value through profit or loss, the financial liabilities at fair value through profit or loss are financial liabilities held for trading.

Financial liabilities designated at fair value through profit or loss

	As at 30 June 2020	As at 31 December 2019
Difference between carrying amount and maturity amount		
Fair values	12,147	14,030
Amount payable at maturity	11,826	13,976
Total	321	54

For the six months ended 30 June 2020 and the year ended 31 December 2019, there were no significant changes in the fair value of the Group's financial liabilities designated at fair value through profit or loss that were attributable to the changes in credit risk.

28 DUE TO CUSTOMERS

	As at 30 June 2020	As at 31 December 2019
Corporate demand deposits	1,952,384	1,835,688
Corporate time deposits	2,403,927	2,196,096
Individual demand deposits	829,632	762,669
Individual time deposits	1,301,938	1,207,253
Other deposits	2,271	3,364
Due to customers	6,490,152	6,005,070
Accrued interest	70,715	67,838
Total	6,560,867	6,072,908
Including:		
Deposits pledged as collateral	268,810	246,727

29 CERTIFICATES OF DEPOSITS ISSUED

Certificates of deposits at period end were issued by the Bank's domestic branches, branches in Macau, Hong Kong, New York, Tokyo, Singapore, Seoul, Sydney, London and Luxembourg, and BANCO Bocom BBM S.A., which were measured at amortised cost.

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30 DEBT SECURITIES ISSUED

		As at 30 June 2020	As at 31 December 2019
Carried at amortised cost:			
Subordinated bonds	30.1	25,950	25,950
Tier 2 capital bonds			
The Bank	30.2	113,918	73,843
Subsidiaries	30.2	1,995	1,994
Bonds			
The Bank	30.3	202,264	194,422
Subsidiaries	30.3	93,092	83,688
Accrued interest		8,077	3,584
Subtotal		445,296	383,481
Carried at fair value:			
Bonds			
The Bank	30.3	14,109	20,437
Total		459,405	403,918

Note1: Debt securities issued are designated as fair value through profit or loss upon initiation as the Hong Kong branch of the Bank considers such designation could eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise result from measuring the corresponding financial assets or recognising the gains or losses on them on different basis. Accordingly, the debts are designated as fair value through profit or loss with changes in fair values charged to profit and loss account. For the six months ended 30 June 2020 and the year ended 31 December 2019, there were no significant changes that were attributable to the Group's changes in credit risks.

30.1 Subordinated bonds

Detailed information of subordinated bonds is disclosed as follows:

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Note	Issue amount	Ending balance	Opening balance
11 BoComm 01	RMB	Mainland China	5.75	26,000	2011/10/21	15 years	(a)	26,000	25,950	25,950
Total								26,000	25,950	25,950

(a) The Group has an option to redeem 11 BoComm 01 on 24 October 2021. The bonds bear a fixed coupon rate of 5.75%.

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30 DEBT SECURITIES ISSUED *(Continued)*

30.2 Tier 2 capital bonds

Detailed information of Tier 2 capital bonds is disclosed as follows:

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Note	Issue amount	Ending balance	Opening balance
The Bank										
14 BoComm 01-Euro	EUR	Hong Kong China	3.625	500	2014/10/03	12 years	(a)	3,981	3,953	3,883
17 BoComm	RMB	Mainland China	4.50	30,000	2017/04/11	10 years	(b)	30,000	29,973	29,960
19 BoComm 01	RMB	Mainland China	4.10	30,000	2019/08/14	10 years	(c)	30,000	29,997	30,000
19 BoComm 02	RMB	Mainland China	4.49	10,000	2019/08/14	15 years	(d)	10,000	9,999	10,000
20 BoComm	RMB	Mainland China	3.24	40,000	2020/05/19	10 years	(e)	40,000	39,996	–
Subtotal								113,981	113,918	73,843
Subsidiaries										
18 Leasing 02	RMB	Mainland China	5.15	2,000	2018/09/18	10 years	(f)	2,000	1,995	1,994
Subtotal								2,000	1,995	1,994
Total								115,981	115,913	75,837

(a) The Group has an option to redeem 14 BoComm 01-Euro as a whole on 3 October 2021. If the issuer does not exercise the redemption right by 3 October 2021, the interest rate will be adjusted based on interest rate of 5-year Euro plus 300 basis points.

(b) The Group has an option to redeem them at the par value partially or as a whole on 13 April 2022, the first day upon the end of the fifth interest-bearing year, provided that CBIRC's permission is acquired in advance and the Group's capital structure fulfills the CBIRC requirements on capital if the redemption is exercised.

(c) The Group has an option to redeem them at the par value partially or as a whole on 16 August 2024, the last day of the interest-bearing year with early redemption option embedded, provided that CBIRC's permission is acquired in advance and the Group's capital structure fulfills the CBIRC requirements on capital if the redemption is exercised.

(d) The Group has an option to redeem them at the par value partially or as a whole on 16 August 2029, the last day of the interest-bearing year with early redemption option embedded, provided that CBIRC's permission is acquired in advance and the Group's capital structure fulfills the CBIRC requirements on capital if the redemption is exercised.

(e) The Group has an option to redeem them at the par value partially or as a whole on 21 May 2025, the last day of the interest-bearing year with early redemption option embedded, provided that CBIRC's permission is acquired in advance and the Group's capital structure fulfills the CBIRC requirements on capital if the redemption is exercised.

(f) The Group has an option to redeem them at the par value partially or as a whole on 20 September 2023, the first day upon the end of the fifth interest-bearing year, provided that CBIRC's permission is acquired in advance and the Group's capital structure fulfills the CBIRC requirements on capital if the redemption is exercised.

These Tier 2 capital bonds have the write-down feature, which allows the Group to write down the entire principal of the bonds when regulatory triggering events as stipulated in the offering documents occur and any accumulated unpaid interest would become not payable. These bonds are regarded as Tier 2 capital without any guarantees provided and the proceeds of the debts cannot be used for compensating daily operating loss of the Group.

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30 DEBT SECURITIES ISSUED *(Continued)*

30.3 Bonds

Detailed information of bonds held at amortised cost is as follows:

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Issue amount	Ending balance	Opening balance
The Bank									
15 BoComm	RMB	Mainland China	3.45	30,000	2015/12/17	5 years	30,000	30,000	30,000
16 BoComm Green Financial bond 02	RMB	Mainland China	3.25	20,000	2016/11/18	5 years	20,000	20,000	20,000
17 BoComm Green Financial bond	RMB	Mainland China	4.29	20,000	2017/10/26	3 years	20,000	20,000	20,000
18 Bocom Micro Small Enterprises Bond	RMB	Mainland China	3.79	10,000	2018/11/28	3 years	10,000	10,000	10,000
19 Bocomm 01	RMB	Mainland China	3.35	50,000	2019/11/25	3 years	50,000	50,000	50,000
19 Bocomm 02	RMB	Mainland China	3.35	40,000	2019/12/11	3 years	40,000	40,000	40,000
14 Formosa Bond C	RMB	Taiwan China	4.15	500	2014/06/23	7 years	500	501	498
17 medium-term notes 01	USD	Hong Kong China	3MLibor +0.78	700	2017/05/15	3 years	4,956	–	4,886
17 medium-term notes 02	USD	Hong Kong China	3MLibor +0.88	300	2017/05/15	5 years	2,124	2,124	2,094
17 medium-term notes 03	USD	Hong Kong China	3MLibor +0.80	400	2017/12/04	3 years	2,832	2,832	2,792
17 medium-term notes 04	USD	Hong Kong China	3MLibor +0.90	600	2017/12/04	5 years	4,248	4,248	4,188
18 medium-term notes 01	USD	Hong Kong China	3MLibor +0.75	600	2018/05/17	3 years	4,248	4,248	4,188
18 medium-term notes 02	USD	Hong Kong China	3MLibor +0.85	700	2018/05/17	5 years	4,956	4,955	4,886
20 Hong Kong medium-term notes 01	HKD	Hong Kong China	2.25	2,800	2020/01/22	2 years	2,558	2,558	–
20 Hong Kong medium-term notes 02	USD	Hong Kong China	3MLibor +0.58	1,300	2020/01/22	3 years	9,203	9,202	–
20 Hong Kong medium-term notes 04	USD	Hong Kong China	3MLibor +0.75	100	2020/06/05	3 years	708	706	–
P14JHTP1C	RMB	Taiwan China	3.90	700	2014/12/04	7 years	700	692	692
P14JHTP1D	RMB	Taiwan China	4.00	200	2014/12/04	10 years	200	198	198
Sub-total							207,233	202,264	194,422

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30 DEBT SECURITIES ISSUED *(Continued)*

30.3 Bonds *(Continued)*

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Issue amount	Ending balance	Opening balance
Subsidiaries									
13 Azure Orbit	USD	Hong Kong China	3.75	500	2013/03/06	10 years	3,233	3,537	3,484
5 Year medium-term notes	USD	Hong Kong China	3.125	385	2015/08/18	5 years	2,490	2,533	2,497
5 Year USD bond	USD	Hong Kong China	2.625	600	2016/03/15	5 years	3,880	4,244	4,179
3 Year USD bond	USD	Hong Kong China	3.50	300	2018/01/25	3 years	1,940	2,121	2,090
5 Year USD bond	USD	Hong Kong China	3.75	950	2018/01/25	5 years	6,143	6,674	6,592
10 Year USD bond	USD	Hong Kong China	4.00	250	2018/01/25	10 years	1,617	1,750	1,727
19 Brazil bonds	BRL	Brazil	110% SELIC	200	2019/01/30	5 years	262	52	66
16 Leasing 03	RMB	Mainland China	3.25	500	2016/09/07	5 years	500	450	449
17 Leasing 01	RMB	Mainland China	4.53	2,000	2017/07/18	3 years	2,000	1,950	1,949
17 Leasing 02	RMB	Mainland China	4.60	3,000	2017/08/22	3 years	3,000	2,400	2,398
17 Leasing 03	RMB	Mainland China	4.70	3,000	2017/10/18	3 years	3,000	2,399	2,398
18 Leasing 01	RMB	Mainland China	4.53	4,000	2018/07/05	3 years	4,000	3,996	3,994
18 Leasing 02	RMB	Mainland China	4.14	4,000	2018/10/22	3 years	4,000	3,995	3,993
19 Leasing 01	RMB	Mainland China	3.68	5,000	2019/05/20	3 years	5,000	4,992	4,550
19 Leasing 02	RMB	Mainland China	3.65	5,000	2019/07/08	3 years	5,000	4,992	4,990
19 Leasing 03	RMB	Mainland China	3.49	3,500	2019/10/22	3 years	3,500	3,494	3,492
Azure Nova	USD	Hong Kong China	2.625	1,000	2016/10/25	5 years	7,080	7,065	6,956
Azure Nova	USD	Hong Kong China	3.00	700	2017/03/21	3 years	4,956	–	4,882
Azure Nova	USD	Hong Kong China	3.50	1,050	2017/03/21	5 years	7,433	7,422	7,308
Azure Nova	USD	Hong Kong China	4.25	250	2017/03/21	10 years	1,770	1,764	1,737
19 USD medium-term notes 01	USD	Hong Kong China	4.00	800	2019/01/22	3 years	5,664	4,023	4,134
19 USD medium-term notes 02	USD	Hong Kong China	4.375	700	2019/01/22	5 years	4,956	2,932	3,139
19 USD medium-term notes 03	USD	Hong Kong China	3MLibor+1.20	120	2019/04/12	3 years	850	850	837
19 USD medium-term notes 04	USD	Hong Kong China	3MLibor+1.175	400	2019/09/05	5 years	2,832	1,441	1,408
19 USD medium-term notes 05	USD	Hong Kong China	2.625	200	2019/09/05	5 years	1,416	873	914
19 USD medium-term notes 06	USD	Hong Kong China	3MLibor+1.05	180	2019/10/25	3 years	1,274	1,275	1,256
19 USD medium-term notes 07	USD	Hong Kong China	3MLibor+1.075	600	2019/12/10	5 years	4,248	1,942	2,269
20 USD medium-term notes 01	USD	Hong Kong China	3MLibor+0.95	500	2020/03/02	5 years	3,540	2,203	–
20 USD medium-term notes 02	USD	Hong Kong China	3MLibor+0.83	300	2020/03/02	3 years	2,124	1,742	–
20 Financial Investing 01	RMB	Mainland China	2.70	3,000	2020/03/11	3 years	3,000	2,995	–
20 Financial Investing 02	RMB	Mainland China	2.80	7,000	2020/03/11	5 years	7,000	6,986	–
Sub-total							107,708	93,092	83,688
Total							314,941	295,356	278,110

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30 DEBT SECURITIES ISSUED *(Continued)*

30.3 Bonds *(Continued)*

Detailed information of bonds held at fair value is as follows:

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Issue amount	Fair value at the end of the period	Fair value at the beginning of the period
14 Hong Kong bond	HKD	Hong Kong China	4.00	500	2014/02/14	7 years	457	472	462
17 Hong Kong USD medium-term notes	USD	Hong Kong China	3MLibor +0.78	850	2017/02/21	3 years	6,018	–	5,931
18 Hong Kong medium-term notes	HKD	Hong Kong China	2.95	3,000	2018/05/18	2 years	2,740	–	2,743
19 Hong Kong RMB medium-term notes	RMB	Hong Kong China	3.40	2,500	2019/03/21	2 years	2,500	2,548	2,526
19 Hong Kong medium-term notes	HKD	Hong Kong China	2.85	3,500	2019/03/21	5 years	3,197	3,343	3,186
19 Hong Kong USD medium-term notes	USD	Hong Kong China	3MLibor +0.78	800	2019/03/21	3 years	5,664	5,692	5,589
20 Hong Kong medium-term notes 03	RMB	Hong Kong China	3.15	2,000	2020/01/22	2 years	2,000	2,054	–
Total							22,576	14,109	20,437

31 OTHER LIABILITIES

	As at 30 June 2020	As at 31 December 2019
Lease liabilities	6,488	6,344
Insurance contracts reserve	40,987	31,936
Settlement accounts	33,600	19,275
Staff compensation payable	6,872	11,118
Deposits received for finance lease	6,988	7,661
VAT and other taxes payable	5,224	4,536
Provision for outstanding litigations (a)	950	1,029
Allowance for impairment losses of off-balance sheet businesses (b)	7,943	6,332
Dividends payable	26,299	87
Others	87,687	75,063
Total	223,038	163,381

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(All amounts expressed in millions of RMB unless otherwise stated)

31 OTHER LIABILITIES *(Continued)*

(a) Movements in the provision for outstanding litigations

	As at 1 January 2020	Amounts accrued during the period	Amounts settled during the period	Amounts reversed during the period	Exchange differences	As at 30 June 2020
Provision for outstanding litigations	1,029	41	(16)	(104)	–	950

	As at 1 January 2019	Amounts accrued during the year	Amounts settled during the year	Amounts reversed during the year	Exchange differences	As at 31 December 2019
Provision for outstanding litigations	982	421	(3)	(371)	–	1,029

(b) Movements in the allowance for impairment losses of off-balance sheet businesses

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2020	5,358	974	–	6,332
Addition/(Reversal)	29	(139)	–	(110)
Transfer out	(5)	(412)	–	(417)
Transfers:	(29)	29	–	–
Transfer between Stage 1 and Stage 2, net	(29)	29	–	–
Remeasurement	1,950	184	–	2,134
Exchange differences	4	–	–	4
As at 30 June 2020	7,307	636	–	7,943

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2019	4,741	340	–	5,081
Addition	1,068	917	–	1,985
Transfer out	(7)	(182)	–	(189)
Transfers:	(8)	8	–	–
Transfer between Stage 1 and Stage 2, net	(8)	8	–	–
Remeasurement	(442)	(109)	–	(551)
Exchange differences	6	–	–	6
As at 31 December 2019	5,358	974	–	6,332

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(All amounts expressed in millions of RMB unless otherwise stated)

32 SHARE CAPITAL AND CAPITAL SURPLUS

	Number of shares (in millions)	Ordinary shares of RMB1 each	Capital surplus	Total
As at 1 January 2020	74,263	74,263	113,663	187,926
As at 30 June 2020	74,263	74,263	113,663	187,926

	Number of shares (in millions)	Ordinary shares of RMB1 each	Capital surplus	Total
As at 1 January 2019	74,263	74,263	113,663	187,926
As at 31 December 2019	74,263	74,263	113,663	187,926

As at 30 June 2020 and 31 December 2019, the number of A shares of the Group was 39,251 million, and the number of H shares of the Group was 35,012 million, both with par value of RMB1 per share.

As at 30 June 2020 and 31 December 2019, the Group's capital surplus is listed as follows:

	As at 1 January 2020	Additions	Reductions	As at 30 June 2020
Share premium	113,046	–	–	113,046
Property revaluation gain designated by MOF	472	–	–	472
Donation of non-cash assets	148	–	–	148
Movements in non-controlling interests	(41)	–	–	(41)
Capital increase in an associate	16	–	–	16
Others	22	–	–	22
Total	113,663	–	–	113,663

	As at 1 January 2019	Additions	Reductions	As at 31 December 2019
Share premium	113,046	–	–	113,046
Property revaluation gain designated by MOF	472	–	–	472
Donation of non-cash assets	148	–	–	148
Movements in non-controlling interests	(41)	–	–	(41)
Capital increase in an associate	16	–	–	16
Others	22	–	–	22
Total	113,663	–	–	113,663

33 OTHER EQUITY INSTRUMENTS

33.1 Preference shares

33.1.1 Preference shares outstanding at the end of the period

	Issue date	Accounting classification	Dividend rate	Issue price	Amount in shares	In original currency (in millions)	In RMB (in millions)	Maturity	Conversion condition	Conversion
Offshore preference shares										
Preference shares in USD	2015-07-29	Equity	5.00%	USD20/ share	122,500,000	2,450	14,982	No maturity date	Mandatory	No conversion during the period
Domestic preference shares										
Preference shares in RMB	2016-09-02	Equity	3.90%	RMB100/ share	450,000,000	45,000	45,000	No maturity date	Mandatory	No conversion during the period
					Total		59,982			
					Less: Issuance fees		(106)			
					Carrying amount		59,876			

33.1.2 Main clauses

Offshore preference shares

(a) Dividend

The offshore preference shares will accrue dividends on their issue price at the relevant dividend rate below:

(1) From and including the issue date to but excluding the first reset date, at the rate of 5.00% per annum; and

(2) The dividend rate will be re-priced every five years thereafter with reference to the five-year US treasury bonds yield plus a fixed premium of 3.344%. As authorised by the shareholders' annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on offshore preference shares.

The dividend for offshore preference shares is non-cumulative. Where the Bank determines to cancel the dividend for offshore preference shares in whole or in part, the omitted dividend will not be carried forward and claimed in the future period. After receiving dividends at the agreed dividend rate, offshore preference shareholders of the Bank will not participate in the distribution of residual profits with ordinary shareholders. Domestic preference shares issued by the Bank have the same dividend distribution order as the offshore preference shares.

(b) Conditions to distribution of dividends

The Bank could pay dividends while the Bank still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratio meets regulatory requirements. Offshore preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends.

Subject to a resolution to be passed at a shareholders' general meeting of the Bank on each such occasion, the Bank may elect to cancel (in whole or in part) any dividend. The Bank shall not distribute any dividends to its ordinary shareholders before it declares such dividends to preference shareholders for the relevant periods.

For the six months ended 30 June 2020
(All amounts expressed in millions of RMB unless otherwise stated)

33 OTHER EQUITY INSTRUMENTS *(Continued)*

33.1 Preference shares *(Continued)*

***33.1.2Main clauses** (Continued)*

Offshore preference shares (Continued)

(c) Mandatory conversion trigger events

Upon occurrence of the triggering events as stipulated by the offering documents and subject to regulatory approval, offshore preference share shall be mandatorily converted into ordinary H Shares of the Bank (as converted into Hong Kong dollars at the fixed exchange rate of USD1.00 to HKD7.7555), partially or entirely. The initial mandatory convertible price is HKD6.51 per share. To balance the interest between preference shareholders and ordinary shareholders, the mandatory conversion price of the preference shares will be cumulatively adjusted in sequence where certain events occur including issuances of bonus shares, capitalisation of reserves, new issuances of ordinary shares at a price lower than the market price (excluding equity increases due to exercise of convertible financing instruments that can be converted into ordinary shares) and rights issues, subject to terms and formulas provided for in the offering documents. Appropriation of dividends to ordinary shareholders is not trigger event for price adjustment.

(d) Order of distribution and liquidation method

On winding-up of the Bank, distribution to offshore preference shareholders is made after all debts of the Bank (including subordinated debts) and obligations that are issued or guaranteed by the Bank and specifically stated to be distributed prior to the offshore preference shares; all offshore preference shareholders are ranked the same in the distribution sequence without priority among them and have the same repayment sequence rights as holders of obligations with equivalent rights. In addition, distribution is made to offshore preference shareholders prior to ordinary shareholders.

On winding-up of the Bank, any remaining assets of the Bank shall, after the distributions in accordance with the terms and conditions of the offshore preference shares have been made, be applied to the claims of the offshore preference shareholders equally in all respects with the claims of holders of any parity obligations (which term, for the avoidance of doubt, includes the domestic preference shares and any other preference shares of the Bank issued from time to time to investors outside the PRC) and in priority to the claims of the holders of ordinary shares.

The distribution amount obtained by the offshore preference shareholders shall be the total par value of the issued and outstanding preference shares plus dividends declared but not paid in the current period; if the distribution amount is insufficient, domestic and offshore preference shareholders will share the distribution amount on a proportional basis.

(e) Redemption

The offshore preference shares are perpetual and have no maturity date. The Bank may, subject to obtaining CBIRC approval and in compliance with the redemption preconditions, redeem all or some of the offshore preference shares on 29 July 2020 and on any dividend payment date thereafter. The redemption period ends at the date when shares are fully converted or redeemed.

33 OTHER EQUITY INSTRUMENTS *(Continued)*

33.1 Preference shares *(Continued)*

33.1.2Main clauses *(Continued)*

Domestic preference shares

(a) Dividend

The domestic preference shares will accrue dividends on their issue price at the relevant dividend rate below:

(1) From and including the issue date to but excluding the first reset date, at the rate of 3.90% per annum; and

(2) The dividend rate will be re-priced every five years thereafter with reference to the arithmetic average value (rounding off to 0.01%) of five-year Chinese treasury bonds yield at the date which is 20 transaction days before the reset date (excluding the date) plus a fixed premium of 1.37%. As authorised by the shareholders' annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on domestic preference shares.

The dividend for domestic preference shares is non-cumulative. Where the Bank determines to cancel the dividend for domestic preference shares in whole or in part, the omitted dividend will not be carried forward and claimed in the future period. After receiving dividends at the agreed dividend rate, domestic preference shareholders of the Bank will not participate in the distribution of residual profits with ordinary shareholders. Domestic preference shares issued by the Bank have the same dividend distribution order as the offshore preference shares.

(b) Conditions to distribution of dividends

The Bank could pay dividends while the Bank still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratio meets regulatory requirements. Domestic preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends.

Subject to a resolution to be passed at a shareholders' general meeting of the Bank on each such occasion, the Bank may elect to cancel (in whole or in part) any preference share dividend. The Bank shall not distribute any dividends to its ordinary shareholders before it declares such dividends to preference shareholders for the relevant periods.

(c) Mandatory conversion trigger events

Upon occurrence of the triggering events as stipulated by the offering documents and subject to regulatory approval, domestic preference shares shall be mandatorily converted into ordinary A Shares of the Bank, partially or entirely. The initial mandatory conversion price is RMB6.25 per share. To balance the interest between preference shareholders and ordinary shareholders, the mandatory conversion price of the preference shares will be cumulatively adjusted in sequence where certain events occur including issuances of bonus shares, capitalisation of reserves, new issuances of ordinary shares at a price lower than the market price (excluding equity increased due to exercise of convertible financing instruments that can be converted into ordinary shares) and rights issues, subject to terms and formulas provided for in the offering documents. Appropriation of dividends to ordinary shareholders is not trigger event for price adjustment.

For the six months ended 30 June 2020

(All amounts expressed in millions of RMB unless otherwise stated)

33 OTHER EQUITY INSTRUMENTS *(Continued)*

33.1 Preference shares *(Continued)*

33.1.2 Main clauses *(Continued)*

Domestic preference shares (Continued)

(d) Order of distribution and liquidation method

On winding-up of the Bank, distribution to domestic preference shareholders is made after all debts of the Bank (including subordinated debts) and obligations that are issued or guaranteed by the Bank and specifically stated to be distributed prior to the domestic preference shares; all domestic preference shareholders are ranked at the same in the distribution sequence without priority among them and have the same repayment sequence rights as holders of obligations with equivalent rights. In addition, distribution is made to domestic preference shareholders prior to ordinary shareholders.

On winding-up of the Bank, any remaining assets of the Bank shall, after the distributions in accordance with the terms and conditions of the domestic preference shares have been made, be applied to the claims of the domestic preference shareholders equally in all respects with the claims of holders of any parity obligations (which term, for the avoidance of doubt, includes the domestic preference shares and any other preference shares of the Bank issued from time to time to investors outside the PRC) and in priority to the claims of the holders of ordinary shares.

The distribution amount obtained by the domestic preference shareholders shall be the total par value of the issued and outstanding preference shares plus dividends declared but not paid in the current period; if the distribution amount is insufficient, domestic and offshore preference shareholders will share the distribution amount on a proportional basis.

(e) Redemption

The domestic preference shares are perpetual and have no maturity date. The Bank may, subject to obtaining CBIRC approval and in compliance with the redemption preconditions, redeem all or some of the domestic preference shares on 2 September 2021 and on any preference share dividend payment date thereafter. The redemption period ends at the date when shares are fully converted or redeemed.

33.1.3 Movements of preference shares issued

		Movements		
	As at 1 January 2020	Additions	Decreases	As at 30 June 2020
Offshore preference shares				
Amount (shares)	122,500,000	–	–	122,500,000
In RMB (millions)	14,924	–	–	14,924
Domestic preference shares				
Amount (shares)	450,000,000	–	–	450,000,000
In RMB (millions)	44,952	–	–	44,952

33 OTHER EQUITY INSTRUMENTS *(Continued)*

33.2 Perpetual bonds

33.2.1 Perpetual bonds outstanding at the end of the period

	Issue date	Accounting classification	Original interest rate	Issue price	Amount in shares	In original currency (in millions)	In RMB (in millions)	Maturity
Perpetual bonds in RMB	18 September 2019	Equity	4.20%	RMB100/ bond	400,000,000	40,000	40,000	No fixed maturity date
					Total		40,000	
					Less: Issue fees		(6)	
					Carrying amount		39,994	

33.2.2 Main clauses

(1) Principal amount

The principal amount is RMB40 billion.

(2) Maturity date

The perpetual bonds will continue to be outstanding so long as the Bank's business continues to operate.

(3) Coupon rate

The coupon rate of the perpetual bonds will be adjusted every 5 years from the settlement date of issuance. During each coupon rate adjustment period, the interest payments will be calculated at the same coupon rate. The coupon rate at the time of issuance will be determined by book building and centralised allocation. The interest rate of the perpetual bonds does not contain any interest rate step-up mechanism or any other redemption incentives.

The coupon rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity (rounded up to 0.01%) of 5 (exclusive) trading days prior to the announcement date of the subscription agreement, as indicated by the applicable China Bond Government Bond Yield Curve for five-year products published on www.ChinaBond.com.cn (or other websites approved by the China Central Depository & Clearing Co., Ltd.). The fixed spread is the difference between the coupon rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

(4) Conditional redemption rights of the Bank

The Bank has conditional redemption rights. After five years from the issuance of the perpetual bonds, the Bank may redeem the perpetual bonds in whole or in part on each distribution payment date (including the fifth distribution payment date since the issuance). If, after the issuance, the perpetual bonds no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the whole but not part of the perpetual bonds.

(5) Subordination

The claims in respect of the perpetual bonds are subordinated to the claims of depositors, general creditors, and subordinated indebtedness that rank senior to the perpetual bonds; and will rank in priority to all classes of equity shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other Additional Tier 1 Capital instruments of the Bank that rank pari passu with the perpetual bonds. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable to the Bank, such relevant laws and regulations shall prevail.

(All amounts expressed in millions of RMB unless otherwise stated)

33 OTHER EQUITY INSTRUMENTS *(Continued)*

33.2 Perpetual bonds *(Continued)*

33.2.2Main clauses *(Continued)*

(6) Write-down/Write-off clauses

Upon the occurrence of Additional Tier 1 Capital Trigger Event, namely, the Bank's Core Tier 1 Capital Adequacy Ratio having fallen to 5.125% (or below), the Bank has the right, subject to the approval of the China Banking and Insurance Regulatory Commission but without the need for the consent of the bondholders, to write down whole or part of the aggregate amount of the perpetual bonds then issued and outstanding, in order to restore the Core Tier 1 Capital Adequacy Ratio to above 5.125%. In the case of a partial write-down, all of the perpetual bonds then issued and outstanding shall be written down on a pro rata basis, according to the outstanding par value, with all Additional Tier 1 Capital instruments with equivalent write-down clauses of the Bank. The perpetual bonds may be subject to write-down more than once, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Bank to above 5.125%.

(7) Distribution payment

The Bank shall have the right to cancel, in whole or in part, distributions on the bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Bank will take into full consideration the interest of the bondholders. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the bonds, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares. Any cancellation of any distribution on the bonds, no matter in whole or in part, will require the deliberation and approval of the general shareholders meeting, and the Bank shall give notice to the investors on such cancellation in a timely manner.

The distributions on the perpetual bonds are non-cumulative, namely, upon cancellation, any amount of distribution unpaid to the holders of the perpetual bonds in the applicable period will not accumulate or compound to the subsequent distribution period thereafter.

(8) Put option

Investors have no right to redeem their subscription from the Bank.

The net proceeds from the Bank's issuance of the above bonds, after deducting offering related expenses, will be used to replenish the Additional Tier 1 Capital of the Bank.

33.3 Interests attributable to holders of other equity instruments

	As at 30 June 2020	As at 31 December 2019
Total equity attributable to equity holders of the parent company	802,543	793,247
Equity attributable to ordinary shareholders of the parent company	702,673	693,377
Equity attributable to preference shareholders of the parent company	59,876	59,876
Equity attributable to perpetual bond holders of the parent company	39,994	39,994
Including: Net profit attributable to preference shareholders	2,714	*2,671*
Dividends paid to preference shareholders during the period	2,714	*2,671*
Total equity attributable to non-controlling interests	11,589	7,665
Equity attributable to non-controlling interests of ordinary shares	8,053	7,665
Equity attributable to non-controlling interests of Non-cumulative Subordinated Additional Tier 1 Capital Securities *(Note 3b)*	3,536	–

(All amounts expressed in millions of RMB unless otherwise stated)

34 RESERVES AND RETAINED EARNINGS

Pursuant to the relevant PRC regulations, the appropriation of profits to the statutory general reserve, the discretionary reserve and the distribution of dividends in each year are based on the recommendations of the Directors and are subject to the resolutions to be passed at the General Meeting.

Pursuant to the relevant PRC regulations, the bank is required to appropriate 10% of its net profit for the year to the undistributable statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Pursuant to the relevant PRC banking regulations, the Bank is required to transfer a certain amount of its net income to the statutory general reserve through its profit appropriation. It is determined based on the overall unidentified loss exposure; normally no lower than 1.5% of the ending balance of risk assets. The statutory general reserve is an integral part of shareholders' equity but not subject to dividend distribution. Such statutory general reserve is recognised in the statement of financial position upon approval by the shareholders at the Annual General Meeting. Regulatory reserve of the Hong Kong branch required by the Hong Kong Monetary Authority is also included in above statutory general reserve.

Since 1 July 2012, pursuant to *Administrative Measures for the Provisioning of Financial Enterprises* (Cai Jin [2012] No. 20), the Bank made general reserve for the risk assets as defined by the policy. The Bank's subsidiaries and oversea branches, if required by local regulation requirements, also need to make such accrual for risk assets.

In accordance with the relevant PRC legislation, upon the approval by shareholders at the General Meeting, discretionary reserve can be appropriated following the appropriation of statutory reserve from the distributable profit of the Bank and its domestic subsidiaries.

The 2019 Annual General Meeting of Shareholders, held on 30 June 2020, considered and adopted the 2019 profit distribution scheme, which stipulates the follows:

	Six months ended 30 June	
	2020	2019
Statutory reserve	7,075	–
Statutory general reserve	4,454	2,738
Discretionary reserve	–	–
Total	11,529	2,738

For the six months ended 30 June 2020, the Group and the Bank transferred RMB4,690 million (for the six months ended 30 June 2019: RMB2,850 million) and RMB4,454 million (for the six months ended 30 June 2019: RMB2,738 million) respectively to the General Reserve pursuant to the regulatory requirements in the PRC and overseas jurisdictions. Of this amount, RMB4,454 million (for the six months ended 30 June 2019: RMB2,738 million) related to general reserve proposed for the Bank for the year ended 31 December 2019 was approved in the 2019 Annual General Meeting of Shareholders dated 30 June 2020.

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(All amounts expressed in millions of RMB unless otherwise stated)

34 RESERVES AND RETAINED EARNINGS *(Continued)*

The movements of retained earnings are set out below:

As at 31 December 2019	177,141
Profit for the period	36,505
Appropriation to statutory reserve	(7,209)
Appropriation to general reserve	(4,690)
Appropriation to discretionary reserve	–
Dividends payable to ordinary shareholders	(23,393)
Dividends payable to preference shareholders	(2,714)
Transferred from other comprehensive income	(2)
As at 30 June 2020	175,638
As at 31 December 2018	129,161
Impact from adoption of IFRS 16	(616)
Opening balance under IFRS 16	128,545
Profit for the year	77,281
Appropriation to statutory reserve	(381)
Appropriation to general reserve	(3,286)
Appropriation to discretionary reserve	(57)
Dividends payable to ordinary shareholders	(22,279)
Dividends payable to preference shareholders	(2,671)
Others	(11)
As at 31 December 2019	177,141

35 DIVIDENDS

	Six months ended 30 June	
	2020	2019
Dividends to ordinary shareholders of the Bank	23,393	22,279
Dividends to preference shareholders of the Bank	2,714	2,671

Under PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

(1) Making up cumulative losses from prior years, if any;

(2) Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank as determined under the relevant PRC accounting standards;

(3) Allocations to statutory general reserve;

(4) Allocations to the discretionary reserve upon approval by the Annual General Meeting. These funds form part of the shareholders' equity.

(All amounts expressed in millions of RMB unless otherwise stated)

35 DIVIDENDS *(Continued)*

The cash dividends are recognised in the consolidated statement of financial position upon approval by the shareholders at Annual General Meeting.

Pursuant to the approval by the Board meeting on 27 March 2020, the Bank appropriated overseas preference dividends on 29 July 2020 with a dividend yield of 5% (the actual dividend yield obtained by the preference shareholders) with total amount of USD136 million. The Bank will appropriate domestic preference dividends on 7 September 2020 with a dividend yield of 3.9% (the actual dividend yield obtained by the preference shareholders), with total amount of RMB1,755 million.

Pursuant to the approval by the Annual General Meeting of Shareholders on 30 June 2020, the Bank appropriated RMB4,454 million to the statutory general reserve. It was also resolved that a cash dividend of RMB0.315 (before tax) for each ordinary share, with total amount of RMB23,393 million, calculated based on 74,263 million shares outstanding (the par value per share is RMB1) as at 31 December 2019, will be distributed to ordinary shareholders.

36 NON-CONTROLLING INTERESTS

Non-controlling interests of the Group include equity attributable to non-controlling interests of ordinary shares and equity attributable to non-controlling interests of other equity instruments. As at 30 June 2020, equity attributable to holders of other equity instruments was RMB3,536 million. The other equity instrument was Non-Cumulative Subordinated Additional Tier 1 Capital Securities issued by Bank of Communications (Hong Kong) Limited on 3 March 2020.

Issue Date	3 March 2020
Face Value	U.S.$500 million
First Call Date	3 March 2025
Distribution Rate	(i) from the Issue Date to the First Call Date, 3.725% per annum (ii) for every five calendar years after the First Call Date, the then-prevailing U.S. Treasury Rate plus 2.525% per annum
Frequency of distribution payments	Semi-annually

Bank of Communications (Hong Kong) Limited may determine the policies of distribution payments and whether to redeem the bonds. The Group recognised the bonds as equity instruments.

37 FINANCIAL GUARANTEES AND CREDIT-RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

Financial guarantees and credit-related commitments

The following tables provide the contractual amounts of the Group's financial guarantees and credit-related commitments which the Group has committed to its customers:

	As at 30 June 2020	As at 31 December 2019
Letters of guarantee	292,601	268,812
Letters of credit commitments	154,471	139,948
Acceptance bills	308,017	271,507
Credit card commitments	763,213	736,039
Loan commitments		
– Under 1 year	7,008	20,459
– 1 year and above	52,971	35,405
	1,578,281	1,472,170

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(All amounts expressed in millions of RMB unless otherwise stated)

37 FINANCIAL GUARANTEES AND CREDIT-RELATED COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

Capital expenditure commitments

	As at 30 June 2020	As at 31 December 2019
Contracted but not provided for	59,312	60,310

Operating lease commitments

The Group acts as lessor in operating leases principally through aircraft and vessels leasing undertaken by its subsidiaries. The future minimum lease receivables on certain aircraft and vessel under irrevocable operating leases are as follows:

	As at 30 June 2020	As at 31 December 2019
Within 1 year (inclusive)	13,957	13,496
Beyond 1 year but no more than 2 years (inclusive)	13,201	12,818
Beyond 2 years but no more than 3 years (inclusive)	12,683	12,176
Beyond 3 years but no more than 5 years (inclusive)	23,403	22,920
More than 5 years	41,513	42,024
	104,757	103,434

Commitments on security underwriting and bond acceptance

The Group is entrusted by the Ministry of Finance ('MOF') to underwrite certain Certificated Bonds and Savings Bonds. The investors of Certificated Bonds and Savings Bonds have early redemption right while the Group has the obligation to buy back those Certificated Bonds and Savings Bonds. The redemption price is the principal value of the Certificated Bonds or Savings Bonds plus unpaid interest till redemption date. As at 30 June 2020, the principal value of the certain Certificated Bonds and Savings Bonds that the Group had the obligation to buy back amounted to RMB76,847 million (31 December 2019: RMB83,777 million). The MOF will not provide funding for the early redemption of these Certificated Bonds and Savings Bonds on a back-to-back basis but will pay interest and principal at maturity. The Group expects the amount of redemption before the maturity dates of these bonds through the Group will not be material.

The original maturities of these bonds vary from 1 to 5 years.

As at 30 June 2020, the Group had no announced but unfulfilled irrevocable commitment on security underwriting (31 December 2019: Nil).

Legal proceedings

The Group has been involved as defendants in certain lawsuits arising from its normal business operations. Management of the Group believes, based on legal advice, that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group. Provision for outstanding litigation losses as advised by in-house or external legal professionals is disclosed in Note 31. The total outstanding claims against the Group (defendant) by a number of third parties at the end of the period are summarised as follows:

	As at 30 June 2020	As at 31 December 2019
Outstanding litigations	3,843	5,011
Provision for outstanding litigation (Note 31)	950	1,029

(All amounts expressed in millions of RMB unless otherwise stated)

38 COLLATERALS

(1) Assets pledged

The Group uses part of its assets as collaterals for interbank repurchase arrangements and other liabilities-related business. All of these arrangements mature within 12 months from the date they take effect. The carrying amount of these collaterals and the balance of operations related are listed below:

	Pledged assets		Associated liabilities	
	As at 30 June 2020	As at 31 December 2019	As at 30 June 2020	As at 31 December 2019
Investment securities	464,437	468,085	390,679	387,547
Bills	64,051	78,041	64,051	78,041
Total	528,488	546,126	454,730	465,588

Financial assets sold under repurchase agreements included certain transactions under which, title of the pledged securities has been transferred to counterparties. These transactions have been disclosed in Note 43 transfers of financial assets.

(2) Collateral accepted

The Group conducts resale agreements under usual and customary terms of placements and holds collateral for these transactions. As at 30 June 2020 and 31 December 2019, the Group did not hold any collateral for resale agreements which was permitted to sell or repledge in the absence of default on transactions. All pledges are conducted under standard and normal business terms. As at 30 June 2020 and 31 December 2019, the Group did not sell or re-pledge any collaterals received.

39 OTHER COMPREHENSIVE INCOME

	Six months ended 30 June 2020		
	Before tax amount	Tax effect	Net of tax amount
Other comprehensive income			
Loans and advances to customers – carried at FVOCI	67	(16)	51
Amounts recorded in equity	331	(82)	249
Amounts reclassified to losses/(gains) in the current period	(264)	66	(198)
Debt investments at FVOCI	(1,259)	70	(1,189)
Amounts recorded in equity	158	(285)	(127)
Amounts reclassified to losses/(gains) in the current period	(1,417)	355	(1,062)
Effective portion of gains or losses on hedging instruments in cash flow hedges	(824)	169	(655)
Changes in fair value recorded in equity	(829)	170	(659)
Changes in fair value reclassified from equity to profit or loss	5	(1)	4
Translation difference on foreign operations	1,093	–	1,093
Changes in fair value of equity investments designated at FVOCI	(484)	113	(371)
Changes in fair value attributable to changes in the credit risk of financial liabilities designated at FVPL	44	–	44
Actuarial gains on pension benefits	(34)	–	(34)
Others	57	(3)	54
Other comprehensive income for the period	(1,340)	333	(1,007)

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(All amounts expressed in millions of RMB unless otherwise stated)

39 OTHER COMPREHENSIVE INCOME *(Continued)*

	Six months ended 30 June 2019		
	Before tax amount	Tax effect	Net of tax amount
Other comprehensive income			
Loans and advances to customers – carried at FVOCI	(709)	(192)	(901)
Amounts recorded in equity	(709)	(192)	(901)
Amounts reclassified to losses/(gains) in the current period	–	–	–
Debt investments at FVOCI	2,398	(838)	1,560
Amounts recorded in equity	2,639	(898)	1,741
Amounts reclassified to losses/(gains) in the current period	(241)	60	(181)
Effective portion of gains or losses on hedging instruments in cash flow hedges	(72)	11	(61)
Amounts recorded in equity	156	(46)	110
Amounts reclassified to losses/(gains) in the current period	(228)	57	(171)
Translation difference on foreign operations	141	–	141
Changes in fair value of equity investments designated at FVOCI	130	(31)	99
Changes in fair value attributable to changes in the credit risk of financial liabilities designated at FVPL	74	–	74
Actuarial gains on pension benefits	3	–	3
Others	25	(9)	16
Other comprehensive income for the period	1,990	(1,059)	931

40 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Analysis of the balance of cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise the following balances with original maturities of less than or equal to 90 days used for the purpose of meeting short-term cash commitments:

	As at 30 June 2020	As at 30 June 2019
Cash and balances with central banks	162,440	92,702
Due from and placements with banks and other financial institutions	85,873	88,599
	248,313	181,301

41 CONSOLIDATED STRUCTURED ENTITIES

Structured entities consolidated by the Group include certain trust investment plans, funds and securitization products issued, managed and invested by the Group. The Group controls these entities because the Group has power over, is exposed to, or has right to, variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns. As at 30 June 2020, the consolidated structured entities sponsored and managed by the Group amounted to RMB4,317 million, and the consolidated structured entities held by Group amounted to RMB19,322 million. (As at 31 December 2019, the consolidated structured entities sponsored and managed by the Group amounted to RMB6,147 million, and the consolidated structured entities held by Group amounted to RMB19,846 million.)

For the six months ended 30 June 2020
(All amounts expressed in millions of RMB unless otherwise stated)

42 UNCONSOLIDATED STRUCTURED ENTITIES

The Group has been involved in other structured entities through investments in structured entities or acting as sponsors of structured entities that provide specialised investment opportunities to investors. These structured entities generally finance the purchase of assets by issuing units of the products. The Group does not control these structured entities and therefore, these structured entities are not consolidated.

As at 30 June 2020, those structured entities sponsored by the Group consist primarily of funds, trusts, asset management products, wealth management products with principals not guaranteed by the Group and securitization products. The Group earns commission income by providing management services to the investors of these structured entities. In addition, the Group is also involved in certain structured entities sponsored by the Group or third parties through direct investments. These investments are recognised as financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, and financial investments at amortised cost.

As at 30 June 2020 and 31 December 2019, amount of unconsolidated structured entities sponsored by the Group are set out as below:

	Sponsored amount		Type of income
	As at 30 June 2020	As at 31 December 2019	
Funds	311,738	357,568	Commission income
Trusts and asset management products	968,139	893,739	Commission income
Wealth management products (“WMPs”)	1,140,217	1,003,226	Commission income
Securitization products	137	295	Commission income
Total	2,420,231	2,254,828	

For the six months ended 30 June 2020, the Group’s commission income from providing service to the investors of the structured entities managed by the Group was RMB3,107 million (For the six months ended 30 June 2019: RMB1,960 million), and interest income from placements and repurchase transactions with those unconsolidated WMPs was RMB1 million (For the six months ended 30 June 2019: RMB685 million).

As at 30 June 2020 and 31 December 2019, the carrying amount of interests in unconsolidated structured entities held by the Group through investment was set out as follows:

As at 30 June 2020

	Carrying amount				
	Financial investments at FVPL	Financial investments at FVOCI	Financial investments at amortised cost	Maximum exposure to loss	Type of income
Funds	264,562	–	–	264,562	Net gains arising from trading activities
Trusts and asset management products	7,734	–	127,498	135,232	Net interest income, net gains arising from trading activities
Wealth management products	1,154	–	–	1,154	Net gains arising from trading activities
Limited partnerships	1,065	584	–	1,649	Net gains arising from trading activities, net gains arising from financial investments
Securitization products	–	–	7	7	Net interest income
Total	274,515	584	127,505	402,604	

(All amounts expressed in millions of RMB unless otherwise stated)

42 UNCONSOLIDATED STRUCTURED ENTITIES *(Continued)*

The information of total size of the unconsolidated structured entities listed above is not readily available from the public domain.

As at 31 December 2019

	Carrying amount				
	Financial investments at FVPL	Financial investments at FVOCI	Financial investments at amortised cost	Maximum exposure to loss	Type of income
Funds	160,522	–	–	160,522	Net gains arising from trading activities
Trusts and asset management products	8,207	–	139,302	147,509	Net interest income, net gains arising from trading activities
Wealth management products	320	–	–	320	Net gains arising from trading activities
Limited partnerships	798	584	–	1,382	Net gains arising from trading activities, net gains arising from financial investments
Securitization products	–	–	15	15	Net interest income
Total	169,847	584	139,317	309,748	

43 TRANSFERS OF FINANCIAL ASSETS

43.1 Financial assets sold under repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities, which the Group does not have the ability to use during the term of the arrangements, are not derecognised from the financial statements but regarded as "collateral" for the secured lending from these because the Group retains substantially all the risks and rewards of these securities. In addition, the Group recognises a financial liability for cash received.

As at 30 June 2020 and 31 December 2019, the Group entered into repurchase agreements with certain counterparties. The proceeds from selling such securities are presented as "financial assets sold under repurchase agreements" (Note 26).

The following table provides a summary of carrying amounts related to the transferred financial assets that are not derecognised and the associated liabilities:

	Collaterals		Associated liabilities	
	As at 30 June 2020	As at 31 December 2019	As at 30 June 2020	As at 31 December 2019
Investment securities	6,026	10,582	5,482	9,828

43.2 Securities lending transactions

Transferred financial assets that do not qualify for de-recognition mainly include debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities lent under agreements to repurchase in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 30 June 2020, the carrying value of debt securities lent to counterparties was RMB6,950 million (31 December 2019: RMB6,620 million).

(All amounts expressed in millions of RMB unless otherwise stated)

43 TRANSFERS OF FINANCIAL ASSETS *(Continued)*

43.3 Asset securitisation

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors.

The Group may retain interests in the form of subordinated tranches which may give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group is exposed to changes in the value of the transferred assets.

As at 30 June 2020, loans with an original value of RMB39,348 million and carrying amount of RMB38,790 million (31 December 2019: RMB55,702 million and RMB55,144 million) have been securitised by the Group and the Bank.

As at 30 June 2020, the Group and the Bank retained their continued involvement in securitised credit assets by holding subordinated securities. The value of the assets that the Group and the Bank continued to recognise was RMB4,275 million (31 December 2019: RMB4,864 million).

43.4 Package disposal of impaired loans and advances to customers

The Group disposes impaired loans and advances to customers through transferring to third parties in the normal course of business. For the six months ended 30 June 2020, the Group had transferred impaired loans and advances to third parties with a gross carrying amount of RMB5,770 million (31 December 2019: RMB13,132 million) and collected cash totalling RMB2,792 million (31 December 2019: RMB4,733 million) from the transfer. The difference between the gross carrying amount and the cash collected had been written off. The Group de-recognised the impaired loans and advances to customers from the Group's financial statements at the time of disposal.

44 RELATED PARTY TRANSACTIONS

(a) Transactions with the MOF

As at 30 June 2020, the MOF was holding 17,732 million (31 December 2019: 17,732 million) shares of Bank of Communications Co., Ltd. which represented 23.88% (31 December 2019: 23.88%) of the total share capital.

The MOF is a Chinese government ministry, primarily responsible for managing state fiscal revenue and expenditures, and establishing and enforcing taxation policies. The Group enters into banking transactions with the MOF under normal commercial terms and at market rates. These transactions mainly include the purchase and redemption of financial investments issued by the MOF.

Details of transaction volumes and outstanding balances are summarised below:

	As at 30 June 2020	As at 31 December 2019
Bonds issued by MOF	655,662	647,402
Accrued interest	8,876	9,515

	Six months ended 30 June	
	2020	2019
Interest income	10,672	9,000

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(All amounts expressed in millions of RMB unless otherwise stated)

44 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with the MOF *(Continued)*

The interest rates of the transactions between the Group and MOF are summarised below:

	Six months ended 30 June	
	2020	2019
	%	%
Bonds issued by MOF	0.13~5.32	2.13~5.41

(b) Transactions with National Council for Social Security Fund

As at 30 June 2020, National Council for Social Security Fund was holding 12,903 million (31 December 2019: 12,909 million) shares of Bank of Communications Co., Ltd. which represented 17.37% (31 December 2019: 17.38%) of the total share capital. Transactions between the Group and National Council for Social Security Fund mainly include deposits and are carried out under normal commercial terms and paid at market rates.

Details of transaction volumes and outstanding balances are summarised below:

	As at 30 June 2020	As at 31 December 2019
Due to customers	81,350	70,350
Accrued interest	1,413	964

	Six months ended 30 June	
	2020	2019
Interest expense	1,758	390

The interest rates of the transactions between the Group and the National Council for Social Security Fund are summarised below:

	Six months ended 30 June	
	2020	2019
	%	%
Due to customers	3.85~5.30	3.85~6.10

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(All amounts expressed in millions of RMB unless otherwise stated)

44 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Transactions with the Hong Kong and Shanghai Banking Corporation Limited ("HSBC") Group and its Joint Ventures

As at 30 June 2020, HSBC was holding 13,886 million (31 December 2019: 13,886 million) shares of the Bank of Communications Co., Ltd. which represented 18.70% (31 December 2019: 18.70%) of the total share capital. Transactions between the Group and HSBC are carried out under normal commercial terms and paid at market rates.

Details of transaction volumes and outstanding balances are summarised below:

	As at 30 June 2020	As at 31 December 2019
On-balance sheet items		
Due from banks and other financial institutions	1,265	1,302
Placements with banks and other financial institutions	443	–
Derivative financial assets	941	798
Financial investments at FVPL	2,982	1,323
Financial investments at amortised cost	225	230
Financial investments at FVOCI	6,188	4,634
Due to banks and other financial institutions	827	1,644
Placements from banks and other financial institutions	9,184	6,107
Financial liabilities at FVPL	2,342	2,424
Derivative financial liabilities	2,420	979
Financial assets sold under repurchase agreements	2,664	2,622
Off-balance sheet items		
Notional principal of derivative financial instruments	209,279	161,086

	Six months ended 30 June	
	2020	2019
Net losses from trading activities	(1,482)	(817)
Interest income	123	92
Interest expense	118	247
Fee and commission income	27	31
Fee and commission expense	6	5

The interest rates of the transactions between the Group and HSBC are summarised below:

	Six months ended 30 June	
	2020 %	2019 %
Due from banks and other financial institutions	0.01~0.35	0.01~3.88
Placements with banks and other financial institutions	0.33~2.65	1.39~2.65
Financial assets purchased under resale agreements	0.87~3.42	1.38~3.10
Financial investments at FVPL	1.49~6.00	3.30~3.63
Financial investments at amortised cost	3.26~4.74	3.26~4.74
Financial investments at FVOCI	1.26~4.95	1.50~4.75
Due to banks and other financial institutions	0.01~4.12	0.01~3.80
Placements from banks and other financial institutions	(0.24)~3.38	(0.16)~3.46
Financial liabilities at FVPL	0.50~0.70	0.36~0.75
Financial assets sold under repurchase agreements	0.84~3.07	2.42~2.80

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(All amounts expressed in millions of RMB unless otherwise stated)

44 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Transactions with state-owned entities in PRC

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the Government through its authorities, affiliates or other organisations (collectively the "state-owned entities"). During the period, the Group entered into extensive banking transactions with these state-owned entities including, but not limited to, the provision of credit and guarantees, deposits, foreign exchange, derivatives transactions, agency business, underwriting and distribution of bonds issued by the Government as well as trading and redemption of securities issued by the Government.

Management considers that transactions with state-owned entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and these state-owned entities are ultimately controlled or owned by the Government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities.

(e) Transactions with subsidiaries

Transactions between the Bank and its subsidiaries are carried out under normal commercial terms and paid at market rates. These transactions are eliminated on consolidation.

Details of transaction volumes and outstanding balances are summarised below:

The Bank	As at 30 June 2020	As at 31 December 2019
Due from banks and other financial institutions	635	338
Placements with banks and other financial institutions	95,704	91,307
Loans and advances to customers	–	1,296
Financial investments at FVPL	885	1,915
Financial investments at amortised cost	2,479	2,266
Financial investments at FVOCI	7,787	13,055
Derivative financial assets	2,368	429
Other assets	334	137
Due to banks and other financial institutions	5,466	9,651
Placements from banks and other financial institutions	1,029	10,245
Derivative financial liabilities	212	543
Due to customers	10,083	3,544
Debt securities issued	52	51
Other liabilities	33	36
Sale of financial investments at FVPL to subsidiaries	75	10,327
Sale of financial investments at FVOCI to subsidiaries	–	28,312

	Six months ended 30 June	
The Bank	2020	2019
Interest income	1,117	1,202
Interest expense	199	232
Fee and commission income	696	489
Fee and commission expense	95	15
Other operating income	284	281
Other operating expense	82	109
Net (losses)/gains arising from trading activities	(189)	–

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(All amounts expressed in millions of RMB unless otherwise stated)

44 RELATED PARTY TRANSACTIONS *(Continued)*

(e) Transactions with subsidiaries *(Continued)*

The interest rates of the transactions between the Bank and its subsidiaries are summarised below:

The Bank	Six months ended 30 June 2020 %	2019 %
Due from banks and other financial institutions	**0.01~3.60**	0.01~4.00
Placements with banks and other financial institutions	**0.01~3.91**	0.02~5.40
Financial investments at FVPL	**1.97~4.38**	Not applicable
Financial investments at amortised cost	**1.29~4.70**	3.05~4.70
Financial investments at FVOCI	**1.14~4.38**	Not applicable
Loans and advances to customers	**1.61~3.97**	2.18~4.30
Due to banks and other financial institutions	**0.01~3.60**	0.01~4.18
Placements from banks and other financial institutions	**0.01~4.24**	(0.30)~3.01
Due to customers	**0.70~4.18**	0.01~2.39
Debt securities issued	**5.75**	5.75

(f) Transactions with directors and senior management

Transactions with directors, supervisors, senior management, their close relatives and entities that are controlled, jointly controlled, or significantly influenced by either such directors, supervisors, and senior management or their close relatives mainly include loans and deposits and are carried out under normal commercial terms and paid at market rates.

Details of transaction volumes and outstanding balances are summarised below:

	As at 30 June 2020	As at 31 December 2019
Due to customers	**3**	18
Loans and advances to customers	**2**	3

Compensations of directors and senior management are disclosed in Note 13.

(g) Transactions with associates and joint ventures

Transactions between the Group and its associates and joint ventures are carried out under normal commercial terms and paid at market rates.

Details of transaction volumes and outstanding balances are summarised below:

	As at 30 June 2020	As at 31 December 2019
On-balance sheet items		
Due to banks and other financial institutions	**300**	–
Financial assets purchased under resale agreements	**200**	–
Loans and advances to customers	**4,015**	3,371
Derivative financial assets	**20**	4
Placements with banks and other financial institutions	**61**	52
Derivative financial liabilities	**20**	3
Due to customers	**3**	3
Off-balance sheet items		
Notional principal of derivative financial instruments	**3,253**	5,193

(All amounts expressed in millions of RMB unless otherwise stated)

44 RELATED PARTY TRANSACTIONS *(Continued)*

(g) Transactions with associates and joint ventures *(Continued)*

	Six months ended 30 June	
	2020	2019
Net losses from trading activities	(4)	–
Interest income	85	34
Interest expense	–	2

The interest rates of the transactions between the Group and its associates and joint ventures are summarised below:

	Six months ended 30 June	
	2020	2019
	%	%
Due from banks and other financial institutions	0.30~0.35	3.88
Placements with banks and other financial institutions	1.81	0.75~2.65
Financial assets purchased under resale agreements	1.81	1.38~2.50
Loans and advances to customers	3.48~4.90	3.92~4.90
Due to banks and other financial institutions	0.01~0.35	0.01~5.50
Due to customers	0.30~1.35	0.30~1.35

(h) Transactions with other related parties

Details of transaction volumes and outstanding balances are summarised below:

	As at 30 June 2020	As at 31 December 2019
Loans and advances to customers	1,184	2,354
Accrued interest	1	1
Financial investments at amortised cost	200	200
Accrued interest	3	4
Due to banks and other financial institutions	1,622	1,851
Accrued interest	11	20
Due to customers	54,412	46,865
Accrued interest	2,261	1,253

	Six months ended 30 June	
	2020	2019
Interest income	22	51
Interest expense	1,093	712

The interest rates of the transactions between the Group and other related parties are summarised below:

	Six months ended 30 June	
	2020	2019
	%	%
Loans and advances to customers	0.30~5.06	3.92~6.31
Deposits from banks and other financial institutions	0.30~5.40	0.35~5.80
Financial investments at amortised cost	3.19~3.78	3.19~3.78
Due to customers	0.30~4.18	1.10~4.18

45 SEGMENTAL ANALYSIS

The Group's senior management reviews the Group's operation by the particular economic areas in which the Group's branches and subsidiaries provide products or services. The Group's operating segments are decided based upon location of the assets, as the Group's branches and subsidiaries mainly serve local customers.

The reportable operating segments derive their revenue primarily from the commercial banking services provided to customers and investing activities, including deposits/loans, bills, trade finance, money market placements and takings and securities investments. The operating segments are:

(1) Northern China – including Beijing, Tianjin, Hebei Province, Shanxi Province and Inner Mongolia Autonomous Region;

(2) North Eastern China – including Liaoning Province, Jilin Province and Heilongjiang Province;

(3) Eastern China – including Shanghai (excluding Head Office), Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province and Shandong Province;

(4) Central and Southern China – including Henan Province, Hunan Province, Hubei Province, Guangdong Province, Hainan Province and Guangxi Zhuang Autonomous Region;

(5) Western China – including Chongqing, Sichuan Province, Guizhou Province, Yunnan Province, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Uyghur Autonomous Region;

(6) Head Office;

(7) Overseas – including overseas subsidiaries and the following branches: Hong Kong, New York, Tokyo, Singapore, Seoul, Frankfurt, Macau, Ho Chi Minh City, San Francisco, Sydney, Taipei, London, Luxembourg, Brisbane, Paris, Rome, Brazil, Toronto, Melbourne, Prague and other overseas affiliates.

There were no changes in the reportable segments during the period.

The revenue from external parties reported to the senior management is measured in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

As the Group's major revenue is derived by interest and the senior management relies primarily on net interest income to assess the performance of the segment, the total interest income and expenses for all reportable segments will be presented on a net basis.

The basis on which the Group's senior management reviews the segment performance is profit before tax. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expenses between the segments.

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(All amounts expressed in millions of RMB unless otherwise stated)

45 SEGMENTAL ANALYSIS *(Continued)*

Operating segment information

	Six months ended 30 June 2020							
	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Overseas	Head Office	Total
External interest income	16,100	4,283	44,749	28,168	12,790	14,702	65,437	186,229
External interest expense	(15,519)	(4,581)	(30,523)	(18,124)	(7,373)	(10,494)	(25,766)	(112,380)
Inter-segment net interest income/(expense)	8,585	2,558	12,525	6,927	1,623	(93)	(32,125)	–
Net interest income	9,166	2,260	26,751	16,971	7,040	4,115	7,546	73,849
Fee and commission income	2,226	562	7,431	3,712	1,417	1,771	9,096	26,215
Fee and commission expense	(17)	(9)	(1,066)	(33)	(7)	(141)	(665)	(1,938)
Net fee and commission income	2,209	553	6,365	3,679	1,410	1,630	8,431	24,277
Net gains arising from trading activities	149	17	1,198	293	46	(110)	5,760	7,353
Net gains/(losses) arising from financial investments	–	–	512	–	–	1,017	(24)	1,505
Insurance business income	–	–	10,898	–	–	38	–	10,936
Share of profits of associates and joint ventures	–	–	–	–	–	2	83	85
Other operating income	351	85	7,258	323	251	596	90	8,954
Total operating income – net	11,875	2,915	52,982	21,266	8,747	7,288	21,886	126,959
Credit impairment losses	(1,678)	(1,139)	(12,412)	(4,833)	(55)	(568)	(12,648)	(33,333)
Other assets impairment losses	–	–	(163)	–	–	4	–	(159)
Insurance business expense	–	–	(11,006)	–	–	(16)	–	(11,022)
Other operating expense	(3,890)	(1,872)	(14,935)	(6,676)	(2,911)	(2,358)	(9,845)	(42,487)
Profit before tax	6,307	(96)	14,466	9,757	5,781	4,350	(607)	39,958
Income tax								(2,961)
Net profit for the period								36,997
Depreciation and amortisation	(508)	(210)	(1,142)	(777)	(429)	(302)	(540)	(3,908)
Capital expenditure	(117)	(42)	(13,722)	(196)	(103)	(60)	(221)	(14,461)

For the six months ended 30 June 2020

(All amounts expressed in millions of RMB unless otherwise stated)

45 SEGMENTAL ANALYSIS *(Continued)*

Operating segment information *(Continued)*

	Six months ended 30 June 2019							
	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Overseas	Head Office	Total
External interest income	14,691	4,528	42,140	24,189	11,763	16,709	67,842	181,862
External interest expense	(14,898)	(4,397)	(29,413)	(16,677)	(7,619)	(12,124)	(26,672)	(111,800)
Inter-segment net interest income/(expense)	8,823	2,406	11,971	8,305	3,020	(58)	(34,467)	–
Net interest income	8,616	2,537	24,698	15,817	7,164	4,527	6,703	70,062
Fee and commission income	1,993	573	6,636	3,866	1,413	1,691	8,898	25,070
Fee and commission expense	(19)	(8)	(726)	(45)	(12)	(152)	(986)	(1,948)
Net fee and commission income	1,974	565	5,910	3,821	1,401	1,539	7,912	23,122
Net gains arising from trading activities	182	23	1,126	282	62	15	6,599	8,289
Net gains arising from financial investments	–	–	40	–	–	259	29	328
Insurance business income	–	–	8,291	–	–	20	–	8,311
Share of profits of associates and joint ventures	–	–	–	–	–	99	193	292
Other operating income	391	82	5,951	263	289	862	72	7,910
Total operating income – net	11,163	3,207	46,016	20,183	8,916	7,321	21,508	118,314
Credit impairment losses	(809)	(2,254)	(7,400)	(2,086)	(1,288)	99	(7,806)	(21,544)
Other assets impairment losses	–	(1)	5	(10)	–	–	–	(6)
Insurance business expense	–	–	(7,872)	–	–	(6)	–	(7,878)
Other operating expense	(3,671)	(1,739)	(13,572)	(5,688)	(3,097)	(2,564)	(9,596)	(39,927)
Profit before tax	6,683	(787)	17,177	12,399	4,531	4,850	4,106	48,959
Income tax								(5,811)
Net profit for the period								43,148
Depreciation and amortisation	(539)	(212)	(1,151)	(789)	(438)	(285)	(620)	(4,034)
Capital expenditure	(47)	(27)	(18,859)	(152)	(74)	(73)	(193)	(19,425)

The comparative information was restated in accordance with the current rules since the income distribution rules among segments have been changed.

For the six months ended 30 June 2020

(All amounts expressed in millions of RMB unless otherwise stated)

45 SEGMENTAL ANALYSIS *(Continued)*

Operating segment information *(Continued)*

	As at 30 June 2020								
	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Overseas	Head Office	Eliminations	Total
Segment assets	1,269,558	375,823	3,100,219	1,737,659	740,248	1,213,387	4,226,878	(2,019,885)	10,643,887
Including:									
Investments in associates and joint ventures	–	–	4	6	–	555	4,180	–	4,745
Unallocated assets									26,045
Total assets									10,669,932
Segment liabilities	(1,262,147)	(377,449)	(2,930,304)	(1,714,837)	(733,790)	(1,172,241)	(3,684,027)	2,019,885	(9,854,910)
Unallocated liabilities									(890)
Total liabilities									(9,855,800)

	As at 31 December 2019								
	Northern China	North Eastern China	Eastern China	Central and Southern China	Western China	Overseas	Head Office	Eliminations	Total
Segment assets	1,219,762	344,260	2,814,349	1,519,238	708,382	1,100,223	4,029,099	(1,853,778)	9,881,535
Including:									
Investments in associates and joint ventures	–	–	4	6	–	431	4,159	–	4,600
Unallocated assets									24,065
Total assets									9,905,600
Segment liabilities	(1,202,152)	(346,410)	(2,648,846)	(1,483,516)	(697,188)	(1,067,197)	(3,512,239)	1,853,778	(9,103,770)
Unallocated liabilities									(918)
Total liabilities									(9,104,688)

For the six months ended 30 June 2020
(All amounts expressed in millions of RMB unless otherwise stated)

45 SEGMENTAL ANALYSIS *(Continued)*

Business Information

The Group is engaged predominantly in banking and related financial activities. It comprises corporate banking, personal banking, treasury and other business. Corporate banking mainly comprises corporate loans, bills, trade finance, corporate deposits and remittance. Personal banking mainly comprises individual loans, individual deposits, credit cards and remittance. Treasury mainly comprises money market placements and takings, financial investment, and securities sold under repurchase agreements. The "Others Business" segment mainly comprises items which cannot be categorised in the above business segments.

The business information of the Group is summarised as follows:

	Six months ended 30 June 2020				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income	28,622	23,634	21,564	29	73,849
Inter-segment net interest income/(expense)	9,284	9,132	(18,416)	–	–
Net interest income	37,906	32,766	3,148	29	73,849
Net fee and commission income	8,846	14,859	594	(22)	24,277
Net gains arising from trading activities	1,245	980	4,795	333	7,353
Net gains arising from financial investments	–	–	1,505	–	1,505
Share of profits of associates and joint ventures	–	–	–	85	85
Insurance business income	38	10,898	–	–	10,936
Other operating income	7,171	1,198	50	535	8,954
Total operating income – net	55,206	60,701	10,092	960	126,959
Credit impairment losses	(19,688)	(13,683)	38	–	(33,333)
Other assets impairment losses	(164)	–	–	5	(159)
Insurance business expense	(16)	(11,006)	–	–	(11,022)
Other operating expense					
– Depreciation and amortisation	(1,430)	(2,250)	(176)	(52)	(3,908)
– Others	(16,788)	(19,961)	(1,367)	(463)	(38,579)
Profit before tax	17,120	13,801	8,587	450	39,958
Income tax					(2,961)
Net profit for the period					36,997
Depreciation and amortisation	(1,430)	(2,250)	(176)	(52)	(3,908)
Capital expenditure	(5,289)	(8,327)	(651)	(194)	(14,461)

For the six months ended 30 June 2020
(All amounts expressed in millions of RMB unless otherwise stated)

45 SEGMENTAL ANALYSIS *(Continued)*

Business Information *(Continued)*

	Six months ended 30 June 2019				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income	25,885	22,917	21,233	27	70,062
Inter-segment net interest income/(expense)	10,487	7,862	(18,349)	–	–
Net interest income	36,372	30,779	2,884	27	70,062
Net fee and commission income	9,553	13,460	59	50	23,122
Net gains arising from trading activities	1,122	500	6,560	107	8,289
Net gains arising from financial investments	–	–	328	–	328
Share of profits of associates and joint ventures	–	–	–	292	292
Insurance business income	(12)	8,323	–	–	8,311
Other operating income	6,260	1,238	–	412	7,910
Total operating income – net	53,295	54,300	9,831	888	118,314
Credit impairment losses	(12,450)	(9,333)	263	(24)	(21,544)
Other assets impairment losses	–	–	–	(6)	(6)
Insurance business expense	(6)	(7,872)	–	–	(7,878)
Other operating expense					
– Depreciation and amortisation	(1,252)	(2,286)	452	44	(4,034)
– Others	(15,340)	(18,895)	1,027	631	(35,893)
Profit before tax	24,247	15,914	8,615	183	48,959
Income tax					(5,811)
Net profit for the period					43,148
Depreciation and amortisation	(1,252)	(2,286)	(452)	(44)	(4,034)
Capital expenditure	(6,028)	(11,009)	(2,177)	(211)	(19,425)

The comparative information was restated in accordance with the current categorisation since the business segment categorisation of some subsidiaries has been changed.

	As at 30 June 2020				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
Segment assets	4,054,022	1,992,261	4,572,221	25,383	10,643,887
Including:					
Investments in associates and joint ventures	–	–	–	4,745	4,745
Unallocated assets					26,045
Total assets					10,669,932
Segment liabilities	(4,791,464)	(2,244,351)	(2,779,256)	(39,839)	(9,854,910)
Unallocated liabilities					(890)
Total liabilities					(9,855,800)

For the six months ended 30 June 2020

(All amounts expressed in millions of RMB unless otherwise stated)

45 SEGMENTAL ANALYSIS *(Continued)*

Business Information *(Continued)*

	As at 31 December 2019				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
Segment assets	3,621,399	1,906,529	4,327,275	26,332	9,881,535
Including:					
Investments in associates and joint ventures	–	–	–	4,600	4,600
Unallocated assets					24,065
Total assets					9,905,600
Segment liabilities	(4,530,252)	(2,061,579)	(2,472,375)	(39,564)	(9,103,770)
Unallocated liabilities					(918)
Total liabilities					(9,104,688)

There were no significant transactions with a single external customer that the Group mainly relied on.

46 NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

Pursuant to the terms and conditions of the offshore preference shares, the Bank has redeemed the USD2.45 billion offshore preference shares issued by the Bank on 29 July 2015 in whole on 29 July 2020. The redemption price of each offshore preference share is equal to the aggregate of the issue price (that is, amount of liquidation preference) of each offshore preference share plus any declared but unpaid dividends accrued in respect of the period from (and including) the immediately preceding dividend payment date to (but excluding) the redemption date. The aggregate price of the redemption equals to the sum of USD2.45billion as the liquidation preference and the dividends of USD0.1225 billion, a total of USD2.5725 billion.

In July 2020, the Bank has obtained the Approval from China Banking and Insurance Regulatory Commission on the Capital Increase to Bank of Communications (Hong Kong) Limited (Yin Bao Jian Fu [2020] No. 434), in which a total capital increase of no more than HKD20 billion was approved by China Banking and Insurance Regulatory Commission. According to the above approval, the Bank will complete the capital increase to Bank of Communications (Hong Kong) Limited in a timely manner. Upon completion of the capital increase, Bank of Communications (Hong Kong) Limited will remain as a wholly-owned subsidiary of the Bank.

On 25 August 2020, BOCOM Financial Technology Company Limited, a subsidiary of the Bank was incorporated in Lin-Gang Special Area in China (Shanghai) Pilot Free Trade Zone. The registered capital of BOCOM Financial Technology Company Limited is RMB600 million, and its principal business includes software research and development, technical consulting and innovation, information system integration services and so on by means of fintech.

Unaudited Supplementary Financial Information

All amounts expressed in millions of RMB unless otherwise stated

All amounts expressed in millions of RMB unless otherwise stated

1 LIQUIDITY RATIO

The liquidity ratios that the Group submitted to the Regulators are calculated in accordance with the formula promulgated by CBIRC.

	As at 30 June 2020	As at 31 December 2019
Liquidity ratio (%)	72.44	72.92

2 CURRENCY CONCENTRATIONS

	USD	HKD	Others	Total
As at 30 June 2020				
Spot assets	1,123,629	251,851	184,646	1,560,126
Spot liabilities	(981,369)	(348,837)	(125,378)	(1,455,584)
Forward purchases	1,257,683	240,787	85,180	1,583,650
Forward sales	(1,440,662)	(111,562)	(133,017)	(1,685,241)
Net option position	(10,694)	936	(512)	(10,270)
Net long/(short) position	(51,413)	33,175	10,919	(7,319)
Net structural position	129,237	18,985	7,884	156,106

	USD	HKD	Others	Total
As at 31 December 2019				
Spot assets	962,162	240,381	182,878	1,385,421
Spot liabilities	(935,924)	(281,692)	(120,743)	(1,338,359)
Forward purchases	1,009,056	184,437	88,332	1,281,825
Forward sales	(1,082,162)	(116,658)	(131,152)	(1,329,972)
Net option position	(9,379)	(1)	(506)	(9,886)
Net long/(short) position	(56,247)	26,467	18,809	(10,971)
Net structural position	123,773	18,922	5,175	147,870

The net options position is calculated using the approach as set out by CBIRC in the regulatory report. The net structural position of the Group includes the structural positions of the Group's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

- Investments in fixed assets and properties, net of depreciation charges;
- Capital and statutory reserve of overseas branches;
- Investments in overseas subsidiaries and related companies; and
- Loan capital

All amounts expressed in millions of RMB unless otherwise stated

3 INTERNATIONAL CLAIMS

International claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group is principally engaged in business operations within Mainland China.

For the purpose of this unaudited supplementary financial information, Mainland China excludes Hong Kong Special Administrative Region of the PRC ("Hong Kong"), Macau Special Administrative Region of the PRC ("Macau") and Taiwan.

International claims include loans and advances to customers, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposits and investment securities.

International claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if risk exposure is transferred to other counterparty by risk resolving methods. Exposure to credit risk is also controlled by obtaining collaterals and corporate and individual guarantees.

As at 30 June 2020	Bank	Official sector	Non-bank private sector	Others	Total
Asia Pacific	510,484	57,490	660,482	–	1,228,456
Of which attributed to Hong Kong	129,345	13,727	310,794	–	453,866
North and South America	57,572	21,488	77,299	–	156,359
Africa	630	156	–	–	786
Europe	46,432	427	33,431	–	80,290
	615,118	79,561	771,212	–	1,465,891

As at 31 December 2019	Bank	Official sector	Non-bank private sector	Others	Total
Asia Pacific	438,418	34,641	623,377	–	1,096,436
Of which attributed to Hong Kong	119,731	16,732	256,174	–	392,637
North and South America	50,069	32,202	74,282	–	156,553
Africa	737	594	–	–	1,331
Europe	27,956	211	32,787	–	60,954
	517,180	67,648	730,446	–	1,315,274

4 OVERDUE AND RESTRUCTURED ASSETS

4.1 Balance of overdue loans

	As at 30 June 2020	As at 31 December 2019
Loans and advances to customers which have been overdue for:		
– Less than 3 months	22,638	28,923
– 3 to 6 months	22,317	9,694
– 6 to 12 months	20,899	18,924
– Over 12 months	34,026	32,979
	99,880	90,520
Percentage (%):		
– Less than 3 months	0.40	0.55
– 3 to 6 months	0.39	0.17
– 6 to 12 months	0.36	0.36
– Over 12 months	0.59	0.63
	1.74	1.71

All amounts expressed in millions of RMB unless otherwise stated

4 OVERDUE AND RESTRUCTURED ASSETS *(Continued)*

4.2 Overdue and restructured loans

	As at 30 June 2020	As at 31 December 2019
Total restructured loans and advances to customers	9,178	7,634
Including: Restructured loans and advances to customers overdue above 3 months	4,361	1,949
Percentage of restructured loans and advances to customers overdue above 3 months in total loans	0.08	0.04

5 SEGMENTAL INFORMATION OF LOANS

5.1 Impaired loans and advances to customers by geographical area

	As at 30 June 2020		As at 31 December 2019	
	Impaired loans and advances to customers	Allowance for impairment losses	Impaired loans and advances to customers	Allowance for impairment losses
PRC domestic regions				
– Northern China	8,028	(5,132)	5,506	(4,371)
– North Eastern China	10,378	(7,441)	13,826	(9,625)
– Eastern China	32,721	(20,584)	21,573	(14,778)
– Central and Southern China	16,984	(10,221)	14,419	(9,538)
– Western China	11,435	(7,682)	10,373	(7,569)
– Head Office	12,922	(12,779)	11,133	(11,514)
Subtotal	92,468	(63,839)	76,830	(57,395)
Hong Kong, Macau, Taiwan and overseas regions	3,824	(817)	1,213	(652)
Total	96,292	(64,656)	78,043	(58,047)

5.2 Overdue loans and advances to customers by geographical area

	As at 30 June 2020		As at 31 December 2019	
	Overdue loans	Allowance for impairment losses	Overdue loans	Allowance for impairment losses
PRC domestic regions				
– Northern China	7,209	(4,283)	5,923	(9,268)
– North Eastern China	10,351	(7,310)	15,384	(4,286)
– Eastern China	26,947	(17,625)	24,217	(13,903)
– Central and Southern China	16,517	(9,549)	15,164	(8,566)
– Western China	10,970	(7,311)	8,277	(6,117)
– Head Office	23,771	(15,569)	20,582	(13,877)
Subtotal	95,765	(61,647)	89,547	(56,017)
Hong Kong, Macau, Taiwan and overseas regions	4,115	(891)	973	(710)
Total	99,880	(62,538)	90,520	(56,727)
Fair value of collaterals	49,458	Not applicable	44,293	Not applicable

All amounts expressed in millions of RMB unless otherwise stated

6 LOANS AND ADVANCES TO CUSTOMERS

6.1 The risk concentration analysis for loans and advances to customers by industry sectors (gross)

Hong Kong	As at 30 June 2020	%	Amount covered by collaterals	As at 31 December 2019	%	Amount covered by collaterals
Corporate loans						
Manufacturing						
– Petroleum and chemical	1,626	0.74	–	957	0.44	–
– Electronics	587	0.27	25	863	0.39	316
– Textile and clothing	773	0.35	38	3,079	1.40	636
– Other manufacturing	21,712	9.82	5,850	30,300	13.81	4,736
Production and supply of power, heat, gas and water	924	0.42	417	1,529	0.70	400
Construction	9,032	4.08	756	11,125	5.07	1,012
Transportation, storage and postal service	21,245	9.60	2,375	16,682	7.61	4,040
Information transmission, software and IT services	2,951	1.33	9	1,059	0.48	31
Wholesale and retail	26,510	11.98	4,279	37,106	16.92	3,438
Accommodation and catering	–	–	–	–	–	–
Finance	11,634	5.26	680	10,405	4.74	2,354
Real estate	42,407	19.17	16,281	24,510	11.17	10,677
Leasing and commercial services	8,726	3.94	3,246	8,840	4.03	3,152
Education, science, culture and public health	–	–	–	–	–	–
Others	36,608	16.55	6,750	41,297	18.84	5,932
Total corporate loans	184,735	83.51	40,706	187,752	85.60	36,724
Individual loans						
Mortgage	21,351	9.66	21,331	17,496	7.98	17,479
Credit cards	99	0.04	–	146	0.07	–
Others	15,020	6.79	13,448	13,936	6.35	12,876
Total individual loans	36,470	16.49	34,779	31,578	14.40	30,355
Gross amount of loans and advances to customers before impairment allowance	221,205	100.00	75,485	219,330	100.00	67,079
Outside Hong Kong	5,508,308			5,084,945		

Note: The classification of industries is consistent with the latest national standards for industry classification (Industrial classification for national economic activities (GB/T 4754-2017) issued by SAC and AQSIQ in 2017).

The risk concentration analysis for loans and advances to customers by industry sectors is based on the Group's internal classification system.

The ratio of collateral loans to the total loans of the Group was 48% as at 30 June 2020 (31 December 2019: 47%).

All amounts expressed in millions of RMB unless otherwise stated

6 LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

6.2 Allowance on loans and advances to customers by type of loan *(Continued)*

	As at 30 June 2020		As at 31 December 2019	
	Impaired loans	Allowance for impairment losses	Impaired loans	Allowance for impairment losses
Corporates	74,924	(47,357)	59,469	(42,085)
Individuals	21,368	(17,299)	18,574	(15,962)
	96,292	(64,656)	78,043	(58,047)
Fair value of collaterals	44,059	Not applicable	29,398	Not applicable

Collaterals held against such loans mainly include cash deposits and mortgages over properties, etc.

The amount of new provisions charged to statement of profit or loss, and the amount of loans and advances written off during the years are disclosed below:

	Six months ended 30 June 2020			Six months ended 30 June 2019		
	New provisions	Loans and advances written off as uncollectible	Recoveries of loans and advances written off in previous years	New provisions	Loans and advances written off as uncollectible	Recoveries of loans and advances written off in previous years
Corporates	18,305	(13,820)	1,476	13,414	(11,568)	756
Individuals	12,829	(9,967)	660	8,671	(5,608)	562
	31,134	(23,787)	2,136	22,085	(17,176)	1,318

Supplementary Information on Capital Adequacy Ratio, Leverage Ratio, Liquidity Coverage Ratio and Net Stable Funding Ratio

Appendices 1 to 4 are disclosed in accordance with the *Notice on Enhancing Disclosure Requirements for Composition of Capital* issued by the CBIRC.

Appendix 1: Group Balance Sheet (Accounting and Regulatory Consolidation)

(in millions of RMB)

		Balance sheet of the consolidation under CAS	Balance sheet of the consolidation under the regulation
	Assets:		
1	Cash and balances with central banks	801,146	801,042
2	Due from banks and other financial institutions	131,395	128,423
3	Loans to banks and other financial institutions	492,605	501,300
4	Derivative financial assets	28,130	28,155
5	Financial assets purchased under reverse agreements	69,101	68,911
6	Loans and advances to customers	5,602,356	5,601,608
7	Financial assets at fair value through profit or loss	519,544	495,150
8	Financial investments at amortized cost	1,940,765	1,916,886
9	Financial investments at fair value through other comprehensive income	786,837	771,035
10	Long term equity investments	4,745	11,123
11	Property and equipment	172,178	168,716
12	Land use rights	1,753	1,753
13	Deferred income tax assets	26,045	26,035
14	Goodwill	407	285
15	Intangible assets	1,680	1,653
16	Other Asset	91,245	87,778
17	**Total assets**	10,669,932	10,609,853
	Liabilities:		
18	Borrowings from central banks	443,434	443,434
19	Deposits from banks and other financial institutions	910,793	911,171
20	Placements from banks and other financial institutions	455,058	454,420
21	Financial liabilities at fair value through profit or loss	26,916	26,465
22	Financial assets sold under repurchase agreements	107,474	100,564
23	Due to customers	6,560,867	6,566,225
24	Derivative financial liabilities	41,303	41,300
25	Debt securities issued	459,405	459,985
26	Employee benefits payable	6,872	6,678
27	Taxes payable	10,054	9,934
28	Deferred tax liabilities	890	758
29	Provisions	8,893	8,893
30	Other liabilities	823,841	768,311
31	**Total liabilities**	9,855,800	9,798,138
	Equity:		
32	Share capital	74,263	74,263
33	Other equity instruments	99,870	99,870
34	Capital surplus	113,663	113,760
35	Other comprehensive income	4,893	5,602
36	Surplus reserve	211,959	211,875
37	General risk reserve	122,257	122,176
38	Retained earnings	175,638	175,134
39	Minority interests	11,589	9,035
40	**Total equity**	814,132	811,715

Appendix 2: Balance Sheet under Regulatory Consolidation

(in millions of RMB)

	Balance sheet of the regulatory consolidation	Code
Assets:		
Cash and balances with central banks	801,042	
Due from banks and other financial institutions	128,423	
Loans to banks and other financial institutions	501,300	
Derivative financial assets	28,155	
Financial assets purchased under reverse agreements	68,911	
Loans and advances to customers	5,601,608	
Financial assets at fair value through profit or loss	495,150	
Including: Core Tier 1 Capital from significant investments in the capital of financial institutions outside the scope of regulatory consolidation	497	a
Including: Core Tier 1 Capital from non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	216	b
Including: Core Tier 2 Capital from non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	15,944	c
Financial investments at amortized cost	1,916,886	
Financial investment at fair value through other comprehensive income	771,035	
Including: Core Tier 1 Capital from non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	2,396	d
Including: Other Tier 1 Capital from non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	294	e
Long term equity investments	11,123	
Including: Investments in Core Tier 1 Capital of financial institutions being controlled but outside the scope of regulatory consolidation	3,655	f
Including: Core Tier 1 Capital from non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	3,281	g
Including: Core Tier 1 Capital from significant investments in the capital of financial institutions outside the scope of regulatory consolidation	899	h
Property and equipment	168,716	
Land use rights	1,753	i
Deferred tax assets	26,035	j
Including: Deferred tax assets arising from operating losses which are expected to offset against future profits	0	k
Including: Other deferred tax assets depending on the Bank's future profits	26,035	
Intangible assets	1,653	l
Goodwill	285	m
Other assets	87,778	
Total assets	10,609,853	

Appendix 2: Balance Sheet under Regulatory Consolidation *(Continued)*

(in millions of RMB)

	Balance sheet of the regulatory consolidation	Code
Liabilities:		
Borrowings from central banks	443,434	
Deposits from banks and other financial institutions	911,171	
Placements from banks and other financial institutions	454,420	
Financial liabilities at fair value through profit or loss	26,465	
Financial assets sold under repurchase agreements	100,564	
Due to customers	6,566,225	
Derivative financial liabilities	41,300	
Debt securities issued	459,985	
Including: Recognized in Tier 2 Capital	127,317	n
Employee benefits payable	6,678	
Taxes payable	9,934	
Deferred tax liabilities	758	o
Including: Deferred tax liabilities relating to goodwill	0	p
Including: Deferred tax liabilities relating to other intangible assets	0	q
Provisions	8,893	
Other liabilities	768,311	
Total liabilities	9,798,138	
Equity:		
Share capital	74,263	
Including: Those to be included in Core Tier 1 Capital	74,263	r
Including: Those to be included in other Tier 1 Capital	0	s
Other equity instruments	99,870	t
Capital surplus	113,760	u
Other comprehensive income	5,602	v
Including: Exchange reserve	2,595	w
Including: Effective portion of gains or losses on hedging instruments in cash flow hedge	(641)	x
Surplus reserve	211,875	y
General reserve for risk assets	122,176	z
Retained earnings	175,134	aa
Non-controlling interests	9,035	
Including: Those to be included in Core Tier 1 Capital	1,575	ab
Including: Those to be included in other Tier 1 Capital	1,780	ac
Including: Those to be included in Tier 2 Capital	1,959	ad
Total equity	811,715	

Appendix 3: Group's Capital Breakdown

(in millions of RMB)

Items		Amount	Code
Core Tier 1 Capital:			
1	Share capital	74,263	r
2	Retained earnings	509,185	
2a	Surplus reserve	211,875	y
2b	General reserve for risk assets	122,176	z
2c	Retained earnings	175,134	aa
3	Accumulated other comprehensive income and disclosed reserve	119,362	
3a	Capital surplus	113,760	u
3b	Others	5,602	v
4	Amount recognized in Core Tier 1 Capital during transition period (Only applicable to non-stock companies; for joint-stock companies, to be completed with "0")	0	
5	Non-controlling interests recognized in Core Tier 1 Capital	1,575	ab
6	Core Tier 1 Capital before regulatory adjustments	704,385	
Core Tier 1 Capital: Regulatory adjustments			
7	Prudent valuation adjustment	0	
8	Goodwill (net of deferred tax liabilities)	285	m-p
9	Other intangible assets (excluding land use rights) (net of deferred tax liabilities)	1,653	l-q
10	Net deferred tax assets arising from the carried forward losses and be realized upon future profits	0	k
11	Cash-flow hedge reserves	(641)	x
12	Gap of loan allowance	0	
13	Gains from sales of asset securitization	0	
14	Unrealized profit/loss arising from the changes in fair value liability due to credit risk	0	
15	Net defined-benefit pension assets (excluding deferred tax liabilities)	0	
16	Direct or indirect investments in Bank shares	0	
17	Interbank or with other financial institutions cross-holdings in Core Tier 1 Capital	0	
18	Non-significant investments in the Core Tier 1 Capital of financial institutions outside the scope of regulatory consolidation	0	
19	Significant investments in the Core Tier 1 Capital of financial institutions outside the scope of regulatory consolidation	0	
20	Mortgage servicing rights	0	
21	Net deferred tax assets depending on the Bank's future profits	0	
22	Deduction of the undeductible amount of significant investments in the core Tier 1 capital of financial institutions outside the scope of regulatory consolidation and other net deferred tax assets depending on the Bank's future profits which exceed the 15% of the core Tier 1 capital	0	
23	Including: Deducting of significant investments in the capital of financial institutions	0	
24	Including: Deducting of Mortgage servicing rights	0	
25	Including: Deducting of other deferred tax assets that depend on the Bank's future profits	0	
26a	Investments in Core Tier 1 Capital of financial institutions being controlled but outside the scope of regulatory consolidation	3,655	f
26b	Gaps of Core Tier 1 Capital of financial institutions being controlled but outside the scope of regulatory consolidation	0	
26c	Other deductions from Core Tier 1 Capital	0	
27	Other Tier 1 Capital and Tier 2 Capital to cover deductions	0	
28	Total regulatory adjustments to Core Tier 1 Capital	4,952	
29	Core Tier 1 Capital	699,433	

Appendix 3: Group's Capital Breakdown *(Continued)*

(in millions of RMB)

Items		Amount	Code
Other Tier 1 Capital:			
30	Directly issued qualifying Other Tier 1 instruments plus stock surplus	99,870	
31	Including: Classified as equity	99,870	t
32	Including: Classified as liabilities	0	
33	Instruments not recognized in Other Tier 1 Capital after the transition period	0	
34	Non-controlling interests recognized in Other Tier 1 Capital	1,780	ac
35	Including: Portions not recognized in Other Tier 1 Capital after the transition period	0	
36	Other Tier 1 Capital before regulatory adjustments	101,650	
Other Tier 1 Capital: Regulatory adjustments			
37	Directly or indirectly investments in Bank other Tier 1 instruments	0	
38	Interbank or with other financial institutions cross-holdings in other Tier 1 instruments	0	
39	Non-significant investments in the Other Tier 1 Capital of financial institutions outside the scope of regulatory consolidation	0	
40	Significant investments in the Other Tier 1 Capital of financial institutions outside the scope of regulatory consolidation	0	
41a	Investments in Other Tier 1 Capital of financial institutions being controlled but outside the scope of regulatory consolidation	0	
41b	Gap of Other Tier 1 Capital of financial institutions being controlled but outside the scope of regulatory consolidation	0	
41c	Other deductions from Other Tier 1 Capital	0	
42	Regulatory adjustments applied to Other Tier 1 Capital due to insufficient Tier 2 Capital to cover deductions	0	
43	Total regulatory adjustments to Other Tier 1 Capital	0	
44	Other Tier 1 Capital	101,650	
45	Tier 1 Capital (Core Tier 1 Capital + Other Tier 1 Capital)	801,083	
Tier 2 Capital:			
46	Directly issued qualifying Tier 2 instruments plus stock surplus	127,317	n
47	Portions not recognized in Tier 2 Capital after the transition period	0	
48	Minority interest recognized in Tier 2 Capital	1,959	ad
49	Including: Portions not recognized after the transition period	0	
50	Provisions in Tier 2	28,029	
51	Tier 2 Capital before regulatory adjustments	157,305	
Tier 2 Capital: Regulatory adjustments			
52	Directly or indirectly investments in own Tier 2 instruments	0	
53	Interbank or with other financial institutions cross-holdings in Tier 2 instruments	0	
54	Non-significant investments in Tier 2 Capital of financial institutions outside the scope of regulatory consolidation	0	
55	Significant investments in the Tier 2 Capital of financial institutions outside the scope of regulatory consolidation	0	
56a	Investments in Tier 2 Capital of financial institutions being controlled but outside the scope of regulatory consolidation	0	
56b	Gaps of Tier 2 Capital of financial institutions being controlled but outside the scope of regulatory consolidation	0	
56c	Other deductions from Tier 2 Capital	0	
57	Total regulatory adjustments to Tier 2 Capital	0	
58	Tier 2 Capital	157,305	
59	Total capital (Tier 1 Capital + Tier 2 Capital)	958,388	
60	Total risk-weighted assets	6,577,150	

Appendix 3: Group's Capital Breakdown *(Continued)*

(in millions of RMB)

Items		Amount	Code
Capital adequacy ratio and reserve capital requirements			
61	Core Tier 1 Capital adequacy ratio (%)	10.63	
62	Tier 1 Capital adequacy ratio (%)	12.18	
63	Capital adequacy ratio (%)	14.57	
64	Specific buffer requirements of regulators (%)	3.50	
65	Including: Capital conservation buffer requirements (%)	2.50	
66	Including: Countercyclical buffer requirements (%)	0.00	
67	Including: Additional buffer requirements of global systemically important banks (%)	1.00	
68	Core Tier 1 Capital available to meet buffers as a percentage of risk-weighted assets (%)	5.63	
Domestic minimum regulatory capital requirements			
69	Core Tier 1 Capital adequacy ratio (%)	5.00	
70	Tier 1 Capital adequacy ratio (%)	6.00	
71	Capital adequacy ratio (%)	8.00	
Amounts below the threshold deductions			
72	Non-significant investments in Core Tier 1 Capital of financial institutions outside the scope of regulatory consolidation	22,131	a+c+d+e+g
73	Significant investments in the capital of financial institutions outside the scope of regulatory consolidation	1,396	b+h
74	Mortgage servicing rights (net of deferred tax liabilities)	0	
75	Other net deferred tax assets depending on the Bank's future profits (net of deferred tax liabilities)	25,277	j-k-o
Limit of provisions in Tier 2 Capital			
76	Provisions actually made in respect of exposures subject to risk-weighted approach	2,918	
77	Provisions eligible for inclusion in Tier 2 Capital under risk-weighted approach	1,570	
78	Provisions actually made in respect of exposures subject to internal rating-based approach	140,298	
79	Provisions eligible for inclusion in Tier 2 Capital under internal rating-based approach	26,459	
Capital instruments subject to phase-out arrangements			
80	Amount recognized in current-period Core Tier 1 Capital due to transitional arrangements	0	
81	Amount not recognized in current period Core Tier 1 Capital due to transitional arrangements	0	
82	Amount recognized in current-period Other Tier 1 Capital due to transitional arrangements	0	
83	Amount not recognized in current period Other Tier 1 Capital due to transitional arrangements	0	
84	Amount recognized in current-period Tier 2 Capital due to transitional arrangements	13,400	
85	Amount not recognized in current-period Tier 2 Capital due to transitional arrangements	12,600	

Appendix 4: Main Features of Qualified Regulatory Capital Instruments

1	Issuer	Bank of Communications	Bank of Communications	Bank of Communications	Bank of Communications	Bank of Communications	Bank of Communications	Bank of Communications	Bank of Communications	Bank of Communications	Bank of Communications
2	Unique identifier	3328	601328	XS1115459528	4605	360021	1728007	1928019	1928020	1928025	2028018
3	Governing law(s)	China Hong Kong/*Hong Kong Securities and Futures Ordinance*	China/*Securities Law of China*	Non-contractual obligation of bonds, arising from or relating to bonds shall be governed by and construed in accordance with British laws, while provisions relating to subordinated position of bonds in the bonds terms are governed by and construed in accordance with Chinese laws.	Overseas preference shares and accompanying rights and obligations are governed by and construed in accordance with Chinese laws.	China/*Company Law of China, Securities law of China, Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation), State Council Guidance on the Implementation of Pilot Scheme of Preference Shares, Measures for the Pilot Management of Preferred Shares,* etc.	China/*Company Law of China, Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* etc.	China/*Company Law of China, Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* etc.	China/*Company Law of China, Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* etc.	China/*Company Law of China, Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* etc.	China/*Company Law of China, Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* etc.
Regulatory treatment											
4	Including: Transitional rules under the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)*	Core Tier 1 Capital	Core Tier 1 Capital	Tier 2 Capital	Other Tier 1 capital	Other Tier 1 Capital	Tier 2 Capital	Tier 2 Capital	Tier 2 Capital	Other Tier 1 Capital	Tier 2 Capital
5	Including: Post-transitional rules under the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)*	Core Tier 1 Capital	Core Tier 1 Capital	Tier 2 Capital	Other Tier 1 Capital	Other Tier 1 Capital	Tier 2 Capital	Tier 2 Capital	Tier 2 Capital	Other Tier 1 Capital	Tier 2 Capital
6	Including: Eligible at Bank/Group level	Bank and Group Level	Bank and Group Level	Bank and Group Level	Bank and Group Level	Bank and Group Level	Bank and Group Level	Bank and Group Level	Bank and Group Level	Bank and Group Level	Bank and Group Level
7	Instrument type	Ordinary shares	Ordinary shares	Tier 2 Capital bonds	Preference shares	Preference shares	Tier 2 Capital bonds	Tier 2 Capital bonds	Tier 2 Capital bonds	Undated Capital Bonds	Tier 2 Capital bonds
8	Amount recognized in regulatory capital (In millions of RMB, as at the latest reporting date)	RMB89,498	RMB97,534	Equivalent to RMB3,956	Equivalent to RMB14,924	RMB44,952	RMB29,970	RMB29,997	RMB9,999	RMB39,994	RMB39,995

Appendix 4: Main Features of Qualified Regulatory Capital Instruments *(Continued)*

9	Par value of instrument (in millions of RMB)	RMB35,012	RMB39,251	EUR500	USD2,450	RMB45,000	RMB30,000	RMB30,000	RMB10,000	RMB40,000	RMB40,000
10	Accounting treatment	Share capital and capital reserve	Share capital and capital reserve	Bonds issuance	Other equity instruments	Other equity instruments	Bonds issuance	Bonds issuance	Bonds issuance	Other equity instruments	Bonds issuance
11	Original date of issuance	2005/6/23	2007/4/24	2014/10/3	2015/7/29	2016/9/2	2017/4/13	2019/8/16	2019/8/16	2019/9/20	2020/5/21
12	Perpetual or dated	Perpetual	Perpetual	Dated	Perpetual	Perpetual	Dated	Dated	Dated	Perpetual	Dated
13	Including: Original maturity date	No maturity date	No maturity date	2026/10/3	No maturity date	No maturity date	2027/4/13	2029/8/16	2034/8/16	No maturity date	2030/5/21
14	Issuer call subject to prior supervisory approval	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Including: Optional call date, contingent call dates and redemption amount	N/A	N/A	2021/10/3; full.	First call date 2020/7/29, full or partial	First call date 2021/9/7, full or partial	2022/4/13; full or partial	2024/8/16; full or partial	2029/8/16; full or partial	First call date 2024/9/20, full or partial	2025/5/21; full or partial
16	Including: Subsequent call dates, if applicable	N/A	N/A	Nil	29 July of each year subsequent to the first call date	7 September of each year subsequent to the first call date	Nil	Nil	Nil	20 September of each year subsequent to the first call date	Nil
Coupons/dividends											
17	Including: Fixed or floating dividend/ coupon	Floating	Floating	Floating (coupon rate is fixed for the first 7 years; if issuer does not exercise the right of redemption at the end of the seventh year, the coupon rate will be reset)	Floating, the dividend rate is fixed in a dividend rate adjustment period (5 years) and is subject to reset every 5 years	Floating, the dividend rate is fixed in a dividend rate adjustment period (5 years) and is subject to reset every 5 years	Fixed	Fixed	Fixed	Floating, coupon rate is fixed in a coupon rate adjustment period (5 years) and is subject to adjust every 5 years	Fixed

Appendix 4: Main Features of Qualified Regulatory Capital Instruments *(Continued)*

18	Including: Coupon rate and any related index	N/A	N/A	3.625% for the first 7 years; if issuer does not exercise the right of redemption at the end of the seventh year (3 October 2021), the coupon rate will be reset based on the 7-year EUR swaps median value, plus 300 basis points	5% for the first 5 years. The dividend rate will be reset every 5 years based on the yield rate of 5-year US treasury bond plus 334.4 basis points	3.9% for the first 5 years. The dividend rate will be reset every 5 years based on the benchmark interest rate at reset dates plus 137 basis points. Note: the benchmark interest rate at reset dates refers to the arithmetic mean value (rounding off to 0.01%) of five-year Chinese treasury bonds yield, in the yield curve of interbank Chinese treasury bonds at fixed interest rate published 20 transaction days (excluding that day) prior to the reset dates (the days when each five years are expired as from the first day of issuance, 2 September).	4.50%	4.10%	4.49%	4.2% for the first 5 years. The coupon rate will be reset every 5 years based on the benchmark interest rate at the reset dates (the days when each five years are expired as from the first day of issuance and payment, 20 September) plus 124 basis points. If the benchmark interest rate is not available on the adjustment date, the issuer and investors will determine the subsequent benchmark interest rate or its determination principle according to the requirements of the regulatory authorities	3.24%
19	Including: Existence of a dividend brake mechanism	N/A	N/A	No	Yes	Yes	No	No	No	No	No
20	Including: Discretionary of cancelling dividend distribution or coupon interest	Totally at discretion	Totally at discretion	Without discretion	Totally at discretion	Totally at discretion	Without discretion	Without discretion	Without discretion	Totally at discretion	Without discretion
21	Including: Existence of incentive to call	No	No	No	No	No	No	No	No	No	No
22	Including: Cumulative or noncumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or nonconvertible	No	No	No	Yes	Yes	No	No	No	No	No

Appendix 4: Main Features of Qualified Regulatory Capital Instruments *(Continued)*

24	Including: If convertible, state conversion condition	N/A	N/A	N/A	If any trigger event of other Tier 1 Capital instrument occurs, which means core Tier 1 Capital adequacy ratio reduces to 5.125% (or below); or any trigger event of Tier 2 Capital instrument occurs, earlier of (1) the Bank will not survive if not converted as required by CBIRC. (2) the Bank will not survive if no capital injection or same effect of support from relevant department.	If any trigger event of other Tier 1 Capital instrument occurs, which means core Tier 1 Capital adequacy ratio reduces to 5.125% (or below); or any trigger event of Tier 2 Capital instrument occurs, earlier of (1) the Bank will not survive if not converted as required by CBIRC. (2) the Bank will not survive if no capital injection or same effect of support from relevant department.	N/A	N/A	N/A	N/A	N/A
25	Including: If convertible, fully or partially	N/A	N/A	N/A	When any trigger event of Other Tier 1 Capital instrument occurs, the Bank is entitled to fully or partially convert the issued and outstanding overseas preference shares to H ordinary shares based on the total amount without prior consent from the shareholders of preference shares; when any trigger event of Tier 2 Capital instrument occurs, the Bank is entitled to fully convert the issued and outstanding overseas preference shares to H ordinary shares based on the total amount without prior consent from the shareholders of preference shares.	When any trigger event of other Tier 1 Capital instrument occurs, the Bank is entitled to fully or partially convert the issued and outstanding domestic preference shares to A ordinary shares based on the total par value without prior consent from the shareholders of preference shares; when any trigger event of Tier 2 Capital instrument occurs, the Bank is entitled to fully convert the issued and outstanding domestic preference shares to A ordinary shares based on the total par value without prior consent from the shareholders of preference shares.	N/A	N/A	N/A	N/A	N/A

Appendix 4: Main Features of Qualified Regulatory Capital Instruments *(Continued)*

26	Including: If convertible, state conversation price determination method	N/A	N/A	N/A	The average stock transaction price of H ordinary shares 20 transactions days prior to the approval of resolution at the Board of Directors concerning the propose on issuing overseas preference shares is deemed as initial conversion price and the mandatory conversion price adjustment is conducted in accordance with Paragraph 9(5) "Mandatory Conversion Price Adjustment Mode" under Proposals on the Plan for Private Placement of Offshore Preference Shares by Bank of Communications Co., Ltd.	The average stock transaction price of A ordinary shares 20 transactions days prior to the approval of resolution at the Board of Directors concerning the propose on issuing domestic preference shares is deemed as initial conversion price (i.e. RMB6.25 per share) and the mandatory conversion price adjustment is conducted in accordance with Paragraph 5 "Mandatory Conversion Price Adjustment Mode" in Section 4 "Main Terms of Issuance Scheme" under Prospectus for *Private Placement of Preference Shares by Bank of Communications Co., Ltd.*	N/A	N/A	N/A	N/A	N/A
27	Including: If convertible, state whether mandatory convertible	N/A	N/A	N/A	Mandatory	Mandatory	N/A	N/A	N/A	N/A	N/A
28	Including: If convertible, state the instrument type after conversation	N/A	N/A	N/A	H ordinary shares	A ordinary shares	N/A	N/A	N/A	N/A	N/A
29	Including: If convertible, state the issuer of instrument after conversion	N/A	N/A	N/A	Bank of Communications	Bank of Communications	N/A	N/A	N/A	N/A	N/A
30	Write-down feature	No	No	Yes	No	No	Yes	Yes	Yes	Yes	Yes

Appendix 4: Main Features of Qualified Regulatory Capital Instruments *(Continued)*

31	Including: If written down, state the trigger events of write-down	N/A	N/A	Earlier of the following: (1) the issuer will not survive if not written down as required by CBIRC (2) the issuer will not survive if no capital injection or same effect of support from relevant department	N/A	N/A	Earlier of the following: (1) the issuer will not survive if not written down as required by CBIRC (2) the issuer will not survive if no capital injection or same effect of support from relevant department	Earlier of the following: (1) the issuer will not survive if not written down as required by CBIRC. (2) the issuer will not survive if no capital injection or same effect of support from relevant department	Earlier of the following: (1) the issuer will not survive if not written down as required by CBIRC. (2) the issuer will not survive if no capital injection or same effect of support from relevant department	When the triggering event of other tier 1 capital instruments occurs, that is, when the core tier 1 capital adequacy ratio drops to 5.125% (or below), or when the trigger event of tier 2 capital instruments occurs, it refers to the earlier of the following two situations: (1) CBRC identifies that the issuer is unable to survive if writedown or conversion is not carried out; (2) Relevant departments identify that the issuer is unable to survive if capital is not injected by the public departments or equally authentic support is not provided.	Earlier of the following: (1) the issuer will not survive if not written down as required by CBIRC. (2) the issuer will not survive if no capital injection or same effect of support from relevant department
32	Including: If written down, state wholly write-down or partial write-down	N/A	N/A	Full	N/A	N/A	Full	Full	Full	If any trigger event of other Tier 1 Capital instrument occurs, wholly write-down or partial writedown. If any trigger event of Tier 2 Capital instrument occurs, wholly write-down.	When the non survival triggering event occurs, the issuer has the right to write down the principal of the bonds partly or wholly after the other tier 1 capital instruments are wholly written down or converted into shares without the consent of the bondholders

Appendix 4: Main Features of Qualified Regulatory Capital Instruments *(Continued)*

33	Including: if written down, state permanent write-down or temporary write-down	N/A	N/A	Permanent	N/A	N/A	Permanent	Permanent	Permanent	Permanent	Permanent
34	Including: If temporary write-down, state reversal to book value mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (state instrument type immediately senior to instrument)	Ranking after depositors, normal creditors and subordinated debt holders and other Tier 1 Capital holders	Ranking after depositors, normal creditors and subordinated debt holders and other Tier 1 Capital holders	Ranking after depositors and normal creditors, ranking before the holders of equity capital, other Tier 1 instruments and mixed capital bonds, at least ranking at the same sequence as all other subordinated debts that are issued by the issuer currently and in future (including other Tier 2 instruments which have the same repayment sequence as the current bonds and are probable to issue in the future)	Ranking after all debts of the Bank (including subordinated debts) and obligations that are issued, guaranteed, ranked prior to or expressively prior to the overseas preference shares as well as ranking before ordinary share holders; all overseas preference share holders rank at the same sequence without priority among them and have the same repayment sequence as holders of obligations with equivalent repayment sequence.	Ranking after depositors, normal creditors and subordinated debt holders and Tier 2 Capital instrument holders	Ranking after depositors and normal creditors, ranking before the holders of equity capital, other Tier 1 instruments and mixed capital bonds, the same ranking as other subordinated debts which have the same repayment sequence as the current bonds issued by the issuer, ranking at the same sequence as Tier 2 Capital Bonds issued and other Tier 2 instruments which have the same repayment sequence as the current bonds and are probable to issue in the future	Ranking after depositors and normal creditors, ranking before the holders of equity capital, other Tier 1 instruments and mixed capital bonds, the same ranking as other subordinated debts which have the same repayment sequence as the current bonds issued by the issuer, ranking at the same sequence as Tier 2 Capital Bonds issued and other Tier 2 instruments which have the same repayment sequence as the current bonds and are probable to issue in the future	Ranking after depositors and normal creditors, ranking before the holders of equity capital, other Tier 1 instruments and mixed capital bonds, the same ranking as other subordinated debts which have the same repayment sequence as the current bonds issued by the issuer, ranking at the same sequence as Tier 2 Capital Bonds issued and other Tier 2 instruments which have the same repayment sequence as the current bonds and are probable to issue in the future	Ranking after depositors, normal creditors and subordinated debts ranking senior to bond as well as ranking before all classes of shares held by the issuer's shareholders; compensated in the same order as other tier 1 capital instruments with the same repayment order	Ranking after depositors and normal creditors, ranking before the holders of equity capital, other Tier 1 instruments and mixed capital bonds, the same ranking as other subordinated debts which have the same repayment sequence as the current bonds issued by the issuer, ranking at the same sequence as Tier 2 Capital Bonds issued and other Tier 2 instruments which have the same repayment sequence as the current bonds and are probable to issue in the future
36	Whether any temporary noncompliance features	No	No	No	No	No	No	No	No	No	No
	Including: If yes, state the feature	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Appendix 5 is information disclosed according to requirements of the Measures for the *Administration of the Leverage Ratio of Commercial Banks (Revised)* issued by the CBIRC.

Appendix 5: Information Related to Leverage Ratio

Reconciliation of Regulatory Consolidation and Accounting Consolidation

(in millions of RMB)

SN	Item	Balance
1	Total consolidated assets	10,669,933
2	Adjustments of consolidation	(60,080)
3	Adjustments item of customer's assets	0
4	Adjustments of derivatives	42,386
5	Adjustments of securities financing transactions	4,012
6	Adjustments of off-balance sheet item	808,094
7	Other Adjustments	(4,952)
8	Balance of adjusted on-and-off-balance sheet assets	11,459,393

Leverage Ratio Information

(in millions of RMB unless otherwise stated)

SN	Item	Balance
1	On-balance-sheet assets (excluding derivatives and securities financing transactions)	10,440,383
2	Less: Deduction of Tier 1 Capital	(4,952)
3	**Balance of adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)**	10,435,431
4	Replacement costs of derivatives (less eligible margin)	28,155
5	Potential risk exposure of derivatives	42,386
6	Sum of collaterals deducted from the balance sheet	0
7	Less: Assets receivable from providing eligible margin	0
8	Less: Derivative assets resulting from the transactions with central counterparties in providing clearing settlement services for customers	0
9	Notional principal of sold credit derivatives	0
10	Less: Deductible balance of sold credit derivatives	0
11	**Derivative asset balance**	70,541
12	Accounting asset balance of securities financing transactions	141,315
13	Less: Balance of deductible securities financing transaction assets	0
14	Counterparty credit risk exposure of securities financing transactions	4,012
15	Balance of securities financing transaction assets from acting for securities financing transactions	0
16	**Securities financing assets balance**	145,327
17	Balance of off-balance-sheet items	1,883,261
18	Less: Balance of off-balance-sheet items arising from the reduction of credit transfer	(1,075,167)
19	**Adjusted off-balance sheet items balance**	808,094
20	Net Tier 1 Capital	801,083
21	Adjusted balance of on-and-off-balance sheet assets	11,459,393
22	**Leverage ratio (%)**	6.99

Appendix 6: The Daily Average Liquidity Coverage Ratio and its Details of the Group in the Second Quarter of 2020

(in millions of RMB unless otherwise stated)

Serial number		Amount before conversion	Amount after conversion
The qualified high-quality liquid assets			
1	The qualified high-quality liquid assets		1,873,447
Cash Outflow			
2	Retail deposits, small business deposits, including:	1,783,322	168,147
3	Stable deposits	201,419	9,957
4	Less stable deposits	1,581,903	158,190
5	Unsecured wholesale funding, including:	4,305,139	1,805,884
6	Business relationship deposit (excluding agency business)	2,529,049	630,862
7	Non-business relationship deposit (including all counterparties)	1,769,120	1,168,052
8	Unsecured debt	6,970	6,970
9	Secured funding		19,608
10	Other items, including:	1,632,428	805,766
11	Cash outflow relates to derivatives and other collateral/pledged assets	784,978	758,003
12	Cash outflow relates to loss of funding on asset-blocked securities	107	107
13	Committed credit and liquidity facilities	847,343	47,656
14	Other contractual obligation to extend funds	59,227	59,227
15	Contingent funding obligations	1,217,027	41,743
16	Total expected cash outflow		2,900,375
Cash Inflow			
17	Secured lending (including reverse repos and securities borrowing)	95,258	95,054
18	Inflows from fully performing exposure	891,327	605,917
19	Other cash inflows	797,853	775,170
20	Total expected cash inflow	1,784,438	1,476,141

		Amount after adjustment
21	The qualified high-quality liquid assets	1,819,602
22	Net cash outflow	1,424,234
23	Liquidity Coverage Ratio (%)	126.53

Appendix 7: Net Stable Funding Ratio and Items for the First Quarter of 2020

(in millions of RMB unless otherwise stated)

Serial Number		Unweighted value				Weight value
		No maturity	Less than 6 months	6-12 months	Over 1 year	
Available Stable Funding Item						
1	Capital	815,716	–	–	87,245	902,961
2	Regulatory Capital	815,716	–	–	73,845	889,561
3	Other capital instruments	–	–	–	13,400	13,400
4	Retail deposits and deposits from small enterprises	887,369	1,362,330	30,887	2,225	2,075,378
5	Stable deposits	408,590	1,948	1,960	1,455	393,328
6	Less stable deposits	478,779	1,360,382	28,927	770	1,682,050
7	Wholesale funding	2,303,093	3,018,368	837,136	466,316	2,788,592
8	Operational deposits	2,261,510	79,239	56,771	4,753	1,203,513
9	Operational deposits	41,583	2,939,129	780,365	461,562	1,585,079
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	48,558	206,007	61,065	273,434	291,243
12	Net stable funding ratio derivative liabilities				50,107	
13	All other liabilities and equities not included in the above categories	48,558	206,007	61,065	223,327	291,243
14	**Total available stable funding**					6,058,174
Required Stable Funding Item						
15	Total net stable funding ratio high-quality liquid assets					348,940
16	Deposits held at other financial institutions for business relationship	108,286	–	–	495	54,638
17	Loans and securities	76,718	1,656,268	1,069,514	3,974,308	4,657,721
18	Loans to financial institutions secured by Level 1 assets	–	3,853	–	–	578
19	Loans to financial institutions secured by non-Level 1 assets or unsecured	–	409,458	169,610	160,874	307,097
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities.	53	1,194,856	869,684	2,231,103	2,923,734
21	Including: with a risk weight less than or equal to 35%	–	18,171	9,736	26,522	31,193
22	Residential mortgages	–	548	737	1,132,719	963,454
23	Including: with a risk weight less than or equal to 35%	–	–	–	–	–
24	Securities that are not in default and do not qualify as high-quality liquid assets, including exchange-traded equities	76,665	47,552	29,483	449,612	462,856
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	158,393	81,845	8,948	148,767	357,557
27	Physical traded commodities (including gold)	44,636				37,941
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties				5,223	4,440
29	Net stable funding ratio derivative assets				39,688	–
30	Net stable funding ratio derivative liabilities with additional requirements				50,107	10,021
31	All other assets not included in the above	113,757	81,845	8,948	103,855	305,155
32	Off-balance-sheet items				2,424,064	102,860
33	**Total required stable funding**					5,521,715
34	**Net stable funding ratio (%)**					109.72

Notes:

1. Items to be reported in the "no maturity" bucket include, but are not limited to, capital with perpetual maturity, non-maturity (demand) deposits, short positions, open maturity positions, non-high-quality liquid assets equities, and physical traded commodities.

2. The unweighted value of item 30 "Net stable funding ratio derivative liabilities with additional requirements" is the net stable funding ratio derivative liabilities before the deduction of the variation margin, without differentiation of maturity, and not included in the unweighted value of item 26 "Other assets".

Appendix 8: Net Stable Funding Ratio and Items for the Second Quarter of 2020

(in millions of RMB unless otherwise stated)

Serial Number		Unweighted value				Weight value
		No maturity	Less than 6 months	6-12 months	Over 1 year	
Available Stable Funding Item						
1	Capital	807,994	–	–	127,317	935,311
2	Regulatory Capital	807,994	–	–	113,917	921,911
3	Other capital instruments	–	–	–	13,400	13,400
4	Retail deposits and deposits from small enterprises	877,102	1,312,101	17,168	1,524	1,998,064
5	Stable deposits	214,014	1,034	1,086	1,070	206,398
6	Less stable deposits	663,087	1,311,067	16,082	454	1,791,666
7	Wholesale funding	2,513,694	3,037,207	850,265	450,116	2,958,376
8	Operational deposits	2,485,014	94,324	58,113	4,523	1,323,248
9	Other wholesale funding	28,680	2,942,883	792,152	445,593	1,635,127
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	49,708	295,200	7,168	263,290	264,640
12	Net stable funding ratio derivative liabilities				41,300	
13	All other liabilities and equities not included in the above categories	49,708	295,200	7,168	221,990	264,640
14	**Total available stable funding**					6,156,391
Required Stable Funding Item						
15	Total net stable funding ratio high-quality liquid assets					349,966
16	Deposits held at other financial institutions for business relationship	83,509	–	–	490	42,245
17	Loans and securities	71,645	1,805,748	1,026,146	4,054,488	4,742,673
18	Loans to financial institutions secured by Level 1 assets	–	33,036	–	–	4,955
19	Loans to financial institutions secured by non-Level 1 assets or unsecured	–	457,348	197,212	142,359	309,567
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities	29	1,282,544	791,019	2,286,018	2,974,780
21	Including: with a risk weight less than or equal to 35%	–	18,838	10,608	26,838	32,167
22	Residential mortgages	–	559	707	1,160,693	987,222
23	Including: with a risk weight less than or equal to 35%	–	–	–	–	–
24	Securities that are not in default and do not qualify as high-quality liquid assets, including exchange-traded equities	71,615	32,261	37,208	465,418	466,148
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	149,682	79,680	11,988	151,869	363,351
27	Physical traded commodities (including gold)	34,230				29,095
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties				5,578	4,741
29	Net stable funding ratio derivative assets				28,155	–
30	Net stable funding ratio derivative liabilities with additional requirements				41,300	8,260
31	All other assets not included in the above	115,452	79,680	11,988	118,135	321,255
32	Off-balance-sheet items				2,593,163	110,199
33	**Total required stable funding**					5,608,433
34	**Net stable funding ratio (%)**					109.77

Notes:

1. Items to be reported in the "no maturity" bucket include, but are not limited to, capital with perpetual maturity, non-maturity (demand) deposits, short positions, open maturity positions, non-high-quality liquid assets equities, and physical traded commodities.

2. The unweighted value of item 30 "Net stable funding ratio derivative liabilities with additional requirements" is the net stable funding ratio derivative liabilities before the deduction of the variation margin, without differentiation of maturity, and not included in the unweighted value of item 26 "Other assets".

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