中信银行

CHINA CITIC BANK

以信致远 融智无限

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

Stock Code: 0998

Strive to Be
the Company Offering the Best Comprehensive Financial Services

2020
Interim Report

Important Notice

The Board of Directors, the Board of Supervisors, directors, supervisors and senior management members of the Bank guarantee that the information contained in the 2020 Interim Report does not include any false records, misleading statements or material omissions, and assume several and joint liabilities for its truthfulness, accuracy and completeness.

The meeting of the Board of Directors of the Bank adopted the full text and summary of the Bank's 2020 Interim Report on 27 August 2020. 10 of the 10 eligible directors attended the meeting, with Director Guo Danghuai and Director Huang Fang, due to conflicting schedules, entrusting Director Fang Heying and Director Wan Liming to attend and vote on their behalf as proxies respectively. The supervisors and senior management members of the Bank attended the meeting as non-voting delegates.

The Bank neither distributed any profit nor converted capital reserve into share capital in the first half of 2020.

The 2020 Interim Financial Reports that the Bank prepared in accordance with the PRC Accounting Standards and the International Financial Reporting Standards (IFRS) were reviewed by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with the review standards of the Chinese mainland and Hong Kong SAR respectively.

Ms. Li Qingping as Chairperson of the Board of Directors, Mr. Fang Heying as Executive Director, President and concurrently Chief Financial Officer of the Bank and Ms. Li Peixia as General Manager of the Finance and Accounting Department of the Bank hereby declare and guarantee the truthfulness, accuracy and completeness of the financial report contained in the Bank's 2020 Interim Report.

Cautionary note on forward-looking statements: Forward looking statements such as future plans and development strategies contained in the Report do not constitute substantive commitments of the Bank to its investors. Investors and relevant persons are kindly reminded to maintain adequate risk awareness of such statements and understand the differences between plans, forecasts and commitments.

Material risk reminder: During the reporting period, the Bank was not aware of any material risk that would adversely affect its future development strategies and business targets. The Bank has detailed in the Report the major risks that it was and may be exposed to in its operation and management and its countermeasures thereof. For relevant information thereof, please refer to "Risk Management" and "Outlook" in Chapter 3 "Management Discussion and Analysis" of the Report.

For the purpose of this report, numbers are expressed in Renminbi (RMB) unless otherwise specially stated. The Report is compiled both in Chinese and English. Should there be any discrepancy between Chinese and English versions, the Chinese version shall prevail.

Contents

Mission and Vision

Vision	To become a unique and responsible enterprise offering the best comprehensive financial services with dignity and a human touch
Mission	To create value for customers, seek happiness for employees, make profit for shareholders and perform responsibility for the society
Core values	Customer orientation, integrity, innovation, coordination and excellence
Brand motto	Building "trust" for long-term growth, incorporating smart services for boundless financing

Definitions

the reporting period	From 1 January 2020 to 30 June 2020
the Bank/Company/China CITIC Bank/CITIC Bank/CNCB	China CITIC Bank Corporation Limited
the Group	China CITIC Bank Corporation Limited and its subsidiaries
Poly Group	China Poly Group Corporation Limited
Lin'an CITIC Rural Bank	Zhejiang Lin'an CITIC Rural Bank Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Xinhu Zhongbao	Xinhu Zhongbao Co., Ltd.
CITIC Wealth Management	CITIC Wealth Management Corporation Limited
CNCB Investment	CNCB (Hong Kong) Investment Co., Ltd. (formerly known as China Investment and Finance Limited)
former CBRC	former China Banking Regulatory Commission
China Tobacco	China National Tobacco Corporation
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
CITIC aiBank	CITIC aiBank Corporation Limited
CITIC Limited	CITIC Limited (formerly known as CITIC Pacific Limited prior to renaming in August 2014)
CIAM	CITIC International Assets Management Limited
CIFH	CITIC International Financial Holdings Limited
CITIC Group	CITIC Group Corporation Limited (formerly known as CITIC Group Corporation prior to renaming in December 2011)
CITIC Financial Leasing	CITIC Financial Leasing Co., Ltd.
CITIC Pacific	CITIC Pacific Limited
CNCBI	CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited)
CITIC Corporation Limited	CITIC Corporation Limited (formerly known as CITIC Limited prior to renaming in August 2014)

(Note: The definitions are arranged in the alphabetic order of Mandarin Pin Yin)

Chapter 1 Corporate Introduction

1.1 Corporate Information

Registered Name in Chinese	中信銀行股份有限公司 (abbreviated as "中信銀行")
Registered Name in English	CHINA CITIC BANK CORPORATION LIMITED (abbreviated as "CNCB")
Legal Representative	Li Qingping
Authorized Representative	Fang Heying, Zhang Qing
Secretary to the Board of Directors	Zhang Qing
Joint Company Secretaries	Zhang Qing, Kam Mei Ha Wendy (FCS, FCIS)
Securities Representative of the Company	Wang Junwei
Registered Address	No 9 Chaoyangmen Beidajie, Dongcheng District, Beijing
Postal Code of the Registered Address	100010
Office Address	6-30/F and 32-42/F, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing[1]
Office Postal Code	100020
Official Website	www.citicbank.com
Telephone Number/Fax Number for Investors	+86-10-66638188/+86-10-65559255
Customer Service and Compliant Hotline	95558
Email Address for Investors	ir@citicbank.com
Principal Place of Business in Hong Kong	Level 54 Hopewell Center, 183 Queen's Road East, Hong Kong
Selected Media for Information Disclosure	*China Securities Journal, Shanghai Securities News, Securities Times*
Websites for Information Disclosure	Website designated by the CSRC to publish A-share interim report: www.sse.com.cn Website designated by the SEHK to publish H-share interim report: www.hkexnews.hk
Place Where Interim Reports are Kept	Office of the Board of Directors of CITIC Bank, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing
Legal Adviser as to PRC Laws	East & Concord Partners
Legal Adviser as to Hong Kong Laws	Clifford Chance LLP
Domestic Auditor	PricewaterhouseCoopers Zhong Tian LLP 11/F, PricewaterhouseCoopers Center, No.2 Corporate Avenue, No. 202 Hubin Road, Huangpu District, Shanghai (Postal code: 200021) Domestic Signing CPAs: Zhu Yu and Li Yan
Overseas Auditor	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong Overseas Signing CPA: Leung Wai Kin
Sponsor 1 for Continuous Supervision and Guidance	CITIC Securities Co., Ltd.
Office Address	23/F, CITIC Securities Mansion, No. 48 Liangmaqiaolu, Chaoyang District, Beijing
Signing Sponsor Representatives	Ma Xiaolong and Cheng Yue
Duration of Continuous Supervision and Guidance	From 19 March 2019 to 31 December 2020 (Where the convertible bonds are not fully converted to shares upon expiry of the duration of continuous supervision and guidance, the duration shall be extended to the time of full conversion of the convertible bonds)
Sponsor 2 for Continuous Supervision and Guidance	China International Capital Corporation Limited (CICC)

[1] For details on the change of office address of the Bank, please refer to the Bank's announcements on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) dated August 26, 2020.

Office Address	27-28/F, China World Office 2, No. 1 Jianguomen Waidajie, Beijing
Signing Sponsor Representatives	Xu Jia and Shi Fang
Duration of Continuous Supervision and Guidance	From 19 March 2019 to 31 December 2020 (Where the convertible bonds are not fully converted to shares upon expiry of the duration of continuous supervision and guidance, the duration shall be extended to the time of full conversion of the convertible bonds)
A-share Registrar	China Securities Depository and Clearing Corporation Limited Shanghai Branch 3/F, China Insurance Building, No. 166 East Lujiazui Road, Pudong New Area, Shanghai
H-share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Listing Venue, Stock Name and Stock Code	A-share: Ordinary shares — Shanghai Stock Exchange — CNCB — 601998 Preference shares — Shanghai Stock Exchange — CITIC Excellent 1 — 360025 Convertible corporate bonds — Shanghai Stock Exchange — CITIC Convertible Bonds — 113021 H-share: Ordinary shares — The Stock Exchange of Hong Kong Limited — CITIC Bank — 0998

1.2 Contact Persons and Contact Details

	Secretary to the Board of Directors	**Securities Representative of the Company**
Name	Zhang Qing	Wang Junwei
Address	Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing	Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing
Telephone	+86-10-66638188	+86-10-66638188
Fax	+86-10-65559255	+86-10-65559255
Email Address	ir@citicbank.com	ir@citicbank.com

1.3 Basic Information and Main Business of the Company

China CITIC Bank Corporation Limited ("CNCB" or "the Bank") was founded in 1987. It is one of the earliest emerging commercial banks established during China's reform and opening-up and also China's first commercial bank participating in financing at both domestic and international financial markets. The Bank has enjoyed a high reputation at home and abroad by breaking several records in the Chinese modern financial history, and made active contributions to China's economic development. In April 2007, it simultaneously listed its A and H shares at the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

The Bank aspires to become a unique and responsible enterprise offering the best comprehensive financial services with dignity and a human touch. To attain this development vision, the Bank holds firm to its "customer orientation" and adheres to the business concept of "safe CITIC Bank, compliant operation, science and technology for growth, serving the real economy, market orientation and value creation". For corporate customers and institutional customers, the Bank offers integrated financial solutions in corporate banking business, international business, financial markets business, institutional banking business, investment banking business, transaction banking business and custody business. For individual customers, the Bank provides diversified financial products and services in retail banking, credit card, consumer finance, wealth management, private banking, going abroad finance and e-banking. As such, the Bank satisfies the needs of corporate, institutional and individual customers for comprehensive financial services on all fronts. For details please refer to Chapter 3 "Management Discussion and Analysis" of this report.

1.4 Note on Material Changes in the Company's Main Assets

The Group's main assets include loans and advances to customers, deposits and placements with, and loans to banks and non-bank institutions, financial assets held under resale agreements, financial investments, cash and deposits and placements with central banks. As at the end of the reporting period, these aforementioned assets took up 97.1% of the Group's total assets, down by 0.2 percentage point over the end of the previous year. Please refer to Chapter 3 "Management Discussion and Analysis — Analysis of the Financial Statements" of this report for information on changes in the Group's main assets.

1.5 Core Competitiveness Analysis

The Bank persisted to the coordinated development of profit, quality and scale, and continuously enhanced its core competitiveness, in a bid to become the enterprise offering the best comprehensive financial services with distinctive business characteristics, outstanding profitability, robust asset quality and leading status in key regions.

Corporate governance and business operation are scientific, efficient and effective. The Bank has always adhered to market-oriented operation and constantly improved its corporate governance and business operation systems and mechanisms. The result was the formation of an organizational structure characterized by efficient management and professional division of duties. With reference to the theory and practice of modern banking development, in the light of requirements of Party building work, the Bank set up a corporate governance framework comprising the general meeting of shareholders, the Board of Directors, the Board of Supervisors, and the senior management, effectively integrating the leadership of the Party into corporate governance. As a result, the general meeting of shareholders, the Board of Directors, the Board of Supervisors and the senior management operated compliantly and performed duties efficiently. According to the principle of separating the front, middle and back offices, it established a matrix management model with the Head Office departments as the lines and the branches and sub-branches as the arrays.

Business grows in an all-round balanced manner. Embracing its traditional advantages and DNAs, the Bank developed a business structure with corporate banking as the main body and retail banking and financial markets businesses as the two wings, and gradually shifts towards the "Troika" structure. The corporate banking business of the Bank made active efforts and progress in business transformation, expansion, consolidation, restructuring and specialization in the light of the general requirements of "progress amid stability, advance for transformation". As for the retail banking, the Bank systematically worked out 16 opinions on the high-quality development and upgradation of retail banking through bank-wide transformation from 2020 to 2023. With its customer service orientation, the retail banking aimed to become customers' first choice of wealth management bank. It also pushed forward the iterative upgrade of the retail operation management system with digital transformation as its main task, and upgraded its business model and growth model with higher value contribution as its standard. And the retail banking optimized its business and growth model for the improvement of the market value of the whole Bank. Regarding the financial market business, the Bank adhered to light development, emphasized collaboration within the Group and between sectors, improved the overall customer marketing capabilities, and continuously pushed forward various business innovations. It also sped up the exploration of digital transformation and comprehensively promoted high-quality sustainable development. During the reporting period, the Bank obtained a more balanced profit structure and greater capacity for sustainable development.

Risk prevention and control is scientific and effective. With the aim of establishing a risk management system that effectively controls risks and strongly boosts development, the Bank continuously improved its risk management system and mechanism. It moved faster in implementing the principal responsible person mechanism and the full-time approver mechanism, and thus stimulated the vitality of primary-level business while enhancing the duty performance of the first line of defense in risk control. Meanwhile, the Bank propelled the implementation of unified credit management, intensified the duty performance of the first line of defense in risk control, and promoted integrated services for customers. It also actively carried out the differentiated development strategy, supported the development of quality manufacturing enterprises and small and micro enterprises, and grasped business opportunities in emerging industries and new infrastructure construction to improve the credit extension structure and resource allocation efficiency. The Bank accelerated the building of intelligent risk control system and continuously improve relevant technologies and methods so as to improve the precision and foresight in risk prevention and control.

Financial technology facilitates innovation. The Bank paid great attention to the innovation and application of financial technology, and realized rapid development in core technological competency development, technology-based epidemic control, new technology application and transformation towards agile operations by adapting to the new trend of digital and agile transformation in the digital era featuring full-digital agile development, thereby unleashing the empowerment potential of technology in a accelerated manner. In the meantime, the Bank made further progress in channel building, intelligent application, scenario expansion, payment innovation and inclusive financial services, and boosted the empowerment from financial technology and digital transformation so as to sharpen the core competitive edge.

Brand influence continues to escalate. The Bank guided its brand strategy with the motto of "building trust for long-term growth, incorporating smart services for boundless financing". With the provision of a full range of financial products and high-quality customer services, the Bank enjoyed a high reputation and extensive influence at both domestic and overseas markets. In 2020, The Banker magazine of the United Kingdom rated the Bank the 21st on its list of the "Top 500 Global Bank Brands", and the 24th on its list of the "Top 1,000 World Banks" in terms of tier-one capital.

Chapter 2 Financial Highlights

2.1 Operating Performance

Unit: RMB million

Item	**Six months ended 30 June 2020**	Six months ended 30 June 2019	Growth rate (%)	Six months ended 30 June 2018
Operating income	**102,200**	93,192	9.67	81,380
Profit before tax	**30,746**	34,442	(10.73)	32,442
Net profit attributable to the equity holders of the Bank	**25,541**	28,307	(9.77)	25,721
Net cash flow from/(used in) operating activities	**66,853**	8,547	682.18	12,400
Per share				
Basic earnings per share (RMB)	**0.52**	0.58	(10.34)	0.53
Diluted earnings per share (RMB)	**0.48**	0.55	(12.73)	0.53
Net cash flow from/(used in) operating activities per share (RMB)	**1.37**	0.17	705.88	0.25

2.2 Profitability Indicators

Item	**Six months ended 30 June 2020**	Six months ended 30 June 2019[7]	Increase/(decrease) in percentage point	Six months ended 30 June 2018[7]
Return on average assets (ROAA)[1]	**0.76%**	0.93%	(0.17)	0.92%
Return on average equity (ROAE, excluding non-controlling interest)[2]	**11.44%**	13.86%	(2.42)	14.12%
Cost-to-income ratio (excluding tax and surcharges)[3]	**22.18%**	25.51%	(3.33)	26.65%
Credit cost[4]	**1.87%**	1.81%	0.06	1.44%
Net interest spread[5]	**1.91%**	2.02%	(0.11)	2.00%
Net interest margin[6]	**1.99%**	2.11%	(0.12)	2.10%

Notes: (1) Return on average assets = net profit/the average of the balances of total assets at the beginning and end of the period.

(2) Return on average equity = net profit attributable to the ordinary shareholders of the Bank/the average of total beginning and ending equity attributable to the ordinary shareholders of the Bank.

(3) Cost-to-income ratio = (operating expenses - tax and surcharges)/operating income.

(4) Credit cost = current-year accruals of allowance for impairment losses on loans and advances to customers/average balance of loans and advances to customers.

(5) Net interest spread = average yield on total interest-earning assets - average cost rate of total interest-bearing liabilities.

(6) Net interest margin = net interest income/average balance of total interest-earning assets.

(7) Since 2019, the Group reclassified the installment cash income of credit cards from fee income to interest income, and the net interest spread and net interest margin of the first half of 2019 and the first half of 2018 have been restated.

2.3 Scale Indicators

Unit: RMB million

Item	**30 June 2020**	31 December 2019	Growth rate (%)	31 December 2018
Total assets	**7,080,616**	6,750,433	4.89	6,066,714
Total loans and advances to customers[(1)]	**4,214,523**	3,997,987	5.42	3,608,412
— Corporate loans	**2,089,017**	1,955,519	6.83	1,881,125
— Discounted bills	**373,428**	311,654	19.82	242,797
— Personal loans	**1,752,078**	1,730,814	1.23	1,484,490
Total liabilities	**6,534,250**	6,217,909	5.09	5,613,628
Total deposits from customers[(1)]	**4,443,816**	4,038,820	10.03	3,616,423
— Corporate demand deposits[(2)]	**1,775,761**	1,674,923	6.02	1,521,684
— Corporate time deposits	**1,726,582**	1,485,727	16.21	1,382,230
— Personal demand deposits	**308,603**	275,526	12.01	262,960
— Personal time deposits	**632,870**	602,644	5.02	449,549
Deposits from banks and non-bank financial institutions	**995,685**	951,122	4.69	782,264
Placements from banks and non-bank financial institutions	**71,980**	92,539	(22.22)	115,358
Total equity attributable to the equity holders of the Bank	**530,877**	517,311	2.62	436,661
Total equity attributable to the ordinary shareholders of the Bank	**455,929**	442,363	3.07	401,706
Net asset per share attributable to the ordinary shareholders of the Bank (RMB)	**9.32**	9.04	3.10	8.21

Notes: (1) As per the *Notice on Amending and Issuing the Formats of Financial Statements for Financial Enterprises for 2018* (Finance and Accounting [2018] No.36) issued by the Ministry of Finance, the interest of a financial instrument accrued according to the effective interest method should be included in the book balance of the corresponding financial instrument and reflected in relevant items of the balance sheet. The Group has prepared the financial statements according to requirements in the above notice since 2018. For the convenience of analysis, "total loans and advances to customers" and "total deposits from customers" do not include relevant interest.

(2) Corporate demand deposits included demand deposits from corporate customers and outward remittance and remittance payables of corporate customers.

2.4 Asset Quality Indicators

Item	**30 June 2020**		31 December 2019		Increase/ (decrease) in percentage point	31 December 2018	
	Regulatory value[(4)]	**Actual value**	Regulatory value	Actual value	Actual value	Regulatory value	Actual value
NPL ratio[(1)]	**—**	**1.83%**	—	1.65%	0.18	—	1.77%
Allowance coverage ratio[(2)]	**≥140%**	**175.72%**	≥140%	175.25%	0.47	≥140%	157.98%
Allowance for loan impairment losses to total loans[(3)]	**≥2.1%**	**3.22%**	≥2.1%	2.90%	0.32	≥2.1%	2.80%

Notes: (1) NPL ratio = balance of NPLs/total loans and advances to customers.

(2) Allowance coverage ratio = balance of allowance for impairment losses on loans and advances to customers (excluding allowance for impairment losses on accrued interest)/balance of NPLs.

(3) The ratio of allowance for loan impairment losses to total loans = balance of allowance for impairment losses on loans and advances to customers (excluding allowance for impairment losses on accrued interest)/total loans and advances to customers.

(4) According to the former CBRC's *Notice on the Regulatory Requirements on Adjusting Allowances for Loan Impairment Losses of Commercial Banks* (CBRC Issue [2018] No.7), the regulatory policy of differentiated and dynamic adjustment of allowances was practiced for joint-stock banks.

2.5 Other Main Regulatory Indicators

Item(1)	Regulatory value	30 June 2020	31 December 2019	Increase/ (decrease) in percentage point	31 December 2018
Capital adequacy profile					
Core tier-one capital adequacy ratio	≥7.50%	**8.80%**	8.69%	0.11	8.62%
Tier-one capital adequacy ratio	≥8.50%	**10.29%**	10.20%	0.09	9.43%
Capital adequacy ratio	≥10.50%	**12.57%**	12.44%	0.13	12.47%
Leverage profile					
Leverage ratio	≥4%	**6.64%**	6.71%	(0.07)	6.37%
Liquidity risk profile					
Liquidity coverage ratio(2)	≥100%	**125.95%**	149.27%	(23.32)	114.33%
Liquidity ratio					
Including: Renminbi	≥25%	**59.65%**	63.88%	(4.23)	50.80%
Foreign currencies	≥25%	**47.91%**	60.51%	(12.60)	59.85%

Notes: (1) The figures in the table were calculated in accordance with the regulatory standards of the Chinese banking industry. Except for the liquidity coverage ratio which was data of the Bank, all other indicators were data of the Group.

(2) As per the requirements of the *Measures on Liquidity Risk Management of Commercial Banks* (CBIRC Decree [2018] No. 3), the liquidity coverage ratio of commercial banks should reach 100% by the end of 2018.

2.6 Differences between IFRS and PRC Accounting Standards

There is no difference between the net assets on 30 June 2020 as well as the net profit for the reporting period of the Group calculated according to the PRC Accounting Standards and those calculated as per the International Financial Reporting Standards (IFRS).

Chapter 3 Management Discussion and Analysis

3.1 Economic, Financial and Regulatory Environments

In the first half of 2020, corona virus disease 2019 pandemic ("COVID-19" or the "pandemic") spread globally and crashed the economic and social development. China made major achievements in its response to COVID-19 containment and work resumption, which accelerated the return to normal work and life order and brought about marginal improvement in various economic indicators. The impact of the pandemic on China, featuring strong resilience and ample potential, is generally controllable, and the general trend of the China's economy towards stable long-term growth with a sound momentum remains unchanged.

Domestically, after the outbreak of COVID-19, with 90 policy measures in 8 categories, China has cut and reduced taxes and fees, helped enterprises stabilize employment, so as to assist with the resumption of work and production. China's economy started to rebound in the second quarter of 2020. In the first half of 2020, China's GDP grew by 1.6% year on year. The consumer price index (CPI) rose by 3.8%, and producer price index (PPI) went down by 1.9% on a year-on-year basis. Besides, in June 2020, the surveyed unemployment rate nationwide stayed at 5.7%, and the profit of industrial enterprises above the designated size amounted to RMB666.55 billion, growing by 11.5% year on year or 5.5 percentage points faster than that in May 2020. However, with the global spread of COVID-19, the world economy still faced grave and complex situations, and the task of preventing a resurgence of the domestic outbreak was arduous. Therefore, we still need to keep a close eye on changes in global economic and financial situation and make prediction and analysis in advance.

In accordance with the requirements of the CPC (Communist Party of China) Central Committee and the State Council, the Chinese financial regulators, while carrying out COVID-19 prevention and control and promoted economic and social development to fulfill the targets and tasks for completing the building of a moderately prosperous society in all respects, continued to follow the general principle of pursuing progress while ensuring stability and concentrated on ensuring stability on the six fronts[2] and security in the six areas[3]. The People's Bank of China (PBOC) continued the prudent monetary policy, and improved fiscal, monetary and employment policy coordination and transmission, in a bid to offset COVID-19's impact on the economic growth and push ahead with the conversion of outstanding loans from floating rate to loan prime rate (LPR) in an orderly manner. The CBIRC maintained stringent in regulation. It successively promulgated a series of documents, including the *Rules of CBIRC for Administrative Penalties*, and the *Notice on Review of the Crackdown on Abnormalities in Banking and Insurance Sector*. With these documents, the authority raised more demanding requirements for commercial banks in terms of compliance and internal control management. Guided by various policies, the Chinese financial sector saw the positive changes starting to occur to its structural adjustment, as the size of currency, credit and social financing expanded within a reasonable range. As at the end of June 2020, the balance of broad money (M2), the balance of Renminbi loans and the stock of social financing stood at RMB213.49 trillion, RMB165.2 trillion, and RMB271.8 trillion, growing by 11.1%, 13.2% and 12.8% year on year, respectively.

3.2 Overview of the Bank's Operating Results

During the reporting period, in the face of the severe test brought by the COVID-19 pandemic and the complex and changeable domestic and foreign environment, the Group resolutely implemented the decisions and plans of the CPC Central Committee and the State Council as well as regulatory requirements, and proactively supported the real economy. The Group spared no effort in advancing business transformation and efficiency improvement, actively prevented and defused major risks, and pushed ahead all tasks despite all the difficulties, thereby achieving good results.

Operating income increased stably. During the reporting period, the Group realized RMB102.200 billion operating income, an increase of 9.67% year on year. Specifically, net interest income stood at RMB64.935 billion, up by 5.56% year on year, while net non-interest income stood at RMB37.265 billion, up by 17.63% year on year. To enhance risk resilience, the Group set aside more provisions, and realized RMB25.541 billion of net profit attributable to the shareholders of the Bank, down by 9.77% year on year.

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[2] The six fronts refer to employment, the financial sector, foreign trade, foreign investment, domestic investment, and expectations.

[3] The six areas refer to job security, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments.

Asset quality was overall controllable. As at the end of the reporting period, the Group's balance of non-performing loans (NPLs) recorded RMB77.287 billion, an increase of RMB11.170 billion or 16.89% over the end of the previous year, corresponding to an NPL ratio of 1.83%, a rise of 0.18 percentage point from the end of the previous year. The ratio of loans overdue for 60 days and more to NPLs was 95.11%, an increase of 10.75 percentage points from the end of the previous year. The Group's allowance coverage ratio and the ratio of allowance for impairment of loans to total loans stood at 175.72% and 3.22%, a rise of 0.47 percentage point and 0.32 percentage point over the end of the previous year, respectively.

Business scale grew steadily. As at the end of the reporting period, the Group recorded total assets of RMB7,080.616 billion, an increase of 4.89% over the end of the previous year; its total loans and advances to customers (excluding accrued interest) stood at RMB4,214.523 billion, a growth of 5.42% over the end of the previous year; and its total deposits from customers (excluding accrued interest) recorded RMB4,443.816 billion, marking a 10.03% increase from the end of last year.

3.3 Financial Statements Analysis

3.3.1 Income Statement Analysis

During the reporting period, the Group realized RMB25.541 billion net profit attributable to the equity holders of the Bank, down by 9.77% year on year. The table below sets out the changes in the main items of the Group's income statement during the reporting period.

Unit: RMB million

Item	**Six months ended 30 June 2020**	Six months ended 30 June 2019	Increase/ (decrease)	Growth rate (%)
Operating income	**102,200**	93,192	9,008	9.67
— Net interest income (note)	**64,935**	61,512	3,423	5.56
— Net non-interest income (note)	**37,265**	31,680	5,585	17.63
Operating expenses	**(23,675)**	(24,673)	998	(4.04)
Credit and other asset impairment losses	**(47,725)**	(34,190)	(13,535)	39.59
Profit before tax	**30,746**	34,442	(3,696)	(10.73)
Income tax	**(4,782)**	(5,605)	823	(14.68)
Profit for the period	**25,964**	28,837	(2,873)	(9.96)
Including: Net profit attributable to the equity holders of the Bank	**25,541**	28,307	(2,766)	(9.77)

Note: Since 2019, the Group reclassified the installment cash income of credit cards from fee income to interest income and restated the data for the comparative periods (the same hereinafter).

3.3.1.1 Operating Income

During the reporting period, the Group realized operating income of RMB102.200 billion, up by 9.67% year on year, of which net interest income accounted for 63.5%, down by 2.5 percentage points year on year; net non-interest income accounted for 36.5%, up by 2.5 percentage points year on year.

Item	**Six months ended 30 June 2020 (%)**	Six months ended 30 June 2019 (%)	Six months ended 30 June 2018 (%)
Net interest income	**63.5**	66.0	67.8
Net non-interest income	**36.5**	34.0	32.2
Total	**100.0**	100.0	100.0

3.3.1.2 Net Interest Income

During the reporting period, the Group realized RMB64.935 billion of net interest income, an increase of RMB3.423 billion or 5.56% on a year-on-year basis.

The table below sets out the average balances and average interest rates of the Group's interest-earning assets and interest-bearing liabilities. Average balances of assets and liabilities are average daily balances.

Unit: RMB million

	Six months ended 30 June 2020			Six months ended 30 June 2019		
Item	**Average balance**	**Interest**	**Average yield/ cost rate (%)**	Average balance	Interest	Average yield/ cost rate (%)
Interest-earning assets						
Loans and advances to customers	**4,123,304**	**102,876**	**5.02**	3,737,138	94,327	5.09
Financial investments[1]	**1,591,437**	**29,930**	**3.78**	1,405,306	29,014	4.16
Deposits with central banks	**412,712**	**3,030**	**1.48**	385,032	2,969	1.55
Deposits and placements with, and loans to banks and non-bank financial institutions	**367,737**	**4,009**	**2.19**	316,728	4,058	2.58
Financial assets held under resale agreements	**61,055**	**450**	**1.48**	38,814	409	2.12
Subtotal	**6,556,245**	**140,295**	**4.30**	5,883,018	130,777	4.48
Interest-bearing liabilities						
Deposits from customers	**4,264,315**	**46,006**	**2.17**	3,758,550	38,335	2.06
Deposits and placements from banks and non-bank financial institutions	**1,089,474**	**13,701**	**2.53**	1,011,323	14,341	2.86
Debt securities issued	**656,225**	**10,743**	**3.29**	578,816	11,361	3.96
Borrowings from central banks	**218,284**	**3,620**	**3.34**	253,314	4,198	3.34
Financial assets sold under repurchase agreements	**98,496**	**1,047**	**2.14**	65,192	775	2.40
Others	**10,620**	**243**	**4.60**	10,606	255	4.85
Subtotal	**6,337,414**	**75,360**	**2.39**	5,677,801	69,265	2.46
Net interest income		**64,935**			61,512	
Net interest spread[2]			**1.91**			2.02
Net interest margin[3]			**1.99**			2.11

Notes: (1) Financial investments included financial investments measured at amortized cost and financial investments measured at fair value through other comprehensive income.

(2) Net interest spread = average yield of total interest-earning assets - average cost rate of total interest-bearing liabilities.

(3) Net interest margin = net interest income/average balance of total interest-earning assets.

The table below sets out the changes in the Group's net interest income resulting from changes in the scale and interest rate factors.

Unit: RMB million

	Comparison between six months ended 30 June 2020 and 30 June 2019		
Item	**Scale factor**	**Interest rate factor**	**Total**
Assets			
Loans and advances to customers	**9,747**	**(1,198)**	**8,549**
Financial investments	**3,840**	**(2,924)**	**916**
Deposits with central banks	**213**	**(152)**	**61**
Deposits and placements with, and loans to banks and non-bank financial institutions	**653**	**(702)**	**(49)**
Financial assets held under resale agreements	**234**	**(193)**	**41**
Changes in interest income	**14,687**	**(5,169)**	**9,518**
Liabilities			
Deposits from customers	**5,167**	**2,504**	**7,671**
Deposits and placements from banks and non-bank financial institutions	**1,108**	**(1,748)**	**(640)**
Debt securities issued	**1,520**	**(2,138)**	**(618)**
Borrowings from central banks	**(580)**	**2**	**(578)**
Financial assets sold under repurchase agreements	**396**	**(124)**	**272**
Others	**—**	**(12)**	**(12)**
Changes in interest expense	**7,611**	**(1,516)**	**6,095**
Changes in net interest income	**7,076**	**(3,653)**	**3,423**

Net Interest Margin and Net Interest Spread

In the first half year of 2020, affected by the COVID-19 pandemic, market competition intensified and banks' interest spread narrowed. During the reporting period, the Group's net interest margin and net interest spread registered 1.99% and 1.91% respectively, representing a decrease of 0.12 percentage point and 0.11 percentage point year on year respectively. The Group's yield of total interest-earning assets was 4.30%, down by 0.18 percentage point year on year; the cost rate of interest-bearing liabilities was 2.39%, down by 0.07 percentage point year on year.

3.3.1.3 Interest Income

During the reporting period, the Group realized an interest income of RMB140.295 billion, an increase of RMB9.518 billion or 7.28% year on year, mainly due to the growth in the size of interest-earning assets and constant improvement of asset structure. Interest income from loans and advances to customers was the main component of interest income.

Interest Income from Loans and Advances to Customers

During the reporting period, the Group recorded RMB102.876 billion interest income from loans and advances to customers, a growth of RMB8.549 billion or 9.06% year on year, primarily because the average balance of loans and advances to customers increased by RMB386.166 billion or 10.33%. Specifically, the average balance of personal loans with higher income increased by RMB157.701 billion, and the yield went up by 0.24 percentage point year on year.

Classification by Maturity Structure

Unit: RMB million

	Six months ended 30 June 2020			Six months ended 30 June 2019		
Item	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	1,567,823	38,616	4.95	1,386,572	34,900	5.08
Medium to long-term loans	2,555,481	64,260	5.06	2,350,566	59,427	5.10
Total	**4,123,304**	**102,876**	**5.02**	3,737,138	94,327	5.09

Classification by Business

Unit: RMB million

	Six months ended 30 June 2020			Six months ended 30 June 2019		
Item	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	2,046,246	51,729	5.08	1,913,483	49,229	5.19
Discounted loans	350,200	4,947	2.84	254,498	5,133	4.07
Personal loans	1,726,858	46,200	5.38	1,569,157	39,965	5.14
Total	**4,123,304**	**102,876**	**5.02**	3,737,138	94,327	5.09

Interest Income from Financial Investments

During the reporting period, the Group's interest income from financial investments amounted to RMB29.930 billion, an increase of RMB916 million or 3.16% year on year, mainly attributable to an increase of RMB186.131 billion in the average balance of financial investments as a result of the increasing scale of investments in debt securities, which offset a fall of 0.38 percentage point in the average yield.

Interest Income from Deposits with Central Banks

During the reporting period, the Group's interest income from deposits with central banks stood at RMB3.030 billion, an increase of RMB61 million or 2.05% year on year, mainly due to an increase of RMB27.680 billion in average scale and the growth in interest income. However, the yield of deposits with central banks declined by 0.07 percentage point as a result of the central banks' downward adjustment of the excess reserve interest rate.

Interest Income from Deposits and Placements with, and Loans to Banks and Non-bank Financial Institutions

During the reporting period, the Group's interest income from deposits and placements with, and loans to banks and non-bank financial institutions was RMB4.009 billion, a decrease of RMB49 million or 1.21% year on year, mainly due to a decrease of 0.39 percentage point in the average yield of deposits and placements with, and loans to banks and non-bank financial institutions which offset the impact of an increase of RMB51.009 billion in the average balance.

Interest Income from Financial Assets Held under Resale Agreements

During the reporting period, the Group recorded RMB450 million interest income from financial assets held under resale agreements, an increase of RMB41 million or 10.02% year on year, mainly attributable to an increase of RMB22.241 billion in the average balance of financial assets held under resale agreements which offset the impact of a decrease of 0.64 percentage point in the average yield.

3.3.1.4 Interest Expense

During the reporting period, the Group's interest expense was RMB75.360 billion, an increase of RMB6.095 billion or 8.80% year on year. Interest expense increased primarily because of the growth in the size of interest-bearing liabilities.

Interest Expense on Deposits from Customers

During the reporting period, the Group's interest expense on deposits from customers was RMB46.006 billion, an increase of RMB7.671 billion or 20.01% year on year, mainly due to RMB505.765 billion increase in the average balance of customer deposits as well as an increase of 0.11 percentage point in the average cost rate of customer deposits as a result of fierce competition among deposit-taking peers.

Unit: RMB million

	Six months ended 30 June 2020			Six months ended 30 June 2019		
Item	**Average balance**	**Interest expense**	**Average cost rate (%)**	Average balance	Interest expense	Average cost rate (%)
Corporate deposits						
Time and call deposits	**1,742,944**	**26,335**	**3.04**	1,485,415	22,460	3.05
Demand deposits	**1,619,392**	**8,676**	**1.08**	1,503,566	7,228	0.97
Subtotal	**3,362,336**	**35,011**	**2.09**	2,988,981	29,688	2.00
Personal deposits						
Time and call deposits	**630,717**	**10,618**	**3.39**	510,347	8,252	3.26
Demand deposits	**271,262**	**377**	**0.28**	259,222	395	0.31
Subtotal	**901,979**	**10,995**	**2.45**	769,569	8,647	2.27
Total	**4,264,315**	**46,006**	**2.17**	3,758,550	38,335	2.06

Interest Expense on Deposits and Placements from Banks and Non-Bank Financial Institutions

During the reporting period, the Group's interest expense on deposits and placements from banks and non-bank financial institutions amounted to RMB13.701 billion, a decrease of RMB640 million or 4.46% year on year, mainly due to a decrease of 0.33 percentage point in the average cost rate of deposits and placements from banks and non-bank financial institutions as a result of the downward interest rate movement which offset the increase of RMB78.151 billion in the average balance.

Interest Expense on Debt Securities Issued

During the reporting period, the Group's interest expense on debt securities issued stood at RMB10.743 billion, a decrease of RMB618 million or 5.44% year on year, primarily due to a fall of 0.67 percentage point in the average cost rate of debt securities issued, which offset the increase of RMB77.409 billion in the average balance.

Interest Expense on Borrowings from Central Banks

During the reporting period, the Group's interest expense on borrowings from central banks reached RMB3.620 billion, a decrease of RMB578 million or 13.77% year on year, mainly due to a drop of RMB35.030 billion in the average balance of borrowings from central banks.

Interest Expense on Financial Assets Sold under Repurchase Agreements

During the reporting period, the Group's interest expense on financial assets sold under repurchase agreements was RMB1.047 billion, an increase of RMB272 million or 35.10% year on year, primarily due to an increase of RMB33.304 billion in the average balance of financial assets sold under repurchase agreements, which offset the decrease of 0.26 percentage point in the average cost rate.

Other Interest Expense

During the reporting period, the Group's other interest expense stood at RMB243 million, a decrease of RMB12 million year on year, primarily due to a decrease in the average cost rate of lease liabilities.

3.3.1.5 Net Non-interest Income

During the reporting period, the Group realized RMB37.265 billion of net non-interest income, an increase of RMB5.585 billion or 17.63% year on year.

Unit: RMB million

Item	Six months ended 30 June 2020	Six months ended 30 June 2019	Increase/ (decrease)	Growth rate (%)
Net fee and commission income	**25,356**	23,942	1,414	5.91
Net trading gain	**2,218**	2,682	(464)	(17.30)
Net gain from investment securities	**9,569**	4,941	4,628	93.67
Net hedging gain	**(1)**	(3)	2	—
Other net operating income	**123**	118	5	4.24
Total	**37,265**	31,680	5,585	17.63

3.3.1.6 Net Fee and Commission Income

During the reporting period, net fee and commission income of the Group reached RMB25.356 billion, representing an increase of RMB1.414 billion or 5.91% year on year. Among these, the agency fees and commissions increased by RMB1.270 billion or 37.33% year on year, mainly due to the increase in income from agency asset management business as the Group adopted advancing agency sales as its strategy; commissions for custodian and other fiduciary business increased by RMB625 million or 17.98% year on year, mainly due to the increase in fee income from custodian and wealth management business; guarantee and consulting fees went up by RMB58 million or 2.35% year on year, mainly because of the increase in bond underwriting business income; bank card fees decreased by RMB823 million or 4.92% year on year, as a result of declined consumption willingness of customers due to the impact of the pandemic.

Unit: RMB million

Item	Six months ended 30 June 2020	Six months ended 30 June 2019	Increase/ (decrease)	Growth rate (%)
Bank card fees	**15,914**	16,737	(823)	(4.92)
Agency fees and commissions	**4,672**	3,402	1,270	37.33
Commissions for custodian and other fiduciary business	**4,102**	3,477	625	17.98
Guarantee and consulting fees	**2,524**	2,466	58	2.35
Settlement and clearance fees	**679**	728	(49)	(6.73)
Other fees and commissions	**42**	33	9	27.27
Subtotal of fees and commissions	**27,933**	26,843	1,090	4.06
Fee and commission expense	**(2,577)**	(2,901)	324	(11.17)
Net fee and commission income	**25,356**	23,942	1,414	5.91

3.3.1.7 Net Trading Gain and Net Gain from Investment Securities

During the reporting period, the Group's net trading gain and net gain from investment securities registered a total amount of RMB11.787 billion, an increase of RMB4.164 billion year on year, mainly because of a dramatic increase in gains from investment securities as the Group seized market opportunities and flexibly adjusted its investment strategy in early 2020.

3.3.1.8 Operating Expenses

During the reporting period, the Group incurred RMB23.675 billion operating expenses, a decrease of RMB998 million or 4.04% year on year. Adhering to the light-cost principal and ensuring effective support for strategy implementation and business development, the Group continued to improve the refined control of operating costs, and effectively reduced its cost and expenses. During the reporting period, the Group's cost-to-income ratio (excluding tax and surcharges) stood at 22.18%, down by 3.33 percentage points year on year.

Unit: RMB million

Item	Six months ended 30 June 2020	Six months ended 30 June 2019	Increase/ (decrease)	Growth rate (%)
Staff costs	**13,226**	13,865	(639)	(4.61)
Property and equipment expenses and amortization	**4,241**	4,341	(100)	(2.30)
Other general operating and administrative expenses	**5,196**	5,568	(372)	(6.68)
Subtotal	**22,663**	23,774	(1,111)	(4.67)
Tax and surcharges	**1,012**	899	113	12.57
Total	**23,675**	24,673	(998)	(4.04)
Cost-to-income ratio	**23.17%**	26.48%		Down 3.31 percentage points
Cost-to-income ratio (excluding tax and surcharges)	**22.18%**	25.51%		Down 3.33 percentage points

3.3.1.9 Credit and Other Asset Impairment Losses

During the reporting period, the Group's credit impairment losses and other asset impairment losses totaled RMB47.725 billion, an increase of RMB13.535 billion or 39.59% year on year. Specifically, allowance for impairment losses on loans and advances to customers was RMB38.253 billion, representing an increase of RMB4.654 billion or 13.85% year on year; allowance for impairment losses on financial investments was RMB6.679 billion, representing an increase of RMB5.657 billion or 553.52% year on year. Please refer to the section of "Loan Quality Analysis" in this chapter for analysis of the Group's allowance for impairment losses on loans and advances to customers.

Unit: RMB million

Item	Six months ended 30 June 2020	Six months ended 30 June 2019	Increase/ (decrease)	Growth rate (%)
Loans and advances to customers	**38,253**	33,599	4,654	13.85
Financial investments	**6,679**	1,022	5,657	553.52
Interest receivable	**2,066**	1,126	940	83.48
Interbank business (Note)	**(10)**	(72)	62	(86.11)
Other receivables	**203**	(1,304)	1,507	—
Off-balance-sheet items	**38**	(415)	453	—
Repossessed assets	**496**	234	262	111.97
Total	**47,725**	34,190	13,535	39.59

Note: Including the impairment losses on deposits and placements with, and loans to banks and non-bank financial institutions, and financial assets held under resale agreements.

3.3.1.10 Income Tax

During the reporting period, the Group's income tax expense was RMB4.782 billion, representing a decrease of RMB823 million or 14.68% year on year. The Group actively guided its business structural adjustment and increased the proportion of its tax-free assets. Effective tax rate of the Group during the reporting period stood at 15.55%, down by 0.72 percentage point year on year.

3.3.2 Balance Sheet Analysis

3.3.2.1 Assets

As at the end of the reporting period, the Group recorded total assets of RMB7,080.616 billion, an increase of 4.89% from the end of the previous year, mainly because the Group increased its loans and advances to customers and its financial investments.

Unit: RMB million

	30 June 2020		31 December 2019	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Total loans and advances to customers	**4,214,523**	**59.5**	3,997,987	59.2
Accrued interest of loans and advances to customers	**11,662**	**0.2**	10,104	0.2
Less: Allowance for impairment losses on loans and advances to customers(1)	**(135,516)**	**(1.9)**	(115,489)	(1.7)
Net loans and advances to customers	**4,090,669**	**57.8**	3,892,602	57.7
Total financial investments	**1,985,987**	**28.0**	1,863,351	27.6
Accrued interest of financial investments	**18,594**	**0.3**	17,021	0.3
Less: Allowance for impairment losses on financial investments(2)	**(12,916)**	**(0.2)**	(6,776)	(0.1)
Net financial investments	**1,991,665**	**28.1**	1,873,596	27.8
Investment in associates and joint ventures	**3,657**	**0.1**	3,672	0.1
Cash and deposits with central banks	**424,377**	**6.0**	463,158	6.9
Deposits and placements with, and loans to banks and non-bank financial institutions	**331,545**	**4.7**	325,844	4.8
Financial assets held under resale agreements	**38,061**	**0.5**	9,954	0.1
Others(3)	**200,642**	**2.8**	181,607	2.6
Total	**7,080,616**	**100.0**	6,750,433	100.0

Notes: (1) Including allowances for impairment losses on loans and advances to customers measured at amortized cost and allowances for impairment losses on accrued interest of loans and advances to customers measured at amortized cost.

(2) Including allowances for impairment losses on financial investments measured at amortized cost and impairment losses on accrued interest of financial investments measured at amortized cost.

(3) Including precious metals, derivative financial assets, investment properties, fixed assets, intangible assets, goodwill, use right assets, deferred income tax assets and other assets, etc.

Loans and Advances to Customers

As at the end of the reporting period, the Group recorded RMB4,214.523 billion total loans and advances to customers (excluding accrued interest), up by 5.42% over the end of the previous year. Net loans and advances to customers accounted for 57.8% of total assets, up by 0.1 percentage point over the end of the previous year. The Group's balance of loans and advances to customer measured at amortized cost took up 90.9% of total loans and advances to customers. The table below sets out the classification of the Group's loans and advances to customers by measurement attribute.

Unit: RMB million

	30 June 2020		31 December 2019	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Loans and advances to customer measured at amortized cost	**3,832,666**	**90.9**	3,682,283	92.1
Loans and advances to customer measured at fair value through other comprehensive income	**374,812**	**8.9**	308,789	7.7
Loans and advances to customer measured at fair value through profit or loss	**7,045**	**0.2**	6,915	0.2
Total loans and advances to customers	**4,214,523**	**100.0**	3,997,987	100.0

Please refer to the section of "Loan Quality Analysis" in this chapter for analysis of the Group's loans and advances to customers.

Financial Investments

As at the end of the reporting period, the Group recorded RMB1,985.987 billion total financial investments (excluding accrued interest), up by RMB122.636 billion or 6.58% over the end of the previous year, mainly because the Group put more investments in debt securities and client-specific asset management plans of securities companies.

Classification of the Group's financial investments by product is set out in the table below:

Unit: RMB million

	30 June 2020		31 December 2019	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Investment in debt securities	**1,328,334**	**66.9**	1,234,308	66.2
Investment management products managed by securities companies	**237,840**	**12.0**	186,217	10.0
Investment funds	**203,723**	**10.2**	218,491	11.7
Trust investment plans	**159,912**	**8.0**	160,265	8.6
Certificates of deposit and interbank certificates of deposit	**36,940**	**1.9**	51,658	2.8
Investment in equity instruments	**13,359**	**0.7**	11,460	0.6
WMPs and investments through structured entities	**5,879**	**0.3**	952	0.1
Total financial investments	**1,985,987**	**100.0**	1,863,351	100.0

Classification of the Group's financial investments by measurement attribute is set out in the table below:

Unit: RMB million

	30 June 2020		31 December 2019	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Financial investments measured at fair value through profit or loss	**303,654**	**15.3**	317,546	17.0
Financial investments measured at amortized cost	**945,334**	**47.6**	921,109	49.4
Financial investments measured at fair value through other comprehensive income	**733,348**	**36.9**	621,660	33.4
Financial investments designated to be measured at fair value through other comprehensive income	**3,651**	**0.2**	3,036	0.2
Total financial investments	**1,985,987**	**100**	1,863,351	100.0

Investment in Debt Securities

As at the end of the reporting period, the Group registered RMB1,328.334 billion investment in debt securities, an increase of RMB94.026 billion or 7.62% over the end of the previous year, primarily because the Group optimized its asset allocation structure and increased investments in tax-light and capital-light government bonds.

Classification of Debt Securities Investment by Issuers

Unit: RMB million

	30 June 2020		31 December 2019	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Banks and non-bank financial institutions	**351,274**	**26.4**	345,664	28.0
Government	**770,213**	**58.0**	674,782	54.7
Policy banks	**95,507**	**7.2**	97,561	7.9
Business entities	**110,311**	**8.3**	115,961	9.4
Public entities	**1,029**	**0.1**	340	—
Total	**1,328,334**	**100.0**	1,234,308	100.0

Breakdown of Significant Investments in Financial Debt Securities

The table below sets out the breakdown of significant investments in financial debt securities held by the Group as at 30 June 2020:

Unit: RMB million

Name of Debt Securities	Book value	Maturity date (DD/MM/YY)	Coupon rate (%)	Accrued impairment allowance
Debt Securities 1	3,986	20/08/2029	5.98%	—
Debt Securities 2	3,500	20/12/2021	3.79%	0.47
Debt Securities 3	3,000	01/05/2023	2.08%	0.41
Debt Securities 4	2,500	17/03/2025	2.75%	0.74
Debt Securities 5	2,008	10/01/2025	3.23%	—
Debt Securities 6	2,006	17/05/2022	3.18%	—
Debt Securities 7	2,000	14/12/2021	3.76%	0.27
Debt Securities 8	2,000	11/07/2022	3.45%	0.27
Debt Securities 9	2,000	05/11/2024	3.25%	0.27
Debt Securities 10	2,000	13/03/2025	2.80%	0.59
Total	25,000			3.02

Note: There was no material change in the financial position of the above securities' issuers during the reporting period, and the allowance for impairment losses was accrued according to expected loss model as required by the accounting standards on financial instruments.

Investment in Associates and Joint Ventures

As at the end of the reporting period, the Group recorded RMB3.657 billion investment in associates and joint ventures, a decrease of 0.41% over the end of the previous year. As at the end of the reporting period, the Group's balance of allowance for impairment losses on investment in associates and joint ventures was zero. For details, please refer to Note 21 "Investment in Associates and Joint Ventures" to the financial report.

Unit: RMB million

Item	30 June 2020	31 December 2019
Investments in joint ventures	**2,983**	2,914
Investments in associates	**674**	758
Allowance for impairment losses	—	—
Net investment in associates and joint ventures	**3,657**	3,672

Derivatives

The table below sets out major categories and amount of derivatives held by the Group as at the end of the reporting period. For details, please refer to Note 17 "Derivative Financial Assets/Liabilities" to the financial report.

Unit: RMB million

	30 June 2020			31 December 2019		
	Nominal	Fair value		Nominal	Fair value	
Item	principal	Assets	Liabilities	principal	Assets	Liabilities
Interest rate derivatives	**3,195,399**	**14,206**	**13,929**	2,886,296	5,203	5,176
Currency derivatives	**1,932,033**	**10,152**	**9,688**	1,513,070	11,700	10,928
Other derivatives	**25,574**	**692**	**1,016**	12,715	214	732
Total	**5,153,006**	**25,050**	**24,633**	4,412,081	17,117	16,836

Repossessed Assets

As at the end of the reporting period, the Group recorded repossessed assets of RMB3.171 billion, and charged RMB1.574 billion allowances for impairment losses on repossessed assets. The book net value stood at RMB1.597 billion.

Unit: RMB million

Item	30 June 2020	31 December 2019
Original value of repossessed assets	**3,171**	3,494
— Land, premises and buildings	**3,169**	3,491
— Others	**2**	3
Allowances for impairment losses on repossessed assets	**(1,574)**	(1,168)
— Land, premises and buildings	**(1,574)**	(1,168)
— Others	—	—
Total book value of repossessed assets	**1,597**	2,326

Changes in Impairment Allowances

Unit: RMB million

Item	31 December 2019	Accruals/ reversals during the current period	Write-offs/ transfer out during the current period	Others[1]	30 June 2020
Loans and advances to customers[2]	115,870	38,253	(23,530)	5,215	**135,808**
Financial investments[3]	8,389	6,679	—	14	**15,082**
Interbank business[4]	270	(10)	—	1	**261**
Other assets[5]	4,048	2,269	(980)	277	**5,614**
Off-balance-sheet items	5,646	38	—	9	**5,693**
Subtotal of allowances for credit impairment	**134,223**	**47,229**	**(24,510)**	**5,516**	**162,458**
Repossessed assets	1,168	496	(93)	3	**1,574**
Subtotal of allowances for other asset impairments	**1,168**	**496**	**(93)**	**3**	**1,574**
Total	**135,391**	**47,725**	**(24,603)**	**5,519**	**164,032**

Notes: (1) Including recovery of write-offs and impacts of exchange rate changes.

(2) Including allowances for impairment losses on loans and advances to customers measured at amortized cost, and allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income.

(3) Including allowances for impairment losses on financial investments measures at amortized cost and impairment losses on financial investments measured at fair value through other comprehensive income.

(4) Including allowance for impairment losses of deposits and placements with, and loans to banks and non-bank financial institutions and financial assets held under resale agreements.

(5) Including allowance for impairment losses on other receivables and accrued interest of all financial assets.

3.3.2.2 Liabilities

As at the end of the reporting period, the Group recorded total liabilities of RMB6,534.250 billion, up by 5.09% from the end of the previous year, primarily due to the increase in deposits from customers.

Unit: RMB million

	30 June 2020		31 December 2019	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Borrowings from central banks	**126,229**	**1.9**	240,298	3.9
Deposits from customers	**4,484,465**	**68.7**	4,073,258	65.5
Deposits and placements from banks and non-bank financial institutions	**1,067,665**	**16.3**	1,043,661	16.8
Financial assets sold under repurchase agreements	**104,942**	**1.6**	111,838	1.8
Debt securities issued	**635,713**	**9.7**	650,274	10.4
Others (Note)	**115,236**	**1.8**	98,580	1.6
Total	**6,534,250**	**100.0**	6,217,909	100.0

Note: Including held-for-trading financial liabilities, derivative financial liabilities, staff remunerations payable, tax and fee payables, estimated liabilities, lease liabilities, deferred income tax liabilities and other liabilities.

Deposits from Customers

As at the end of the reporting period, the Group's total deposits from customers (excluding accrued interest) were RMB4,443.816 billion, representing an increase of RMB404.996 billion or 10.03% over the end of the previous year; and deposits from customers accounted for 68.7% of total liabilities, an increase of 3.2 percentage points from the end of the previous year. The Group's balance of corporate deposits was RMB3,502.343 billion, representing an increase of RMB341.693 billion or 10.81% over the end of the previous year; and balance of personal deposits stood at RMB941.473 billion, representing an increase of RMB63.303 billion or 7.21% over the end of the previous year.

Unit: RMB million

	30 June 2020		31 December 2019	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Corporate deposits				
Demand deposits	**1,775,761**	**39.6**	1,674,923	41.1
Time and call deposits	**1,726,582**	**38.5**	1,485,727	36.5
Including: negotiated deposits	**108,237**	**2.4**	83,539	2.1
Subtotal	**3,502,343**	**78.1**	3,160,650	77.6
Personal deposits				
Demand deposits	**308,603**	**6.9**	275,526	6.8
Time and call deposits	**632,870**	**14.1**	602,644	14.8
Subtotal	**941,473**	**21.0**	878,170	21.6
Total deposits from customers	**4,443,816**	**99.1**	4,038,820	99.2
Accrued interest	**40,649**	**0.9**	34,438	0.8
Total	**4,484,465**	**100.0**	4,073,258	100.0

Breakdown of Deposits from Customers by Currency

Unit: RMB million

	30 June 2020		31 December 2019	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Renminbi	**4,125,822**	**92.0**	3,700,005	90.8
Foreign currencies	**358,643**	**8.0**	373,253	9.2
Total deposits from customers	**4,484,465**	**100.0**	4,073,258	100.0

Breakdown of Deposits by Geographical Region

Unit: RMB million

	30 June 2020		31 December 2019	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Head Office	**7,959**	**0.2**	13,540	0.3
Bohai Rim	**1,124,872**	**25.0**	1,012,398	24.9
Yangtze River Delta	**1,224,287**	**27.3**	1,064,584	26.1
Pearl River Delta and West Strait	**771,537**	**17.2**	709,706	17.4
Central	**564,064**	**12.6**	534,637	13.1
Western	**448,139**	**10.0**	405,283	10.0
Northeastern	**93,398**	**2.1**	85,017	2.1
Overseas	**250,209**	**5.6**	248,093	6.1
Total	**4,484,465**	**100.0**	4,073,258	100.0

3.3.3 Shareholders' Equity

As at the end of the reporting period, the Group's shareholders' equity was RMB546.366 billion, an increase of 2.60% over the end of the previous year. The table below sets out the changes in shareholders' equity in the Group during the reporting period:

Unit: RMB million

	Six months ended 30 June 2020							
Item	Share capital	Other equity instrument	Capital reserve	Other comprehensive income	Surplus reserve and general risk reserve	Retained earnings	Non-controlling interest	Total
31 December 2019	48,935	78,083	58,977	7,361	120,544	203,411	15,213	532,524
i. Profit for the period						25,541	423	25,964
ii. Other comprehensive income				(280)			58	(222)
iii. Profit allocation						(11,695)	(205)	(11,900)
30 June 2020	48,935	78,083	58,977	7,081	120,544	217,257	15,489	546,366

3.3.4 Loan Quality Analysis

During the reporting period, the Group's asset quality remained overall stable. While NPL ratio went up compared with the previous year due to the impact of the pandemic, the allowance coverage ratio stayed sound. As at the end of the reporting period, the Group registered RMB4,214.523 billion total loans, up by RMB216.536 billion over the end of the previous year; an NPL ratio of 1.83%, up by 0.18 percentage point over the end of the previous year; an allowance coverage ratio of 175.72%, a rise of 0.47 percentage point from the end of the previous year; and a ratio of allowance for loan impairment losses to total loans of 3.22%, up by 0.32 percentage point from the end of the previous year.

Concentration of Loans by Product

As at the end of the reporting period, the Group's balance of corporate loans (excluding discounted bills) recorded RMB2,089.017 billion, an increase of RMB133.498 billion or 6.83% over the end of the previous year; and its balance of personal loans reached RMB1,752.078 billion, an increase of RMB21.264 billion or 1.23% over the end of the previous year. The balance of personal loans took up a proportion of 41.57%. Balance of discounted bills increased by RMB61.774 billion over the end of the previous year. The Group's balance of corporate non-performing loans (excluding discounted bills) and that of personal non-performing loans increased by RMB5.710 billion and RMB5.460 billion over the end of the previous year, respectively, corresponding to a 0.11 and 0.30 percentage point increase in their respective NPL ratios over the end of the previous year.

Unit: RMB million

	30 June 2020				31 December 2019			
	Balance	**Proportion (%)**	**Balance of NPLs**	**NPL ratio (%)**	Balance	Proportion (%)	Balance of NPLs	NPL ratio (%)
Corporate loans	**2,089,017**	**49.57**	**56,633**	**2.71**	1,955,519	48.91	50,923	2.60
Personal loans	**1,752,078**	**41.57**	**20,654**	**1.18**	1,730,814	43.29	15,194	0.88
Discounted bills	**373,428**	**8.86**	**0.00**	**0.00**	311,654	7.80	0.00	0.00
Total loans	**4,214,523**	**100.00**	**77,287**	**1.83**	3,997,987	100.00	66,117	1.65

Breakdown of Loans by Type of Guarantee

As at the end of the reporting period, the Group's loan guarantee structure was further improved. The balance of loans secured by collateral and pledge loans was RMB2,337.283 billion, an increase of RMB116.542 billion over the end of the previous year, accounting for 55.46% of the Group's total loans, down by 0.08 percentage point from the end of the previous year; the balance of unsecured and guaranteed loans was RMB1,503.812 billion, an increase of RMB38.220 billion over the end of the previous year, accounting for 35.68% of the Group's total loans, down by 0.98 percentage point from the end of the previous year.

Unit: RMB million

	30 June 2020		31 December 2019	
Type of Guarantee	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Unsecured loans	**1,014,239**	**24.06**	976,047	24.41
Guaranteed loans	**489,573**	**11.62**	489,545	12.25
Loans secured by collateral	**1,896,897**	**45.01**	1,822,815	45.59
Pledge loans	**440,386**	**10.45**	397,926	9.95
Subtotal	**3,841,095**	**91.14**	3,686,333	92.20
Discounted bills	**373,428**	**8.86**	311,654	7.80
Total loans	**4,214,523**	**100.00**	3,997,987	100.00

Concentration of Loans by Geographic Region

As at the end of the reporting period, the Group posted total loans at RMB4,214.523 billion, an increase of RMB216.536 billion or 5.42% over the end of previous year. The Group's balances of loans to the Bohai Rim, the Yangtze River Delta and the Pearl River Delta and West Strait ranked the top three, recording RMB1,169.765 billion, RMB1,047.791 billion and RMB649.016 billion, and accounting for 27.75%, 24.86% and 15.40% of the Group's total, respectively. In terms of growth rate, the Yangtze River Delta, the Central region and the Northeast region recorded the highest growth, reaching 13.79%, 10.49% and 9.46%, respectively. The Group's NPLs were mainly concentrated in the Bohai Rim, the Pearl River Delta and West Strait and the Western region, with the combined NPL balance reaching RMB52.805 billion, accounting for 68.32% of the total. In terms of incremental NPLs, the Bohai Rim registered the largest amount of RMB7.476 billion and its NPL ratio rose by 0.74 percentage point; followed by the overseas region, which recorded RMB2.469 billion incremental NPLs and a 1.34 percentage points rise in its NPL ratio.

Main reasons behind the changes in the regional distribution of NPLs are as follows: First, due to the slowdown of the macro economy, the Bohai Rim, Pearl River Delta, Western and other regions were still in economic difficulties. Coupled with the pandemic, some enterprises in this region suffered from declined profitability and repayment capability. Especially in Bohai rim, there were concentrated risk exposure for some state-owned enterprises. Second, due to the risk exposure of certain large customers of overseas subsidiaries, non-performing loans in overseas regions increased significantly.

Unit: RMB million

	30 June 2020				31 December 2019			
	Balance	**Proportion (%)**	**Balance of NPLs**	**NPL ratio (%)**	Balance	Proportion (%)	Balance of NPLs	NPL ratio (%)
Bohai Rim[1]	**1,169,765**	**27.75**	**30,877**	**2.65**	1,224,035	30.61	23,401	1.91
Yangtze River Delta	**1,047,791**	**24.86**	**8,746**	**0.83**	920,846	23.03	7,711	0.84
Pearl River Delta and West Strait	**649,016**	**15.40**	**11,313**	**1.74**	598,313	14.97	12,499	2.09
Western	**496,102**	**11.77**	**10,615**	**2.14**	474,109	11.86	9,206	1.94
Central	**590,414**	**14.01**	**7,153**	**1.21**	534,366	13.37	7,192	1.35
Northeastern	**85,045**	**2.02**	**4,131**	**4.86**	77,694	1.94	4,125	5.31
Overseas	**176,390**	**4.19**	**4,452**	**2.52**	168,624	4.22	1,983	1.18
Total Loans	**4,214,523**	**100.00**	**77,287**	**1.83**	3,997,987	100.00	66,117	1.65

Note: (1) Bohai Rim includes the Head Office.

Concentration of Corporate Loans by Sector

As at the end of the reporting period, rental and business services and water, environment and public utilities management were the top two sector borrowers of the Group's corporate loans. Their loan balances recorded RMB396.698 billion and RMB329.375 billion, respectively, altogether accounting for 34.76% of the Group's total corporate loans, up by 2.97 percentage points from the end of the previous year. The balance of loans granted to real estate sector posted RMB292.052 billion, down by 0.80 percentage points from the end of the previous year; loans granted to manufacturing sector stood at RMB300.467 billion, up by 1.20 percentage points from the end of the previous year. In terms of growth rate, loans to the four sectors, namely, water, environment and public utilities management, manufacturing, rental and business services and production and supply of electric power, gas and water grew relatively faster, up by 22.47%, 16.61%, 12.46% and 11.28% over the end of the previous year respectively, all higher than the average growth rate of corporate loans.

As at the end of the reporting period, the Group's NPLs were mainly concentrated in two sectors, i.e., wholesale and retail sector and manufacturing sector, with their NPL balances collectively taking up 57.76% of the total corporate NPLs. The balance of NPLs in wholesale and retail sector increased by RMB4.480 billion, and that in manufacturing sector increased by RMB0.683 billion over the end of the previous year, corresponding to a 2.39 percentage points rise and a 0.64 percentage points decline in their respective NPL ratios compared with the end of the previous year.

Main reasons for the changes of NPLs in sector distribution include: First, under the background that the real economy is still in difficulties, due to the impacts from the pandemic, it is still difficult for some enterprises in the manufacturing sector to get out of trouble in the short run. Second, the trade war between China and US got wholesale and retail sector into the troubles, and the continuous spread of pandemic overseas put extra pressure to the operation of wholesale and retail sector.

As at the end of the reporting period, the balance of the Group's NPLs in sectors of water, environment and public utilities management, construction, transportation, storage and postal service increased by RMB698 million, RMB371 million and RMB206 million over the end of the previous year, respectively, with NPL ratios rising by 0.15, 0.30 and 0.19 percentage point, respectively. The balance of NPLs in sector of rental and business service decreased by RMB792 million from the end of the previous year, and the NPL ratio decreased by 0.33 percentage point.

Unit: RMB million

	30 June 2020				31 December 2019			
	Balance	**Proportion (%)**	**Balance of NPLs**	**NPL ratio (%)**	Balance	Proportion (%)	Balance of NPLs	NPL ratio (%)
Manufacturing	**300,467**	**14.38**	**16,370**	**5.45**	257,675	13.18	15,687	6.09
Real estate	**292,052**	**13.98**	**3,605**	**1.23**	288,975	14.78	3,426	1.19
Wholesale and retail	**156,139**	**7.47**	**16,341**	**10.47**	146,883	7.51	11,861	8.08
Transportation, storage and postal service	**144,334**	**6.91**	**1,573**	**1.09**	152,127	7.78	1,367	0.90
Water, environment and public utilities management	**329,375**	**15.77**	**1,497**	**0.45**	268,942	13.75	799	0.30
Construction	**97,593**	**4.67**	**2,833**	**2.90**	94,701	4.84	2,462	2.60
Rental and business service	**396,698**	**18.99**	**3,152**	**0.79**	352,732	18.04	3,944	1.12
Production and supply of electric power, gas and water	**73,683**	**3.53**	**761**	**1.03**	66,215	3.39	945	1.43
Public and social organizations	**10,926**	**0.52**	**248**	**2.27**	12,743	0.65	5	0.04
Others	**287,750**	**13.78**	**10,253**	**3.56**	314,526	16.08	10,427	3.32
Total corporate loans	**2,089,017**	**100.00**	**56,633**	**2.71**	1,955,519	100.00	50,923	2.60

Concentration of Borrowers of Corporate Loans

The Group focused its attention on concentration risk control over its corporate loan borrowers. During the reporting period, the Group complied with the applicable regulatory requirements on concentration of borrowers. Since a single borrower was defined by the Group as a specific legal entity, one borrower could be the related party of another borrower.

Major regulatory indicator	**Regulatory Standard**	**30 June 2020**	31 December 2019	31 December 2018
Percentage of loans to the largest single customer (%)(1)	**≤10**	**2.24**	2.27	2.44
Percentage of loans to the top 10 customers (%)(2)	**≤50**	**12.91**	13.12	14.49

Notes: (1) Percentage of loans to the largest single customer = balance of loans to the largest single customer/net capital.

(2) Percentage of loans to the top 10 customers = balance of loans to the top 10 customers/net capital.

Unit: RMB million

		30 June 2020		
	Sector	**Balance**	**Percentage in total loans (%)**	**Percentage in net capital (%)**
Borrower A	Rental and business services	**14,650**	**0.35**	**2.24**
Borrower B	Real estate	**10,517**	**0.25**	**1.61**
Borrower C	Public management, social security and social organizations	**9,484**	**0.23**	**1.45**
Borrower D	Real estate	**8,656**	**0.21**	**1.32**
Borrower E	Overseas institutions	**7,238**	**0.17**	**1.11**
Borrower F	Manufacturing	**7,100**	**0.17**	**1.08**
Borrower G	Real estate	**6,975**	**0.17**	**1.07**
Borrower H	Real estate	**6,800**	**0.16**	**1.04**
Borrower I	Transportation, storage and postal services	**6,790**	**0.16**	**1.03**
Borrower J	Manufacturing	**6,321**	**0.14**	**0.96**
Total loans		**84,531**	**2.01**	**12.91**

As at the end of the reporting period, the total balance of corporate loans from the Group to the top 10 customers amounted to RMB84.531 billion, taking up 2.01% of its total loans and 12.91% of its net capital.

Five-tier Loan Classification

The Group measures and manages the quality of its credit assets pursuant to the *Guidelines on the Classification of Loan Risks* formulated by the former CBRC. The guidelines requires Chinese commercial banks to classify their credit assets into five tiers, namely, pass, special mention, substandard, doubtful and loss, of which the last three classes are regarded as non-performing loans.

During the reporting period, the Bank continued to reinforce the centralized management of loan classification and kept enhancing the system for classified management of credit asset risks. While adhering to the core criteria of "safety of loan recovery", the Bank handled different tiers of loans with different risk management measures, taking into full consideration various factors that may impact the quality of credit assets.

The Bank's process for classification of loan risks includes the following steps: business departments conduct post-lending inspections in the first place, after which credit departments of the branches provide preliminary opinions, followed by preliminary classification by credit management departments of the branches; thereafter the branch risk directors review and approve the preliminary classification; and the Head Office gives the final approval. With regard to loans with material changes in risk profiles, the Bank adjusts their classification in a dynamic manner.

Unit: RMB million

	30 June 2020		31 December 2019	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Performing loans	**4,137,236**	**98.17**	3,931,870	98.35
Pass	**4,029,919**	**95.62**	3,843,061	96.13
Special mention	**107,317**	**2.55**	88,809	2.22
Non-performing loans	**77,287**	**1.83**	66,117	1.65
Substandard	**34,795**	**0.82**	31,132	0.78
Doubtful	**35,321**	**0.84**	30,080	0.75
Loss	**7,171**	**0.17**	4,905	0.12
Total Loans	**4,214,523**	**100.00**	3,997,987	100.00

Note: Performing loans include pass loans and special mention loans, while non-performing loans include substandard loans, doubtful loans and loss loans.

As at the end of the reporting period, the Group's balance of pass loans increased by RMB186.858 billion over the end of the previous year, and accounted for 95.62% of its total loans, representing a decrease of 0.51 percentage point over the end of the previous year; and the balance of special mention loans increased by RMB18.508 billion, accounting for 2.55% of its total loans, up by 0.33 percentage point over the end of the previous year. The balance of the Group's NPLs recognized in accordance with the regulatory risk classification criteria stood at RMB77.287 billion, representing an increase of RMB11.170 billion over the end of the previous year; and its NPL ratio recorded 1.83%, up by 0.18 percentage point over the end of the previous year.

During the reporting period, the Group's NPL balance and NPL ratio both went up. The main influencing factors included the following 3 aspects: (1) Macro economy; (2) Sino-US trade frictions; (3) The pandemic. Under the influence of those three factors, private enterprises, especially small and medium, enterprises suffered from increased operation pressure and the exposure of credit risk accelerated.

At the beginning of 2020, the Group had already made sufficient anticipation and preparation in response to the changing trends of loan quality. With its pertinent measures for risk prevention and resolution, the changes in NPLs were within the Group's expectation and under its control.

Migration of Loans

The table below sets out the migration of the Bank's loans across the five tiers during the reporting period.

	30 June 2020	31 December 2019	31 December 2018
Migration ratio of pass loans (%)	**1.30**	1.80	2.53
Migration ratio of special mention loans (%)	**16.08**	23.03	48.27
Migration ratio of substandard loans (%)	**40.63**	23.97	73.53
Migration ratio of doubtful loans (%)	**8.67**	8.77	41.91
Ratio of migration from performing to NPLs (%)	**0.45**	1.83	1.63

As at the end of the reporting period, the Bank's ratio of loan migration from performing to NPLs was 0.45%, a decrease of 1.38 percentage points over the end of the previous year and 0.44 percentage point year on year. The reason behind this change is that the Bank implemented the "name list system" classification management for risk customers, and strengthened the resolution of non-performing loans and overdue loans, which showed effective results.

Loans Overdue

Unit: RMB million

	30 June 2020		31 December 2019	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans repayable on demand	**4,083,481**	**96.89**	3,893,978	97.40
Loans overdue(1)				
1-90 days	**63,624**	**1.51**	53,866	1.35
91-180 days	**19,240**	**0.46**	13,976	0.35
181 days or more	**48,178**	**1.14**	36,167	0.90
Subtotal	**131,042**	**3.11**	104,009	2.60
Total loans	**4,214,523**	**100.00**	3,997,987	100.00
Loans overdue for 91 days or more	**67,418**	**1.60**	50,143	1.25
Restructured loans(2)	**30,228**	**0.72**	22,792	0.57

Notes: (1) Loans overdue refer to loans with principal or interest overdue for one day or more.

(2) Restructured loans refer to loans overdue or downgraded but the conditions of which (e.g. amount and term) have been rearranged.

During the reporting period, the Group's overdue loans increased due to reasons including the impact of the external economic environment and the pandemic. As at the end of the reporting period, the Group's balance of overdue loans recorded RMB131.042 billion, an increase of RMB27.033 billion over the end of the previous year, and the proportion of overdue loans in total loans went up by 0.51 percentage point over the end of the previous year. Of these overdue loans, 1.51% were short-term and/or temporary loans with a maturity of less than 3 months. The proportion of loans overdue for 91 days and more was 1.60%, an increase of 0.35 percentage point from the end of the previous year.

The Group managed and controlled loan restructuring in a stringent and prudent manner. As at the end of the reporting period, the Group's restructured loans stood at RMB30.228 billion, an increase of RMB7.436 billion in amount and an increase of 0.15 percentage point in proportion from the end of the previous year.

Analysis of Allowance for Loan Impairment Losses

The Group set aside adequate allowance for loan impairment losses based on expected loss model as required by the new accounting standards on financial instruments in the light of customer default rate, default loss rate and many other quantitative parameters as well as macro perspective adjustments.

Unit: RMB million

	30 June 2020	31 December 2019
Beginning balance	**115,870**	101,154
Accruals during the period[1]	**38,253**	68,793
Write-offs and transfer-out	**(23,530)**	(60,686)
Recovery of loans and advances written off in previous years	**3,959**	5,042
Others[2]	**1,256**	1,567
Ending balance	**135,808**	115,870

Notes: (1) Equal to the net loan impairment losses recognized as accruals for the Group in the consolidated income statement of the Group.

(2) Including allowance for loan impairment released after conversion of loans to repossessed assets, foreign exchange rate changes and others.

As at the end of the reporting period, the Group's balance of allowance for loan impairment losses registered RMB135.808 billion, up by RMB19.938 billion over the end of the previous year. The Group's ratio of balance of allowance for loan impairment losses to NPL balance (i.e., allowance coverage ratio) and ratio of balance of allowance for loan impairment losses to total loans (i.e., allowance for loan impairment losses to total loans) stood at 175.72% and 3.22%, up by 0.47 and 0.32 percentage point over the end of the previous year, respectively.

During the reporting period, the Group accrued RMB38.253 billion as allowance for loan impairment losses, an increase of RMB4.654 billion year on year. The reasons underlying the change in allowance accruals were: (1) The Bank adopted a stricter standard for NPL identification, and downgraded all loans overdue for 91 days or more to NPLs; (2) The Bank stepped up efforts in its non-performing assets disposal and write-off, increasing its accruals for allowance for loan impairment losses.

3.3.5 Major Off-Balance Sheet Items

As at the end of the reporting period, the Bank's major off-balance sheet items included credit commitments, capital commitments and pledged assets. The detailed items and balances are set out in the table below:

Unit: RMB million

Item	**30 June 2020**	31 December 2019
Credit commitments		
— Bank acceptance bills	**465,181**	426,226
— Letters of guarantee	**125,699**	147,154
— Letters of credit	**117,861**	103,981
— Irrevocable loan commitments	**42,606**	52,211
— Credit card commitments	**572,334**	545,503
Subtotal	**1,323,681**	1,275,075
Capital commitments	**2,919**	3,457
Pledged assets	**310,939**	444,387
Total	**1,637,539**	1,722,919

3.3.6 Cash Flow Statement Analysis

Net Cash Inflows from Operating Activities

The Group's net cash inflow from operating activities registered RMB66.853 billion, an increase of RMB58.306 billion over the same period of previous year, primarily because the cash inflows resulting from the increase in deposits from customers, which offset the cash outflows resulting from the decrease in inter-bank liabilities and borrowings from central banks. The net cash inflow was higher than that of the same period of the previous year.

Net Cash Outflows Used in Investing Activities

The Group's net cash outflows used in investing activities recorded RMB116.768 billion, a decrease of RMB73.255 billion, mainly because of the increase in sale and redemption of financial investment.

Net Cash Inflows Generated from Financing Activities

The Group's net cash outflows generated from financing activities registered RMB24.487 billion, while the figure in the same period of previous year stood at RMB42.518 billion, primarily because of the increase in repayment of matured interbank deposit certificates and debt securities.

Unit: RMB million

Item	Six months ended 30 June 2020	Year-on-year increase (%)	Main reason
Net Cash Inflows from Operating Activities	**66,853**	682.2	
Including: Cash inflow due to increase in deposits from customers	**400,019**	4.0	Increase in various deposits
Net cash outflow due to increase in interbank business (Note)	**(12,282)**	(89.8)	Decrease in interbank liabilities year on year
Cash outflow due to increase in loans and advances to customers	**(230,062)**	(12.3)	Decrease in various loans
Cash outflow due to decrease in borrowings from central banks	**(113,520)**	138.4	Repayment of borrowings from central banks
Net Cash Outflows Used in Investing Activities	**(116,768)**	(38.6)	
Including: Proceeds from redemption of investments	**1,141,291**	14.3	Increase in sale and redemption of financial investments
Payments on acquisition of investments	**(1,257,414)**	5.8	Increase in financial investments
Net Cash Outflows Generated from Financing Activities	**(24,487)**	(157.6)	
Including: Proceeds from issuance of debt securities	**263,936**	(0.4)	Decrease in issuance of interbank deposit certificates and bonds
Principal repayment for issued debt securities	**(274,863)**	30.7	Increase in repayment of matured interbank deposit certificates and debt securities
Interest payment for issued debt securities	**(11,728)**	8.9	Increase in payment of interest of interbank deposit certificates and debt securities

Note: Including deposits and placements with, and loans to banks and non-bank financial institutions, financial assets held under resale agreements, deposits and placements from banks and non-bank financial institutions, and financial assets sold under repurchase agreements.

3.3.7 Major Accounting Estimates and Assumptions

The preparation of the financial statements in conformity with the International Financial Reporting Standards (IFRS) required the Group to make certain accounting estimates and assumptions when applying its accounting policies to determine the amounts of assets and liabilities as well as profits and losses for the reporting period. The accounting estimates and assumptions made by the Group were based on its historical experience and other factors such as reasonable expectations of future events. The key assumptions involved in such estimates and the judgment on uncertainties were reviewed on an on-going basis. Such accounting estimates and assumptions made by the Group were all appropriately recognized during the current period of the concerned changes and will be recognized as such during the subsequent periods of any impacts resulting from such changes.

The basis for preparing the Group's financial statements was influenced by estimates and judgments in the following main aspects: measurement model for expected credit losses, classification of financial assets, fair value measurement of financial instruments, derecognition of financial assets, control of structured entities, and income tax.

3.3.8 Major Financial Statement Items with More than 30% Changes

Unit: RMB million

Item	30 June 2020/ six months ended 30 June 2020	Increase/Decrease over previous year-end/ year-on-year (%)	Main reason
Precious metals	4,434	(35.41)	Decrease in self-held precious metals
Derivative financial assets	25,050	46.35	Increase in revaluation of interest rate derivatives
Financial assets held under resale agreements	38,061	282.37	Increase in securities held under resale agreements
Deferred income tax assets	42,837	33.47	Increase in temporary contra item due to the provision of loan impairment losses
Borrowings from central bank	126,229	(47.47)	Repayment of borrowings from central bank
Financial liabilities measured at fair value thorough gains and losses	5,582	559.03	Increase in structured products
Derivative financial liabilities	24,633	46.31	Increase in revaluation of interest rate derivatives
Net income from investment securities	9,569	93.67	Increase in income from financial investment measured at fair value thorough other comprehensive income
Credit impairment loss	47,229	39.09	Increase in allowances for loan impairment losses
Other asset impairment losses	496	111.97	Increase in allowances for impairment losses on repossessed assets

3.3.9 Segment Report

3.3.9.1 Business Segments

Major business segments of the Group include corporate banking, retail banking and financial markets business. The table below lists the operating results of the Group for the reporting period by business segment.

Unit: RMB million

	Six months ended 30 June 2020				Six months ended 30 June 2019			
Business Segment	Segment operating income	Proportion (%)	Segment Profit before tax	Proportion (%)	Segment operating income	Proportion (%)	Segment profit before tax	Proportion (%)
Corporate banking	46,871	45.9	12,528	40.8	47,166	50.6	15,877	46.1
Retail banking	38,772	37.9	7,516	24.4	33,766	36.2	10,358	30.1
Financial markets business	14,509	14.2	11,531	37.5	10,263	11.0	8,945	26.0
Others and unallocated	2,048	2.0	(829)	(2.7)	1,997	2.2	(738)	(2.2)
Total	102,200	100.0	30,746	100.0	93,192	100.0	34,442	100.0

3.3.9.2 Geographical Segments

The Group operates mainly in the Chinese mainland, with branches and sub-branches covering 31 provinces, autonomous regions and municipalities. London Branch officially commenced operation in 2019. Subsidiaries CIFH and CNCB Investment were registered in Hong Kong, while Lin'an CITIC Rural Bank and CITIC Financial Leasing were registered in China. The table below lists the operating results of the Group for the reporting period by geographical segment.

Unit: RMB million

	30 June 2020				Six months ended 30 June 2020	
	Total assets(1)		Total liabilities(2)		Profit before tax	
Geographical Segments	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**	**Amount**	**Proportion (%)**
Head Office	**2,894,001**	**41.1**	**2,885,304**	**44.2**	**22,221**	**72.3**
Yangtze River Delta	**1,576,207**	**22.4**	**1,388,920**	**21.3**	**5,788**	**18.8**
Pearl River Delta and West Strait	**908,977**	**12.9**	**845,330**	**12.9**	**2,877**	**9.4**
Bohai Rim	**1,622,165**	**23.0**	**1,531,164**	**23.4**	**2,071**	**6.7**
Central	**701,478**	**10.0**	**642,593**	**9.8**	**1,595**	**5.2**
Western	**598,030**	**8.5**	**542,294**	**8.3**	**(4,850)**	**(15.8)**
Northeastern	**117,961**	**1.7**	**112,610**	**1.7**	**(394)**	**(1.3)**
Overseas	**349,831**	**5.0**	**294,595**	**4.5**	**1,438**	**4.7**
Offset	**(1,730,871)**	**(24.6)**	**(1,708,571)**	**(26.1)**	**—**	**—**
Total	**7,037,779**	**100.0**	**6,534,239**	**100.0**	**30,746**	**100.0**

Notes: (1) Excluding deferred tax assets.
(2) Excluding deferred tax liabilities.

Unit: RMB million

	31 December 2019				Six months ended 30 June 2019	
	Total assets(1)		Total liabilities(2)		Profit before tax	
Geographical Segments	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Head Office	2,733,418	40.7	3,312,559	53.3	24,663	71.6
Yangtze River Delta	1,400,247	20.8	1,021,511	16.4	4,478	13.0
Pearl River Delta and West Strait	810,404	12.1	624,170	10.0	1,471	4.3
Bohai Rim	1,440,563	21.4	1,212,606	19.5	800	2.3
Central	656,139	9.8	554,658	8.9	1,900	5.5
Western	585,993	8.7	457,021	7.4	(240)	(0.7)
Northeastern	106,531	1.6	94,420	1.5	(643)	(1.9)
Overseas	338,452	5.0	272,066	4.4	2,013	5.9
Offset	(1,353,409)	(20.1)	(1,331,112)	(21.4)	—	—
Total	6,718,338	100.0	6,217,899	100.0	34,442	100.0

Notes: (1) Excluding deferred tax assets.
(2) Excluding deferred tax liabilities.

3.4 Capital Market Focuses

3.4.1 Response to COVID-19

During the reporting period, the pandemic has impacted economies around the world. Governments enforced quarantine and isolation on different scales to contain the spread of the virus, stagnating the global industrial chain and value chain. Catering, shopping malls, cinemas and other traditional consumption sectors involved in close contact in China suffered bore the brunt. But in the medium to long term, the general trend of the Chinese economy towards stable and high-quality long-term growth with a sound momentum remains unchanged.

During the reporting period, by fully implementing the requirements of the CPC Central Committee, the State Council and regulators, the Bank rendered differentiated financial services to areas, industries, enterprises and individuals hit hard by the pandemic, supported the work and production resumption of enterprises, and increased credit supply to manufacturing and inclusive financing loans to small and micro enterprises. It also enhanced the effectiveness of supporting the real economy, guided the return on assets downward, and ensured a significant reduction in financing costs of customers. The phased policy allowing enterprises that went through a sticky patch due to the pandemic to postpone principal and interest repayments on loans, together with the fee cut, was implemented to ease pressure on enterprises, micro, small and medium sized enterprises in particular, that need to repay principal and interest during the year. Besides, the Bank strengthened the monitoring of customers that were allowed to defer principal and interest repayment, and made disposal of loans for enterprises with substantial changes in their operation. It also scaled up efforts to re-examine the loan renewal business during the pandemic, and monitored the whole bank to conduct businesses in a compliant and prudent way. Meanwhile, the Bank delivered services of extended repayment, green service channel, cash withdrawal fee reduction and cut, online free consultation and others to retail customers, so as to fulfill its corporate social responsibilities and try its best to protect customers' health and safety and satisfy their needs of financial services. The profits of the Bank may be affected somewhat due to the above-mentioned factors. To this end, the Bank increased the allowance for impairment losses to build up resilience to risks. It also actively expanded new growth areas in business, seized every opportunity for new business and foster the new model of digital transformation by following the trend. Moreover, the Bank reduced costs and enhanced efficiency. It spared no efforts in the development of customer groups and in the expansion of settlement deposits to effectively control liability cost on the one hand, and enhanced the management and control of operating cost while ensuing normal business in order to minimize the losses caused by COVID-19 on the other hand.

3.4.2 Analysis on Changes in Asset Quality

During the reporting period, the adverse impact of macro-economic downturn, the Sino-US trade frictions, COVID-19 and others put pressure on asset quality of the banking sector. The Bank implemented the standard on identification of non-performing assets to give a true view of asset quality strictly according to the regulatory requirements. During the reporting period, the Group saw an increase in NPL ratio over the last year and a stable provision coverage ratio. As at the end of the reporting period, the Group registered RMB4,214.523 billion total loans, up by RMB216.536 billion over the end of the previous year; an NPL ratio of 1.83%, up by 0.18 percentage point over the end of the previous year; a 175.72% allowance coverage ratio, a rise of 0.47 percentage point from the end of the previous year; and a 3.22% ratio of allowance for loan impairment losses to total loans, up by 0.32 percentage point from the end of the previous year.

As at the end of the reporting period, the Group's balance of corporate loans (excluding discounted bills) recorded RMB2,089.017 billion, an increase of RMB133.498 billion or 6.83% over the end of the previous year. Its balance of corporate non-performing loans (excluding discounted bills) increased by RMB5.710 billion over the end of the previous year, corresponding to an NPL ratio of 2.71%, up by 0.11 percentage point over the end of the previous year. Affected by the pandemic, China's economic operation was still yet back to normal. Some enterprises involved in sectors like wholesale and retail, transportation, storage and postal service were greatly affected, and those involved in foreign trade or largely dependent on the global industrial chain were obviously shocked. As at the end of the reporting period, the Group's NPLs were mainly concentrated in wholesale and retail and manufacturing sectors, accounting for 57.76% of the total. At the beginning of 2020, the Group had already made sufficient anticipation and preparation in response to the changing trends of loan quality. With its pertinent measures for risk prevention and resolution, the changes in NPLs were within the Group's expectation and under its control.

As at the end of the reporting period, the Group's balance of personal loans reached RMB1,752.078 billion (accounting for 41.57% of the total), an increase of RMB21.264 billion or 1.23% over the end of the previous year. Its balance of personal non-performing loans increased by RMB5.460 billion over the end of the previous year, corresponding to an NPL ratio of 1.18%, up by 0.30 percentage point over the end of the previous year. In terms of credit card business, the credit risk was under pressure due to the decline in cardholders' income, repayment capacity and repayment willingness. By sector, cardholders with a high incidence of credit card non-performing loans and problem loans were mainly in commercial trade and manufacturing sectors. As for newly-added overdue loans, since April 2020, the proportion of credit card customers with overdue loans for the first time[4] and the monthly net increase of NPLs has decreased continuously, reflecting an initial curb on rising trend of NPLs. Given the fact that COVID-19 will not change the growth trajectory and general trend of Chinese economy, the asset quality of credit cards is under control in the overall sense. What's more, the regulatory environment for compliance of the industry is improved over time, and rule-violating businesses and institutions were cleaned up and rectified, which is a good news for the licensed institutions. Thus, it is expected that the quality of credit card loans will be under control overall in the second half of 2020. At the end of the reporting period, the Bank recorded RMB12.038 billion balance of non-performing credit card loans, corresponding to an NPL ratio of 2.50%, up by 0.76 percentage point from the end of the previous year.

During the reporting period, the pandemic made it harder to recover cash and write off overdue loans. In addition, the non-performing asset transfer market showed more prominent features of a buyer's market, driving prices even lower. In this regard, the Bank actively responded in a problem-oriented way, and took a range of measures to minimize the impact of the pandemic. First, it adjusted disposal strategies in a timely manner, and disposed "five batches"[5] of non-performing assets in overall planning — those eligible for recovery should be recovered, written-off be written off and disposal be disposed. It followed new policy developments and planed and reserved projects prospectively, so as to speed up their implementation until policies launched. What's more, the Bank reinforced the management of written-off assets continuously, implemented differentiated policies on corporate and retail businesses, and formulated personalized recovery policies, to minimize losses and increase efficiency. Second, the Bank took strong management and disposal measures, went all out to resort to litigation, and used litigation as the groundwork for the recovery and disposal of non-performing assets consistently. It enhanced the management of recovery process, and improved its capacity to obtain property clues and improve the ability of comprehensively utilizing a variety of recovery means. Meanwhile it advanced the development of its operation platform, strengthened synergy and coordination, and utilized the integrated channel resources. It also increased cooperation with asset management companies and the Banking Credit Assets Registration and Circulation Center, and strove to improve the success and premium rate of non-performing assets transfer. During the reporting period, the Bank disposed of RMB31.608 billion non-performing assets in total (including credit card), which consumed RMB21.270 billion write-off resources. The cash recovery of written-off assets amounted to RMB4.512 billion, up by 68.02% year on year.

4 Customers with overdue loans for the first time refer to those who were not delinquent in the past six months.

5 "Five batches" refer to recover, restructure, transfer, repossess and write off batches of non-performing assets.

3.4.3 Establishment of the Wealth Management Subsidiary and the Transformation of Asset Management Business

Adhering to the strategic positioning of "market-oriented, digital, platform-based, high-value, high-tech, high-quality", the Bank continued to promote the transformation of its asset management business. In June 2020, the Bank received the *Reply of the China Banking and Insurance Regulatory Commission on Approving the Commencement of Business of CITIC Wealth Management Corporation Limited* (CBIRC Reply [2020] No.359) in which the CBIRC approved the commencement of business of the wholly-owned subsidiary of the Bank, CITIC Wealth Management. According to the reply, CITIC Wealth Management is established in Shanghai with a registered capital of RMB5 billion, and mainly engages in wealth management-related business such as issuance of public and private wealth management products, and wealth management consultation and advisory. CITIC Wealth Management was formally established and open for business in July 2020. The establishment of CITIC Wealth Management is an important step took by the Bank to implement the regulatory requirements, facilitate the healthy development of the asset management business, and promote the wealth management business to focus on its original mandate. As the wholly-owned subsidiary of the Bank, CITIC Wealth Management will, in accordance with the philosophy of "managing other people's wealth on their behalf as entrusted" and the adherence to the core values of "compliance, customer orientation, integrity, diligence and gratefulness", be customer-oriented and continue to create value for customers by creating a professional system of investment research and risk control, to boost the high-quality development of the real economy.

The Bank, with a sharp eye for market and customer needs, made every effort to facilitate the R&D and sales of new products, forming a product line with fixed-income products as the body, and multi-asset products and equity products as the two wings, and the scale of wealth management products was growing steadily. As at the end of the reporting period, the Bank's existing scale of non-risk-bearing wealth management products recorded RMB1,152.777 billion, up by 4.49% from the end of the previous year, in which the proportion of NAV products was further increased to 67.70%, up by 8.23 percentage points over the end of previous year. In the future, the Bank will transfer new products that fall within the *Guidelines of the People's Bank of China, China Banking and Insurance Regulatory Commission, China Securities Regulatory Commission and State Administration of Foreign Exchange on Regulating Asset Management Business of Financial Institutions* (CBIRC Release [2018] No.106, hereinafter the "New Regulations on Asset Management") to CITIC Wealth Management for operation, and the latter will issue new products in line with the New Regulations on Asset Management and continue to expand the scale of new products as well. CITIC Wealth Management will strictly implement the requirements of regulators, align with the orientation of national strategies, and serve the needs of real economy development, to support technology enterprises and constantly improve its asset structure. Besides, according to the requirements of the New Regulations on Asset Management, it will strengthen the tiered management of customers and proactively meet requirements on the appropriateness of investors to protect investors. It will carry out solid work in active management and allocation of general-category assets, strengthen the allocation of standardized bond assets and the term match of non-standardized asset investments, and make appropriate arrangements for equity assets and cross-border market business based on willingness and ability of customers to take risks so as to address their needs. The subsidiary will also continuously transform toward NAV products to further improve its product system, and towards investments measured at fair value and held-for-trading purpose in consideration of customers' risk preference and wealth management needs, and enhance refined management in aspects of custody, operation, information disclosure, compliance and risk control.

3.4.4 Financial Technology and Information Technology

During the reporting period, the Bank achieved rapid development in core technology capacity building, technology-driven pandemic control, new technology application, and agile organizational transformation, and moved faster with technology empowerment. The Bank launched the first core business system based on a fully-autonomous distributed database in China, and improved its capabilities in tackling key sci-tech problems, implementing and organizing large and complex projects, real-time big data services and analysis, agile R&D, and distributed intelligent operation and maintenance across the Bank. Relying on the "CITIC Brain", the Bank has built an artificial intelligence model center and an artificial intelligence efficiency center, and quickly launched nearly 200 AI application models, doubling the number in 2019. Its AI technology has been successfully applied to drive the overall transformation and development of the Bank. Moreover, the Bank continued to lead the industry in R&D and application of blockchain technology, formed a new model of blockchain application in Xiongan New Area, and made breakthroughs and realized applications across a wide range of scenarios such as supervision of migrant workers' wage and supply chain finance. Efforts to realize agile IT-powered organizational transformation were also starting to deliver impressive results. The operation processes, mechanisms and working models of direct interaction between the 33 R&D domains of the Head Office with the business departments were taking shape and begun to play its positive role. The response rate to the front-line at branches and sub-branches for marketing customers and the reservation response rate of value-added services have all reached 100%.

During the reporting period, the Bank continued to make strong moves in channel building, intelligent application, scenario expansion, payment innovation and inclusive finance services, and actively pushed forward financial technology empowerment and digital transformation to enhance its core competitiveness. In terms of digital channel, the Bank accelerated the promotion of "contactless" business model, transformed to online and intelligent retail banking, and launched many online services such as online video and audio recording sales[6] of private banking products and "CITIC Chat" in mobile banking. In terms of intelligent applications, the Bank intensified marketing to long tail customers and built a label factory of long tail customers with over 1,000 labels going live to support the precision marketing for subdivided customer groups. In addition, it applied new intelligent contact means to improve the efficiency of customer access and conversion. During the reporting period, the Bank made more than 142 million customer contacts with the wealth management customers acquired through online marketing reached RMB155.097 billion. In terms of ecosystem scenario development, the Bank made use of the open bank technology to broaden the service boundary, and became capable to provide 24 products and services, such as electronic account, Xinjin Bao, Party Dues Connect, etc. Through crossover cooperation, it built the scenario-based ecosystems of life services such as health care, going abroad and Party building in cooperation with external leading institutions in these sectors, providing customers with comprehensive "financial + non-financial" services. In terms of payment innovation, the Bank developed new functions of "New e-Manager", "Xin Yin Zhi Hui" (means CNCB cross-border foreign exchange settlement), "Quan Fu Tong Cloud Order" (means cloud order in total payment service) and others to boost deposits taking and customer acquisition. In terms of inclusive finance services, the Bank clarified the "online, specialized, intensified and intelligent" inclusive finance business, improved "chain finance" products continuously and developed online credit products such as "Logistics e-Loan", "Tax e-Loan" and "Customs e-Loan", improving its mobile and open inclusive service capacity across the board.

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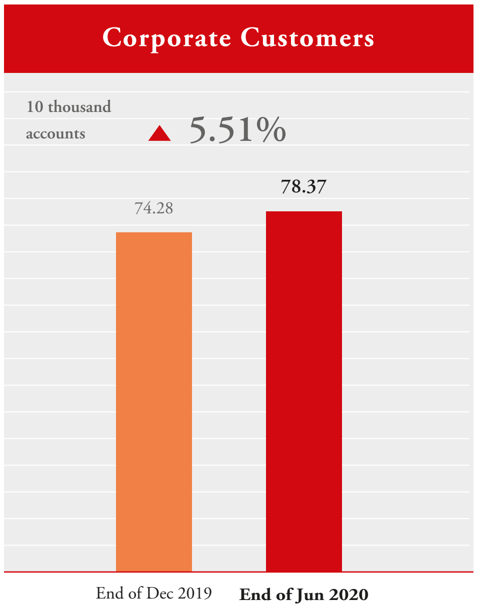
[6] Video and audio recording sales refer to the model where customers purchase exclusive private banking products by means of audio and video recording through CITIC Bank's mobile banking (including asset management plan and trust plan but excluding family trust).

3.5 Business Overview

This section analyzes all data and information from the Bank's perspective.

3.5.1 Corporate Banking Business

The Bank's corporate banking business followed the general principle of pursuing progress while ensuring stability and improving business transformation, took the initiative and pursued practical results in such aspects as advancing business transformation, expanding market, consolidating business foundation, refining business structure and highlighting business features, and thus achieved sound results in operation transformation. The Bank realized RMB44.204 billion net operating income from its corporate banking business for the reporting period, down by 0.59% year on year, representing 45.19% of its total net operating income. This amount included RMB7.614 billion net non-interest income from corporate banking, representing 21.18% of the Bank's total net non-interest income.



3.5.1.1 Corporate Customer Management

Adhering to the "customer-centric" service concept, the Bank continued to consolidate its business foundation with the focus on "system building for sustainable corporate banking". During the reporting period, the Bank continued to strengthen its team building and established a layered customer marketing team consisting of "corporate customer managers + non-loan customer managers". It fully launched the digital transformation of corporate banking, applied technologies to boost its business development, and rolled out the online remote account opening and outbound call systems to enhance its online service capabilities. Meanwhile, the Bank actively built high-quality customer acquisition channels, explored high-quality batch customer acquisition scenarios, focused on improving precision marketing capabilities and key product application ability, and continuously improved customer activeness and contribution through transaction banking and other products. As at the end of the reporting period, the Bank recorded 783.7 thousand accounts of corporate customers in total, an increase of 40.9 thousand accounts over the end of previous year. This number included 189.8 thousand accounts of base corporate customers[7], an increase of 11.1 thousand accounts over the end of the previous year, and 121.4 thousand accounts of effective corporate customers[8], an increase of 8,422 accounts over the end of the previous year.

Management of Strategic Customers

The Bank established a joint management model for strategic customers with "leading marketing, sharing risks, improving organization, and linking performance" as the core. Through integrating front, middle and back offices, and coordinating the Head Office and branches, the Bank provided customized support to 143 Head Office-level strategic customers and more than 1,400 strategic customers at the branch level. It customized differentiated comprehensive financial solutions, launched new supply chain financial products, improved business process and allocated differentiated resources for each of the strategic customers. It also established strategic cooperation with China National Building Material Group Co., Ltd., Contemporary Amperex Technology Co., Limited and other customers, deepened specialized operations in key industries such as medicine, internet, communications, electricity, automobiles and construction, provided high-quality and efficient financial services for upstream and downstream customer groups of leading customers in the industries, and improved the comprehensive contribution of strategic customers to the Bank at a faster pace.

7 Refers to corporate customers with daily average deposit of RMB100,000 and above.

8 Refers to corporate customers with daily average deposit of RMB500,000 and above.

During the reporting period, the Bank's daily average balance of deposits from strategic customers[9] stood at RMB1,148.481 billion, an increase of 19.02% over the previous year; and operating income reached RMB14.980 billion, an increase of 7.25% year on year. As at the end of the reporting period, the Bank's balance of loans to strategic customers stood at RMB669.446 billion, an increase of 5.21% over the end of the previous year, showing good overall loan quality.

Management of Institutional Customers

The Bank unleashed its distinctive strengths in institutional business, continuously deepened its customer system, product system, marketing management system and team building system, and focused on building the brand of government financial services. During the reporting period, the Bank further deepened cooperation with institutional customers at all levels. It signed a framework cooperation agreement with the National Healthcare Security Administration and became the first commercial bank to launch the national medical insurance electronic voucher service. It also signed a Head Office-to-headquarters cooperation agreement with the National Financing Guarantee Fund, and secured important qualifications and accounts in a wide spectrum of fields, including public finance, social security, medical insurance and tobacco. While continuing to provide basic fiscal services, the Bank actively invested in local government bonds, provided government customers with special bond scheme design and bond issuance materials preparation services, and built an integrated platform for institutional business and asset management to facilitated RMB61.650 billion in urban construction investment bonds. Focusing on the development mission of serving the government and people's well-being, the Bank developed and launched the "CITIC Epidemic Control" product immediately after the COVID-19 outbreak, continuously pushed forward products including the "Smart Payment" platform for education, Smart Campus and electronic social security card, and expanded the coverage of products, offering comprehensive financial services to institutional customers and the general public these customers serve, which effectively enhanced customer cooperation stickiness.

As at the end of the reporting period, the Bank recorded 38.7 thousand accounts of institutional customers[10] of various types and RMB535.294 billion balance of loans for these customers, an increase of 17.06% over the end of the previous year. Such loans were mainly invested in urban construction, land and housing, transportation, and education, science, culture and health. The Bank's institutional customers had a 0.27% NPL ratio and recorded good asset quality in the overall sense. During the reporting period, the institutional customers registered RMB1,159.579 billion daily average deposits, an increase of 0.16% over last year.

3.5.1.2 Corporate Deposit and Loan Business

Corporate Deposit Business

Sticking to the principle of pursuing progress amid stability, and laying equal stress on cost control and scale growth, the Bank exerted every effort to advance its corporate banking transformation, deepen the integrated customer management and develop transaction banking, thus realizing the balanced development of steady growth of corporate deposits and reasonable control over costs. As at the end of the reporting period, the Bank's period-end balance of corporate deposits stood at RMB3,380.779 billion, an increase of RMB339.449 billion over the end of last year, continuing to lead joint-stock commercial banks. The average daily balance of corporate deposits was RMB3,238.469 billion, up by RMB296.165 billion over last year. The balance of structured deposits accounted for 10.59% of the total, a relatively low level among joint-stock commercial banks. During the reporting period, the cost rate of its corporate deposits was 2.12%, still below the industry average level, indicating the Bank's effective management and control of its cost of corporate deposits.

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9 Deposit balance, operating income and loan balance of strategic customers are counted according to the list of strategic customers adjusted and confirmed by the Bank. To boost data comparability, relevant growth rates are adjusted according to changes in the scope of customers.

10 Due to its need for management of corporate customers, the Bank reclassified the existing institutional customers and made corresponding regressive calculation of the beginning base figures.

Corporate Loan Business

The Bank implemented policy orientation of supporting the real economy such as manufacturing, further improved subsidy on the basis of existing special resources allocation, and introduced incentive measures to fully support policies on ensuring stability on the six fronts and security in the six areas. During the reporting period, the Bank stepped efforts in supporting manufacturing enterprises, small and micro enterprises, private enterprises and other enterprises in key areas, continued to lower the financing costs of enterprises and expanded customer groups who got benefits. It also seized financing opportunities in national infrastructure development, supported industry upgradation, enhanced credit support for online emerging industries such as finance technology, and took a differentiated approach to loans in overcapacity industries. As at the end of the reporting period, the proportion of balance of loans[11] granted to industries it actively support[12] such as software and information services and pharmaceutical sector in the Bank's total loans increased by 2.14 percentage points over the end of previous year. It also introduced measures to grant more loans to key areas in response to the pandemic, carried out the "Guard Plan" and "Sunshine Plan" in supporting key customers in medicine and medical care sectors as well as benchmarking customers, in a bid to bolster enterprises to fight against the virus and resume work and production. As at the end of the reporting period, the Bank totally extended RMB86.028 billion of anti-pandemic loans to 2,151 enterprises. During the reporting period, the Bank's loans granted to manufacturing, medicine and medical care, general service sector and other fields increased, and its loan structure continued to improve.

As at the end of the reporting period, the Bank's balance of corporate loans stood at RMB1,908.968 billion, an increase of RMB134.323 billion over the end of previous year; average interest rate of corporate loans was 5.13%, down by 0.10 percentage point over the end of previous year.

3.5.1.3 Key Corporate Businesses

Transaction Banking Business

The Bank has pursued "scenario-specific, distinctive and online" transaction banking business. It stepped efforts in innovation and R&D, continuously enhanced its capability of corporate electronic channel services and established an experience response mechanism to further enhance customer experience. During the reporting period, the Bank ramped up innovation in transaction banking products, actively explored application in payment and settlement scenarios, industries and new business models. It continuously upgraded online service capability of trade finance products, and launched 16 products to further meet settlement and financing needs of customers. Besides, the Bank upgraded products along the supply chain, scaled up financing support for upstream and downstream enterprises of industrial chain while ensuing strong financial services to core enterprises in industrial chain, and fully supported the real economy to help enterprises resume work and production. In addition, it built up a customer service system based on refined classification, improved response mechanism and created an online information interaction platform to improve the overall customer experience. Oriented to the all-round development in terms of "new experience, new services and new channels", the Bank released the CITIC Bank Transaction Banking Version 3.0 to create a one-stop and comprehensive financial services platform integrating corporate online banking, corporate mobile banking and bank-enterprise direct connection.

As at the end of the reporting period, the Bank recorded 661,200 accounts of customers in transaction banking, a growth of 8.93% over the end of the previous year. During the reporting period, transaction banking completed 51.8210 million transactions, an increase of 14.87% year on year. The transaction amount recorded RMB49.98 trillion, an increase of 24.35% year on year. Trade finance recorded RMB98.932 billion, up by 96.23% year on year.

Auto Finance Business

As a "big single product" of corporate banking at the Bank, auto finance has remained a market leader since the Bank introduced the business in 2000, when it become the first to do so across the industry. The Bank partnered with nearly 60 automakers, covering all mainstream new energy automobile brands.

11 The loans refer to on-balance sheet general RMB corporate loans (excluding discounted loans), the same below.

12 During the reporting period, due to its needs for management of corporate customers, the Bank reclassified the industry stratification and corresponding industry codes from the last year and made corresponding regressive calculation of the base figures as at the end of previous year.

In recent years, while improving auto finance service capability, the Bank promoted the steady development of business following the strategy of "policy + product" in short term, "product + platform" in medium term and "platform + system" in long term. As at the end of the reporting period, the Bank recorded 3,845 auto dealer partners, an increase of 456 accounts year on year. During the reporting period, the Bank's auto finance business recorded cumulative financing of RMB128.821 billion, outperforming the market. Over 80% of business were conducted with medium-to-high-end and high-quality Chinese brands and the customer structure was further improved. The daily deposits with the Bank averaged RMB93.995 billion, an increase of 3.65% year on year. The balance of financing was RMB86.037 billion with an overdue advance ratio of 0.04%, reflecting that the asset quality maintained in good condition.

By staying true to expanding and strengthening auto finance business, the Bank will continue to improve the organization and marketing patterns of auto finance, strengthen coordination between retail and corporate banking, create an auto finance cloud network platform and a diversified, convenient and ecosystem-based product service system, and cultivate the full automobile industry chain.

Investment Banking Business

The Bank took investment banking business as an important pillar for implementing the strategy of becoming the company offering the best comprehensive financial services, actively implemented the requirements of transformation of the corporate business, and fully integrated into the bank-wide management system for corporate customers. It relied on professionalism, pursued innovation and efficiency, seized opportunities in market and developed featured products. Moreover, the Bank reinforced business coordination, vigorously developed such businesses and products as bond underwriting, M&A financing, syndicated loans and equity financing, and made every effort to consolidate the status of its traditional and advantaged business in the market. As a result, a set of innovation-driven products were introduced to the market, and its investment banking maintained a relatively fast pace of development.

The Bank focused on leveraging the important role of bonds in supporting pandemic control, and underwrote 38 "pandemic prevention and control bonds" during the reporting period in total that include the first issuances in Beijing, Tianjin, Zhejiang, Shandong, Henan, Anhui and Ningxia, showing its sense of responsibility as a state-owned enterprise. Besides, the Bank's M&A financing business supported the development of manufacturing and successfully launched a set of quality M&A projects in the industry. During the reporting period, the Bank's investment banking achieved RMB4.912 billion business income. It underwrote 548 debt financing instruments totaling RMB339.964 billion in amount, ranking second in the market[13].

International Business

Guided by the national policy orientation, the Bank's international business adhered to serve the real economy and acted proactively and shouldered responsibilities during the pandemic. The Bank introduced seven measures to ensure stability in foreign trade, which included fee reduction and interest concessions, service procedure upgrading, more efficient settlement, online financing products that were suitable for small and micro foreign trade enterprises, support for foreign trade customers and national key projects in the Belt and Road Initiative, and smart services in forex business, etc., to support foreign trade enterprises resume work and production. During the reporting period, the Bank obtained FT account[14] qualification in China (Guangdong) Pilot Free Trade Zone Nansha Area of Guangzhou and China (Guangdong) Pilot Free Trade Zone Hengqin New Area of Zhuhai and began to conduct business soon. Digital development achieved considerable progress with the new generation of cross-border E-commerce platform system and an online forex trading milestone product — "Corporate Capital Transaction Platform" was launched successively.

During the reporting period, the Bank's forex purchase and sale, forex receipts and payments for international balance of payments and customer-driven cross-border Renminbi receipts and payments recorded USD66.978 billion, USD111.460 billion and RMB145.900 billion, a year-on-year increase of 0.81%, 4.24% and 21.28%, respectively, constantly outperforming the market and leading joint-stock commercial banks. The balance of export-import trade finance and FT account loans increased by 39.94% and 71.02% respectively over the end of last year.

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13 Ranking based on Wind Info data.

14 Namely free trade account, which refers to the local and foreign currency account following uniform rules and opened by financial institutions under the free trade accounting unit according to the needs of customers.

Asset Custody Business

The Bank vigorously developed the custody business, improved service capability and forged value-added custody business. During the reporting period, the Bank responded to the pandemic with scientific arrangement, upgraded customer management and operation service, and strengthened the push for key products including mutual funds, government funds, industrial funds and bond custody. The Bank ranked third in the banking sector and first among joint-stock commercial banks by the custody scale of mutual funds[15]. It provided custody services for another 16 mutual funds, which has surpassed last year. Furthermore, the Bank was successfully selected in the Venture Sub-fund Custodian Bank of National Fund for Technology Transfer and Commercialization, and launched the new material sub-fund custody of national manufacturing transformation and upgrade fund. It was also included in the China Life Insurance Company Limited's custody bank cooperative list, realizing strategic cooperation between two groups. During the reporting period, the Bank was the first bank in the industry to conduct inter-bank bond custody business, making a historic break in bond custody business in the interbank market.

As at the end of the reporting period, the Bank's custody scale rose to RMB9.73 trillion, up by RMB586.729 billion over the end of last year. During the reporting period, the Bank realized RMB1.750 billion of income from custody business. The custody accounts continued to beef up deposit growth, recording an average daily balance of deposits of RMB380.756 billion, of which the average daily balance of general deposits on the custody accounts was RMB116.511 billion.

Inclusive Finance Business

During the reporting period, the Bank fully implemented policies and plans made by the CPC Central Committee and the State Council on serving the real economy, supporting the small and micro enterprises and developing inclusive finance, and actively implemented the policy requirements of regulators such as the PBOC and CBIRC. By adhering to the development philosophy of being "humane, mission-driven, considerate and benevolent" for inclusive finance, the Bank focused on ensuring stability on the six fronts and security in the six areas, and gave full play to the integration plan of "Party building + inclusive finance" to deal with the impact of the pandemic. Besides, it paid close attention to both business development and risk prevention and control on the principles of market-based and on a sound legal footing, made every efforts in building a "value inclusive" system, and facilitated high quality development of financial services for small and micro enterprises with a range of considerate financial support.

The Bank continued to improve its organizational framework and expedited the extension of outlets. It has set up inclusive finance departments in 20 key branches, established 6 small and micro sub-branches, and set up an online inclusive finance "cloud service hall" with a capacity of more than 1,000 people on electronic channels such as portal websites, personal online banking, mobile banking etc. In addition, it continuously improved product and service system and strengthened product innovation, improved "chain finance" products by developing fully online credit products such as "Logistics e-Loan", "Tax e-Loan" and "Customs e-Loan", and promoted products including first-time loans, unsecured loans, medium and long term loans, manufacturing loans and loan renewal without repayment. The Bank improved its risk management system and relevant policies, accelerated process improvement and the system iteration of the intelligent risk control platform, and strengthened loan payment control and fund flow monitoring as well as internal control and compliance management like anti-money laundering to bring business risks under control. What's more, the Bank continuously improved its appraisal and incentive system, strengthened the leading role of Party building and gave full play to the advantages as a state-owned financial enterprise. It promoted the integrated development of Party building and inclusive finance with the theme of "Inclusive CITIC Red" and based on the "1+20+1,000" upper and lower linkage[16].

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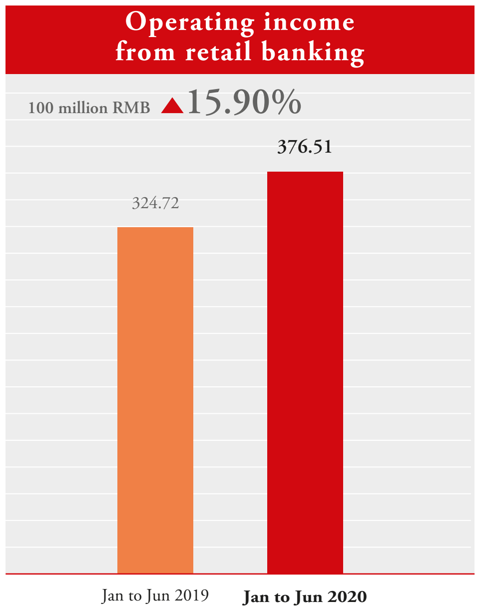
15 According to the statistics released by the China Banking Association.

16 "1+20+1,000": "1" refers to the Party branch of the Inclusive Finance Department of the Head Office, "20" refers to the Party branches of inclusive finance departments in 20 key branches, "1,000" refers to the Party branches of 1,000 key sub-branches, forming an integrated and collaborative development mechanism of Party building and inclusive finance with upper and lower linkage.

During the reporting period, the Bank continuously lowered cost of funds, operational costs, and risk costs of loans to small and micro enterprises, and the financial services to those enterprises continued to show improved quality and performance. As at the end of reporting period, the balance of loans to small and micro enterprises meeting the assessment requirement of the CBIRC[17] reached RMB691.825 billion, an increase of RMB82.217 billion over the end of the previous year; the number of customers with outstanding loans was 135,100, an increase of 16,700 from the end of the previous year. The balance of inclusive finance loans meeting the assessment requirement of CBIRC[18] reached RMB226.113 billion, an increase of RMB21.858 billion or 10.70% over the end of the previous year, about 5 percentage points faster than that of other loans; the number of customers with outstanding loans was 129,800, an increase of 16,500 from the end of the previous year. The asset quality of inclusive finance loans remained stable, with an NPL ratio lower than the overall NPL ratio of the Bank; the overall cost of financing from the Bank including loan interest of enterprises dropped steadily. The Bank's balance of inclusive finance loans in line with the assessment requirements of the PBOC on targeted RRR (Reserve Requirement Ratios) cuts[19] was RMB247.470 billion, an increase of RMB22.193 billion from the end of the previous year, accounting for 11.58% of the Bank's new RMB loans, which met the top assessment standard of the PBOC on targeted RRR cut.

3.5.2 Retail Banking Business

During the reporting period, in response to user behavior change, accelerated integration of finance and technology and intensified competition in wealth management business, the Bank spared no efforts in the development of retail banking business and enhanced the adaptation among customers, products and channels through expanding customer base, strengthening product driving model, improving channel capabilities and bettering service experience, and relying on its digital capacity building. What's more, the Bank strategically developed the two ecosystems of ageing finance and going abroad finance, and pushed forward agency payroll service through coordination between retail and corporate banking. It made continuous efforts to develop featured products such as Xinjin Bao, family trust, carte blanche asset management, mobile banking and credit card, and prioritized the advancement of three major business areas, i.e., asset business, wealth management and payment settlement. With the support of big data and precision marketing technology, the Bank developed new approaches to acquire customers through mobile channels and platforms, and sustained relatively fast growth of its retail banking business while constantly upgrading customer management and service experience.



During the reporting period, the Bank's retail banking business recorded net operating income of RMB37.651 billion, a growth of 15.90% year on year, representing 38.49% of its total net operating income. Non-interest net income from retail banking recorded RMB19.615 billion, an increase of 6.17% year on year, accounting for 54.56% of the Bank's net non-interest income. Credit card business contributed RMB15.774 billion to total net non-interest income, accounting for 43.88% of the total, while income from agency business stood at RMB4.194 billion, up by RMB1.374 billion or 48.72% year on year.

17 Refer to the business loans granted to small enterprises, micro enterprises, individual businesses, and small and micro business owners, including discounted loans.

18 Refer to the loans for small enterprises, micro enterprises, individual businesses, and small and micro business owners with the total single-account credit amount of RMB10 million or below.

19 Refer to the small and micro enterprise loans, business loans for private businesses and small and micro business owners, production and business loans for farmers, startup guarantee loans, consumer loans for impoverished people with established poverty files and cards, and student loans, with the single-account credit amount of less than RMB10 million.

3.5.2.1 Retail Customer Management

The Bank expanded the "increment" through integrated customer management including customer acquisition, activation and conversion, and strengthened the "stock" through comprehensive customer management, achieving qualitative and quantitative improvement in the customer base through systematic management and service of retail customers. During the reporting period, the Bank launched CITIC Bank wealth station, created targeted online service hall, and explored online and centralized retail banking mode. It also pushed forward ecosystem development of "within three kilometers from the outlets", and increased outside extension of the outlets and hall activities, to achieve effective link of outlets and scenarios and acquire more customers and add value. As at the end of the reporting period, the Bank recorded 106.0586 million accounts of retail customers, a growth of 3.77% over the end of the previous year; and 972,100 accounts of medium-to-high-end customers[20], representing a growth of 9.22% over the end of the previous year. Retail customers subscribing for the Bank's WeChat official accounts exceeded 2 million accounts. The Bank deepened interaction between corporate and retail banking segments, strengthened intra-group synergies, realized sharing of high-quality resources and strategically developed the agency salary payment business. As at the end of the reporting period, the Bank recorded 5,320,900 valid accounts of customers receiving its agency salary payments through such interaction, an increase of 37.20% year on year; the amount of agency salary payments reached RMB196.603 billion, up by 21.71% year on year; and registered corresponding RMB230.224 billion retail AUM for these customers. And the Bank newly acquired 1,145 accounts of basic corporate customers.

The Bank continued to strengthen management of its featured customer groups, i.e. elderly customers, female customers and users of going abroad financial services. With a focus on customer digitalization, product portfolios and platform-style channels, a uniform customer group service system was built to shape a closed loop of customer growth. All the three customer groups saw profit growth and brand enhancement. The Bank worked to launch and upgrade "Happiness + Club" services covering wealth management, health, privileges, education, tourism and accomplishment sectors, enriching service system for elderly customers. The Bank also spared no efforts in the female wealth management service system — "Embracing Yourself and Your Family", and held 31,000 salon activities of various topics including household assets allocation, financial risk aversion, overseas education, and interest cultivation. What's more, it opened the green channel for going abroad financial services during the pandemic, and launched online remittance products for overseas students that were not included in the annual quota for foreign exchange purchase, being the first bank to roll out such product within the industry, and intensified the Bank's brand features in going abroad financial services. As at the end of the reporting period, the Bank's elderly customers[21], female customers[22] and going abroad customers registered 14.7752 million, 17.2169 million and 7.0072 million, representing an increase of 7.36%, 6.72% and 4.78% over the end of the previous year, respectively.

3.5.2.2 Personal Deposit and Loan Business

Personal Deposit Business

Starting from customer needs and experience, the Bank increased sales of deposit products with an idea of asset allocation, and pushed for the growth of personal deposits by multiple measures. The Bank continuously improved liability products, launched the "Escrow Profit" product towards three-party escrow customers, improved purchase experience of time deposits, structured deposits and other products in mobile banking, and provided customers with asset allocation solutions. Besides, it continued to promote the scenario-based application of deposit products, launched products such as "Xin Yue Bao" towards trading margin scenario, "CITIC e-Manager" towards payment settlement scenario and "Intermediary Manager" towards second-hand housing transaction scenario, to meet customer needs in different scenarios. As at the end of the reporting period, the Bank's balance of personal deposits registered RMB817.022 billion, an increase of RMB68.000 billion or 9.08% over the end of the previous year.

Personal Loan Business

Adhering to the concept of "Value Personal Loan", and the role of personal loans as the "ballast stone" of the Bank's asset business, the Bank promoted the balanced development of three key products, namely, personal housing loans, personal business loans and personal unsecured loans in an orderly manner, to support the development of the real economy and private economy and boost consumption upgrading.

20 Refers to customers each having at least RMB500,000 daily average AUM with the Bank.

21 Refers to customers aged 50 or over 50.

22 Refers to female customers aged 30-49.

In terms of personal housing loans, the Bank continued to grant commercial personal housing loans in accordance with the real estate regulation and control requirements of governments at all levels in China. As at the end of the reporting period, the balance of housing mortgage loans reached RMB815.246 billion, an increase of RMB55.000 billion or 7.23% over the end of the previous year. In terms of personal business loans, the Bank improved its product policies, specified operating standards, refined credit-extending functions, and adopted diversified credit-extending methods, thereby improving the convenience of customers' fund using. Besides, it provided differentiated modes of repayment, matched actual financing demands of small and micro enterprises in a flexible way and improved efficiency of fund using, to facilitate the development of the small and micro enterprises and the real economy. In terms of personal unsecured loans, the Bank strengthened fraud prevention and control, improved layered customer groups and implemented differentiated review and approval system. Besides, it upgraded the model of centralized accounting management for the business to improve quality and performance, and continuously promoted the development and branding of standardized "Xin Miao Dai" (means CNCB instant loans), providing customers with easy and efficient access to online self-service financing services. As at the end of the reporting period, the balance of personal loans (excluding credit cards) of the Bank was RMB1,229.219 billion, an increase of RMB51.476 billion or 4.37% over the end of the previous year.

3.5.2.3 Key Businesses of Retail Banking

Wealth Management Business

The Bank strengthened customer relationship and expanded its wealth management business in response to market changes and in line with customer needs. In terms of wealth management, it implemented the New Regulations on Asset Management and achieved obvious results in the transformation towards NAV products. As at the end of the reporting period, the Bank realized a 9.20% growth in the scale of existing NAV personal wealth management products over the end of the previous period to 71.92%. In terms of agency fund sale, the Bank reasonably allocated "fixed income+" and "premiere equity" products for customers in line with changes in market conditions by closely following the market change, strengthening investment research capacity and team as well as the selection system of fund products, achieving a 445.68% year-on-year increase in the sale of non-money market funds during the reporting period. Besides, it also introduced the product "Target Profit" with "automatic investment plan + stop-profit function". In terms of agency insurance sale, the Bank devoted itself to further improving the non-government elderly care and medical care systems and continuously met customers' demand for insurance. As at the end of the reporting period, the Bank recorded a 6.52% year-on-year increase in total agency risk protection insurance sales.

As at the end of the reporting period, retail customers of the Bank recorded total AUM balance of RMB2,264.053 billion and an AUM balance of RMB1,103.102 billion for VIP retail customers at the Bank, an increase of 7.54% and 7.93% over the end of previous year, respectively. During the reporting period, daily average AUM balance stood at RMB2,213.519 billion, up by 12.03% compared with last year. In July 2020, the wholly-owned subsidiary of the Bank — CITIC Wealth Management formally started business. For relevant information of CITIC Wealth Management, please refer to "3.4 Capital Market Focuses" in Chapter 3 of this report.

Private Banking Business

Being "customer-oriented", adhering to long-term value and differentiated service concept, and aiming at "value creation together", the Bank created an open, connected and win-win private banking strategy ecosystem, and built a "good taste, high quality and strong brand" private banking service system with CITIC Bank's characteristics. Relying on the intra-group synergies, the Bank leveraged on the cross-sector, cross-line and cross-platform characteristics of private banking business, and continuously improved private banking business layout through strategic partnership, mechanism co-building and resource and information sharing. In addition, it seized market opportunities, cultivated refined private banking customer management and promoted value creation capacity and market competitiveness to provide top private banking service in the industry.

The Bank's private banking established a service alliance system featuring "customer-oriented integration of resources, sharing of customer resources" to strengthen the capacity to provide comprehensive financial services and address the comprehensive service needs of individual, family and business customers of private banking. Beginning with family trust and discretionary asset management, the Bank enriched product supply and strengthened asset allocation. As at the end of the reporting period, the Bank recorded 46,700 accounts of private banking customers, an increase of 4,799 accounts or 11.45% over the end of the previous year; and an AUM balance of RMB648.761 billion for its private banking customers, up by RMB74.857 billion or 13.04% over the end of previous year. The Bank recorded RMB243.198 billion of NAV private banking products. During the reporting period, the Bank's private banking products raised RMB1.31 trillion fund and RMB1.429 billion's capital-light income was realized, accounting for 33.65% of the income from light capital business of retail banking.

Credit Card Business

Under the premise of compliant operation and risk prevention and control, and focusing on consumption as the original source of business growth, the Bank provided multi-dimensional value added products and services closely surrounding customer demands, and high-quality interactive experience with differentiated and refined whole-process services to fully safeguard customers' interests and constantly create value for them.

Following the trend of online consumption base on cloud office and cloud life, the Bank improved the online platform building and scenario layout. The Bank pushed forward the iteration and upgrading of Mobile Card Space APP and created new features of its functions. It also joined hands with 7 leading brands to introduce 23 life and consumption scenarios such as catering, entertainment, tourism, shopping, etc., and build a "life + finance" ecosystem covering all consumption scenarios for users. In addition, the Bank accelerated the arrangement in emerging scenarios of internet platform, actively explored such emerging channels as short video and live streaming, and continued to increase platform traffic and user activation, being in the premier league in terms of follower size in the industry. The Bank promoted the building of a win-win cross-sector financial service ecosystem and accelerated the innovative integration of products and scenarios. Meanwhile, it continued to deepen cooperation with airlines in membership, and made active explorations for full-chain services for membership conversion and management based on membership co-management mode. It actively extended and broadened crossover cooperation scenarios with Tencent, Alibaba and other leading partners, and innovated cooperative patterns. In active response to regulatory policies, the Bank delivered services of extended repayment, green service channel, withdrawal fee reduction and cut, online volunteer consultation and others to users affected by the pandemic, fulfilled its corporate social responsibilities and tried its best to protect users' health and safety and satisfy their needs of financial services.

The Bank's credit card business growth moderated in the first half of 2020 due to COVID-19. As at the end of the reporting period, the Bank issued a cumulatively 87.9921 million credit cards, an increase of 5.60% over the end of the previous year, and recorded RMB480.738 billion balance of credit card loans, a decline of 6.52% over the end of the previous year. During the reporting period, the Bank's credit card transaction volume was RMB1,163.415 billion, a decline of 5.34% year on year; it realized RMB30.431 billion income from credit card business, a growth of 9.49% year on year.

Going Abroad Financial Services

Going abroad finance is a unique single product of the Bank's retail banking business with a history of over 20 years. The Bank is now the authoritative financial institution in partnership with the embassies of 9 countries (including the USA, the UK, Australia and Singapore) for provision of visa services. The Bank has developed a system of products in five major categories, i.e., foreign currency liabilities, cross-border settlement, visa, credit certification and global asset allocation. It has served going-abroad customers of more than 20 million person-times. During the reporting period, the Bank opened green channels for going abroad financial services during the pandemic and provided convenient banking services for customers. It stepped up efforts in building going abroad financial scenarios, launched online remittance products for overseas students that were not included in the annual quota for foreign exchange purchases, being the first bank to have such product within the industry, and deepened external channel cooperation through customer recommendation and other customer acquisition mechanisms to attract more customers for such business. It held "CITIC Vision Going Abroad Club" series online lectures with a total of 12 sessions at the Head Office level and approximately 60,000 participants. Besides, the Bank offered "Mask from Thousands Miles away" campaign to deliver over 70,000 masks to overseas students, and released "Calendar for Going Abroad Financial Services" every day to provide overseas students with important information on pandemic prevention and control, visa and study-abroad policies, practicing its retail brand with "a human touch". What's more, the Bank offered various types of personal foreign currency deposit and wealth management products in multiple currencies, and maintained its brand characteristics and product competitiveness in the field of going abroad financial services.

As at the end of the reporting period, the Bank recorded more than 7.0072 million accounts of customers using its going abroad financial services, with RMB136,400 of average AUM per account and RMB43,300 of average deposits per account, bringing in 125,700 new customers for the Bank. The corresponding balance of personal foreign-currency AUM was USD7.341 billion, in which the corresponding balance of personal foreign currency deposits with the Bank reached USD4.992 billion, ranking the second among the comparable joint-stock banks[23].

3.5.2.4 Consumer Rights Protection and Service Quality Management

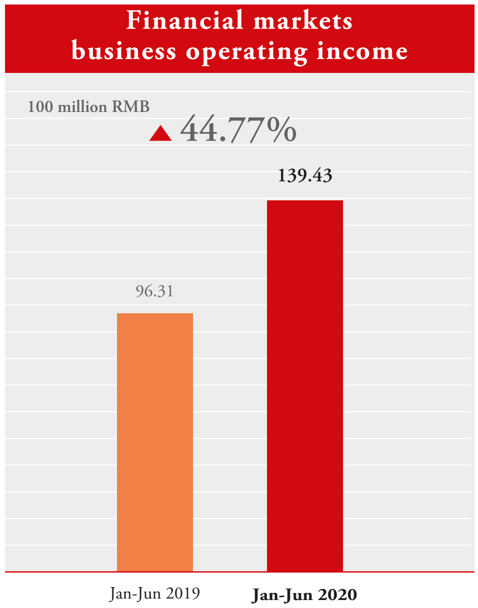
During the reporting period, the Bank established and improved contingency mechanism and quick complaint response mechanism for consumer rights protection, to fully cooperate with the pandemic containment and strengthen consumer rights protection. During the pandemic, the Bank opened selected outlets and arranged business hours as appropriate, disinfected and took temperatures regularly. It introduced policies including repayment grace period, repayment mode change, repayment plan adjustment, and interest charges reduction and cuts for personal loans and credit card customers affected by the pandemic. Moreover, the Bank continuously enhanced monitoring and handling of pandemic related complaint data, and adopted a series of strong measures to improve customer services during the pandemic to timely respond to and solve requests of customers in hard-hit areas such as Wuhan. In addition, it disclosed information on products and services continuously to regulate financial marketing and publicity behaviors during the pandemic.

The Bank constantly developed consumer rights protection system and mechanism, and vigorously conducted training on consumer information protection and other knowledge for employees. In forms of case set, short videos, comics and others, the Bank produced lots of publicity materials to prevent financial fraud and illegal fund raising in active cooperation with regulators to conduct public financial knowledge publicity and education, and formed the non-contact publicity mode during the pandemic through network. The Bank stayed true to its operation concept of "customer-orientation" and continued to improve customer services. During the reporting period, the Bank continued to forge its retail brand with "a human touch" with continuous resource input and frequent service check, in a bid to ensure that outlet service was at a high level at all times in an all-round way.

[23] Data published by the PBOC in June 2020. Banks participated in the ranking include CITIC Bank, China Merchants Bank, Ping An Bank, SPD Bank, Everbright Bank, China Guangfa Bank, Industrial Bank, Hua Xia Bank and China Minsheng Bank.

3.5.3 Financial Markets Business

During the reporting period, despite the adversely affect brought by intensified pandemic, the Bank's financial market business made plans in advance, seized opportunities and focused on key point to overcome the severe market situation and achieve a good start. As a result, it continuously improved its profitability, capital-light development ability and differentiated competitive strength. During the reporting period, the Bank's financial markets business segment recorded operating income of RMB13.943 billion, a growth of 44.77% year on year, accounting for 14.25% of the Bank's total operating income. Of this income figure, net non-interest income from financial markets business recorded RMB9.897 billion, an increase of 68.75% year on year, accounting for 27.53% of the Bank's total net non-interest income.



3.5.3.1 Interbank Business

During the reporting period, the Bank's inter-bank business actively overcame the impact of the pandemic, proactively adjusted investment strategies, and further deepened customer management. It also comprehensively promoted digital transformation, coordinated internal and external resources, and thus achieved steady growth in operating indicators. As at the end of the reporting period, the Bank's balance of financial interbank assets (including deposits and placements with, and loans to banks and non-bank financial institutions) recorded RMB277.274 billion, representing a rise of 2.06% over the end of the previous year; and its balance of financial interbank liabilities (including deposits and placements from banks and non-bank financial institutions) amounted to RMB1,010.283 billion, an increase of 1.54% over the end of the previous year.

During the reporting period, the Bank kept improving customer experience according to corporate customers' financing demand, and thereby helped improve financing efficiency for the real economy and markedly enhanced its ability to serve the real economy. During the reporting period, the Bank's volume of bill discount business exceeded RMB658.896 billion, up by 29.38% year on year, continuing to provide low-cost financing channels for the real economy; the average daily balance of bill rediscounting reached RMB41.280 billion, up by more than 64.49% over the previous year, with all bills from small and micro enterprises. As at the end of the reporting period, "Xin Miao Tie", an innovative self-service electronic discounted bill product, recorded 5,270 accounts of subscribed customers, and more than RMB13.338 billion discounted financing, becoming an important point for the Bank to support inclusive finance. As at the end of the reporting period, the balance of the Bank's bill assets amounted to RMB528.905 billion, representing an increase of 34.85% compared with the end of the previous year; and the proportion of electronic bill business stood at 99.97%, the same level as the end of last year. The Bank continued to research and develop new products and optimize exiting functionalities of the "CITIC Interbank+" platform, a key interbank financial service platform, resulting in constant improvements to customer experience. As at the end of the reporting period, the "CITIC Interbank+" platform had 2,170 accounts of contracted interbank legal-person customers, an increase of 9.54% over the end of the previous year.

3.5.3.2 Financial markets business

The Bank actively conducted money market transaction businesses such as Renminbi interbank lending, borrowings and bond repos. While meeting the needs for liquidity management, the Bank also improved the operating efficiency of short-term capital. As at the end of the reporting period, the Bank recorded RMB13.64 trillion in total volume of money market transactions. At the same time, the Bank fully leveraged active liability financing instruments such as interbank certificates of deposit, and further consolidated its proactive liability sources, with its RMB230.080 billion interbank certificates of deposit issued during the reporting period.

The Bank offered pertinent multi-layer exchange rate risk management solutions to meet customer needs for financing and value preservation, cross-border M&A, forex receipt and payment hedging, and management of Renminbi and foreign currency denominated assets and liabilities through its exchange rate product portfolios including forex trading, spot and forward forex purchase and sale, swaps, options and others. Thus, the Bank helped customers achieve value preservation and appreciation of their forex assets and liabilities, and thereby fully satisfied customers' needs for currency exchange for pandemic prevention during the pandemic. During the reporting period, the Bank completed RMB4.61 trillion forex market making transactions, ranking as the third largest spot comprehensive market maker in the interbank forex market[24]. During the pandemic, the Bank persisted in fulfilling the obligations of market maker, continued with bilateral quotation transactions, and hence contributed to maintaining market stability.

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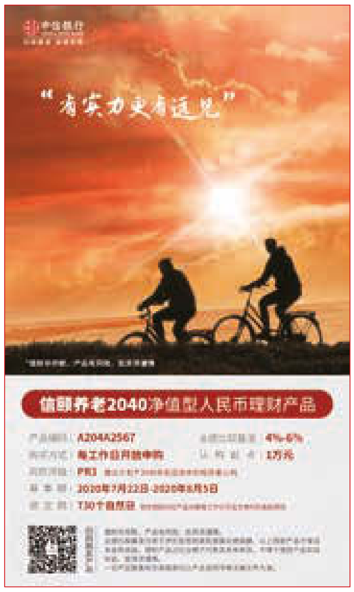
[24] Ranking according to data of the China Foreign Exchange Trade System and National Interbank Funding Center.

Based on market conditions, the Bank improved capital utilization efficiency by appropriately increasing the proportion of local government bonds and asset circulation, and improved the investment return on bond assets by flexibly adjusting investment duration and timing the market. As a core market maker for bonds and interest rate derivatives in the interbank market, the Bank fulfilled its market-making function and role to provide basic quotation and liquidity support for the market, thereby effectively cementing its market leading position in market making business for RMB bonds and interest rate derivatives. During the reporting period, the Bank completed RMB2.23 trillion worth of transactions in bond and interest rate derivatives.

The Bank actively supported the real economy and provided exchange gold leasing services for companies along the gold industry chain. At the same time, as one of the first batch of gold inquiry market makers on the Shanghai Gold Exchange, the Bank actively fulfilled its responsibilities as a market maker and provided liquidity and bilateral quotations for the market. During the reporting period, the Bank registered market-making transaction volume of RMB447.735 billion, further consolidating its market position in the gold market-making business.

3.5.3.3 Asset Management Business

During the reporting period, the Bank steadily promoted the transformation of its asset management business as per the requirements in the New Regulations on Asset Management. On the product side, the Bank intensified the refined management of product lines and services, accurately grasped the wealth management needs of target customers, developed competitive public and private wealth management products with good market, and sharpened the differentiated competitiveness of products. On the investment side, the Bank built the industry-leading investment research platform, and continuously improved the return on the investment portfolio on the premise of controllable making risks, thereby creating greater value for investors. In addition, the Bank improved relevant policy system, streamlined the organizational structure, sped up the IT system building, upgraded its product structure, strengthened its investment capabilities, consolidated the talent team, cultivated the corporate culture, and thereby comprehensively improved its governance capabilities in all aspects.



As at the end of the reporting period, the Bank's existing scale of non-risk-bearing wealth management products recorded RMB1,152.777 billion, up by 4.49% from the end of the previous year, in which NAV products scale further increased to a proportion of 67.70% of the total, an increase of 8.23 percentage points over the end of the previous year. During the reporting period, due to the drop in cost rate of expected-return products, increase in return on bond investments, estimated profits of stock and fund assets and expanding scale of NAV products meeting the New Regulations on Asset Management, the Bank's wealth management business realized income of RMB2.538 billion, an increase of RMB500 million year on year.

3.5.4 Distribution Channels

3.5.4.1 Physical Channels

As at the end of the reporting period, the Bank had 1,397 outlets in 151 large and medium-sized cities in the Chinese mainland, including 37 tier-one branches (directly managed by the Head Office), 124 tier-two branches, and 1,236 sub-branches (including 38 community/small and micro sub-branches), plus 1,678 self-service banks, 6,058 self-service terminals and 6,376 smart teller machines. As such, the Bank had developed a diversified outlet pattern that consisted of smart (flagship) outlets, comprehensive outlets, boutique outlets, community/small and micro outlets and off-bank self-service outlets. With its outlets basically covering all large and medium-sized cities in China, the Bank shifted its focus of domestic outlet establishment to layout optimization and profit improvement. Allocation of resources for outlet construction favored developed cities and regions such as Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou and Nanjing. At the same time, as an active response to the national "13th Five-Year Plan", the Bank supported the economic development of key areas such as the Free Trade Zones, Pilot Integrated Supporting Reform Zones, Special Economic Zones and New Areas.

In terms of the overseas outlets, in addition to London Branch, CNCBI, an affiliate of the Bank, had 35 outlets and 2 business centers in Hong Kong SAR, Macao SAR, New York, Los Angeles, Singapore and the Chinese mainland. CNCB Investment had 3 subsidiaries in Hong Kong and the Chinese mainland. JSC Altyn Bank had 7 outlets and 1 private banking center in Kazakhstan. In line with its 2017-2020 Plan for Overseas Development, the Bank made active efforts to promote the development of its internationalization. In particular, it constructed and improved the management frameworks for human resources, businesses, systems, authorization, and performance evaluation of overseas affiliates, and pushed forward the approval of upgrading Sydney representative office and the preparations for establishment of its Hong Kong branch in an orderly manner.

3.5.4.2 Online Channels

Proceeding along the customer journey, the Bank moved forward with the unified digital channel development, and promoted data collaboration and service process optimization among channels, so as to provide customers with service experience that is consistent among all channels.

As at the end of the reporting period, the Bank recorded 48.8024 million accounts of mobile banking customers, an increase of 2.9737 million accounts or 6.49% over the end of the previous year; registered 10.8501 million monthly active users[25] (MAU) of mobile banking, up by 17.32% year on year. The volume and value of mobile banking transactions stood at 119 million and RMB4.99 trillion, up by 8.30% and 22.90% year on year, respectively. There were 49.9709 million accounts of personal online banking customers, an increase of 2.9272 million accounts or 6.22% year on year.

During the reporting period, the hotline of the Bank's Credit Card Customer Service Center received 47.3178 million incoming calls, including 23.7229 million calls transferred to automated voice service and 23.5949 million calls transferred to manual service, achieving a 20-second manual service response rate of 92.68%, a customer satisfaction rate of 98.63%, and a satisfaction rate of 95.76% regarding the handling of customer complaints. The hotline of the Bank's Debit Card Customer Service Center received 22.8053 million incoming calls, achieving a 20-second manual service response rate of 89.49%, a customer satisfaction rate of 98.75% and a satisfaction rate of 99.97% regarding the handling of customer complaints.

3.5.4.3 Overseas Branch Business

The Bank's London Branch, upon approval of the Prudential Regulation Authority and the Financial Conduct Authority of the UK, opened for business on 21 June 2019 (local time) in London. London Branch as the Bank's first overseas branch directly managed by the Head Office mainly engaged in wholesale banking. It provides comprehensive financial services including deposits, lending (including bilateral lending, syndicated lending, trade finance and cross-border M&A finance), foreign exchange and payment settlement, and conducts money market and foreign exchange trading businesses.

During the reporting period, London Branch conducted extensive business cooperation with domestic and overseas corporate customers and financial institutions. It continued to expand offshore RMB trading, corporate syndicated loans, cross-border M&A financing and other business areas, and handled foreign exchange transactions on the European time trading platform on behalf of the Head Office, laying a solid foundation for the Bank to build a global 24-hour foreign exchange trading platform. Relying on the advantages of London as an international financial center, the Bank will build London Branch into the business center of the Bank in Europe, the Middle East and Africa, the European treasury operation center, the international talent training center, CITIC Group's overseas business coordination platform, and the Bank's important overseas base to serve the Belt and Road Initiative.

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25 Monthly active users (MAU) refer to the number of users using the mobile banking APP in a month, and the growth rate is based on comparable data of the same criteria.

3.5.5 Subsidiaries and Joint Ventures

3.5.5.1 CIFH

CIFH was incorporated in Hong Kong in 1924. It was acquired by CITIC Group in June 1986 and restructured to become an investment holdings company after its acquisition of the then Hong Kong Chinese Bank Limited in 2002. It is now a wholly-owned subsidiary of the Bank, with an issued share capital of HKD7.503 billion. CIFH is the main platform for the Bank to conduct its overseas businesses. Its business scope includes commercial banking and non-banking financial services. CIFH conducts its commercial banking business mainly via its holding subsidiary CNCBI (in which CIFH holds a 75% equity interest), and conducts its non-banking financial business primarily via CIAM (in which CIFH holds a 46% equity interest).

As at the end of the reporting period, CIFH recorded HKD366.331 billion in total assets, and HKD52.691 billion in net assets, up by 2.26% from the end of the previous year, and a total of 2,361 employees. During the reporting period, CIFH realized net profit of HKD1.131 billion, down by 27.47% year on year.

CNCBI: As at the end of the reporting period, CNCBI recorded total assets of HKD363.581 billion, and net assets of HKD47.692 billion, up by 2.67% from the end of the previous year. Due to the impact of social incidents and COVID-19, CNCBI realized operating income of HKD3.792 billion; net profit of HKD1.205 billion for the reporting period, down by 19.54% year on year.

Relying on its geographical advantages of in the central city of the Guangdong-Hong Kong-Macao Greater Bay Area, CNCBI grasped strategic opportunities brought by the cross-border financial development, continuously deepened coordination and cooperation with the Bank and CITIC Group, and made full use of its domestic subsidiaries as platforms to vigorously expand cross-border business. As at the end of the reporting period, income from coordinated corporate banking registered HKD516 million, accounting for 25.92% of its total income from corporate banking business and becoming an important part of the company's business. During the reporting period, the debt capital market business team of CNCBI overcame difficulties such as limitations on personal movements during the pandemic prevention, captured cross-border financing opportunities of mainland enterprises, and realized HKD202 million in fee income, ranking 3rd among all Chinese institutions in Hong Kong in terms of the bond underwritten amount[26]. As at the end of the reporting period, the number of personal cross-border customers recommended by the parent bank CITIC Bank reached 18,900, and AUM of CNCBI stood at HKD11.704 billion.

CIAM: CIAM is a cross-border asset management company. It provides diverse asset management services for investors at home and abroad leveraging on the comprehensive resources and brand strengths of shareholders. CIAM upheld "extension of shareholders" as its principle of development, unleashed its structural strengths and team strengths and actively developed the fine private equity investment business and other distinctive asset management products. During the reporting period, CIAM continued to streamline the personnel structure, strengthened the control of operating cost, and actively handled and divested some projects.

3.5.5.2 CNCB Investment

CNCB Investment is an overseas controlled subsidiary of the Bank established in Hong Kong in 1984 with a registered capital of HKD1.889 billion. The Bank holds 99.05% of the equity interest in CNCB Investment and CNCBI holds the rest 0.95%. The business scope of CNCB Investment covers lending (it holds a Hong Kong money lender license), investment (mainly including debt securities investment, fund investment, stock investment and long-term equity investment), and the conduct of overseas licensed investment banking business and domestic equity investment fund management business via its own subsidiaries.

[26] According to the Bloomberg ranking of China offshore US Dollar bond underwriting.

CNCB Investment, as the overseas investment banking platform of the Bank, aspires to develop itself into "a universal overseas investment bank serving the parent bank and featuring strong empowerment, capital-light development and outstanding performance". It focuses on licensed investment banking businesses such as overseas securities underwriting, securities consulting, corporate financing advisory services and asset management, cross-border investment and financing businesses, and domestic private equity investment fund management business. During the reporting period, with licensed business as the core, CNCB Investment moved faster to develop all-round capital-light investment banking products and services. Specifically, the number of bond underwriting projects continued to increase steadily, with business varieties enriched and breakthroughs made in active asset management business. While accelerating its business transformation, it also continuously reviewed its internal control and compliance system, supported the policy formulation according to business development, and optimized the business process, thereby comprehensively improving its internal management.

During the reporting period, due to the pandemic and fluctuations in the capital market, CNCB Investment recorded net losses attributable to its equity holders equivalent to RMB193 million. As at the end of the reporting period, CNCB Investment had total assets equivalent to RMB20.041 billion; net assets equivalent to RMB3.339 billion, down by 5.44% from the end of last year; AUM equivalent to RMB81.430 billion, down by 6.01% from the end of the previous year.

3.5.5.3 CITIC Financial Leasing

Wholly owned by the Bank, CITIC Financial Leasing was incorporated in April 2015 with a registered capital of RMB4 billion. As an important strategic layout for the Bank to serve the real economy, CITIC Financial Leasing pursues a business model featuring limited diversification[27], and continuously enhances its abilities to serve the real economy.

During the reporting period, CITIC Financial Leasing actively responded to the challenge of the pandemic, strictly implemented the work plan issued by the five ministries and commissions on strengthening financial support to prevent and control the pandemic, took the initiative to ease customers' repayment burden, and took classified measures to support the enterprises in distress. It also increased investment in leasing business and focused on leasing activities in strategic emerging industries, granting more than RMB1 billion lease in internet data centers and also more than RMB1 billion in waste-to-power industries in the green finance sector. Besides, CITIC Financial Leasing enhanced cooperation with subsidiaries of CITIC Group and branches of CITIC Bank, released incentive policies for bank-leasing interconnection, and improved the coordination mechanism for precise cooperation. Furthermore, it continued to optimize internal control management, drafted a series of summaries of industry compliance and regulation, established a parallel operation mechanism, and made great efforts to mitigate various risks. CITIC Financial Leasing also strengthened data management, and carried out LPR conversion of inventory contracts.

As at the end of the reporting period, CITIC Financial Leasing recorded total assets of RMB46.276 billion and net assets of RMB6.316 billion, up by 4.50% over the end of the previous year. During the reporting period, CITIC Financial Leasing realized net operating income of RMB924 million, an increase of 22.38% year on year, and net profit of RMB272 million, a decrease of 37.47% year on year. It recorded a allowance-to-loan ratio of 6.39% and a capital adequacy ratio of 13.71%, a increase of 1.75 percentage points and 1.32 percentage points over the end of previous year, respectively.

27 Limited diversification in terms of industries, customers, regions and products.

3.5.5.4 CITIC aiBank

CITIC aiBank officially opened for business on 18 November 2017. With a registered capital of RMB4 billion, it is a new type of internet bank jointly established by the Bank and Baidu, with the Bank and Fujian Baidu Borui Internet Technology Co., Ltd. holding 70% and 30% of its equity interest, respectively. In April 2020, CITIC aiBank received the approval on a new round of increase in capital and share from the CBIRC, and would bring in internationally renowned investment institutions such as Canadian Pension Fund. Please refer to "3.10 Material Investments, Acquisitions and Disposal and Restructuring of Assets" in Chapter 3 of this report for details of CITIC aiBank's capital and share increase.

CITIC aiBank adheres to the positioning of intelligent inclusive finance, and has significantly improved the coverage of inclusive finance. During the reporting period, CITIC aiBank launched "Livestock Raising Loan" in cooperation with livestock-raising enterprises to actively promote rural finance. It jointly launched a totally online credit loan for export enterprises with the Bank to help foreign trade enterprises resume work and production. It also provided "Bill Discount Express", a non-contact bill discount service, for private small and micro enterprises to solve the headaches such as difficulty and high cost in getting discounts for small-denomination and short-term bills encountered by enterprises in the traditional bill business. Besides, CITIC aiBank continued to provide inclusive credit loans to long-tail customers and small and micro business owners, and created "Hao Hui Hua", a totally unsecured online credit loan product, which covers customers in cities below the third tier, providing inclusive financial support to boost consumption after the pandemic.

During the reporting period, CITIC aiBank once again received an AAA rating for entity credit, and its Financial Technology Innovation Project was officially selected as one of the first pilots of PBOC's "Regulatory Sandbox". It was officially granted the qualification for portfolio investment fund sales in June 2020, enriching its qualifications for different businesses. In the 2019 Assessment of Beijing Financial Institutions Survey and Statistics, it ranked first among 27 domestic and foreign-funded legal banking institutions within the Municipality[28]. As at the end of the reporting period, CITIC aiBank recorded total assets of RMB54.353 billion, total liabilities of RMB51.084 billion, and net assets of RMB3.269 billion, respectively. During the reporting period, it realized net operating income of RMB804 million and net profit of RMB7 million, respectively.

3.5.5.5 Lin'an CITIC Rural Bank

Lin'an CITIC Rural Bank, located in Lin'an District, Hangzhou City, Zhejiang Province, officially started operation on 9 January 2012. It has a registered capital of RMB200 million, with the Bank holding 51% of its equity interest and another 13 enterprises holding the rest 49%. Lin'an CITIC Rural Bank is mainly engaged in general commercial banking business.

[28] *Circular of Operations Office of the People's Bank of China on the 2019 Assessment of Beijing Financial Institutions Survey and Statistics* (PBC Operations Office Release [2020]).

During the reporting period, Lin'an CITIC Rural Bank actively responded to various requirements of pandemic prevention and control, reduced fees to benefit distressed customers, and actively supported the resumption of work and production of enterprises through measures such as "renewal without repayment" service and special credit funds of RMB200 million. As at the end of the reporting period, Lin'an CITIC Rural Bank offered interest reductions totaling RMB7.375 million to 350 loan customers, and the average interest reduction per customer was RMB21,100, involving a total loan amount of RMB592 million, or 41.43% of the loan balance. During the reporting period, Lin'an CITIC Rural Bank supported the real economy with enthusiasm, implemented the inclusive finance and rural revitalization strategies, and increased credit extension meeting CBIRC's "two no-less-than and two control"[29] target. As at the end of the reporting period, the balance of loans to small and micro enterprises was RMB1.119 billion, an increase of 13.14% over the end of the previous year. The balance of inclusive micro and small enterprise loans was RMB993 million, an increase of 16.00% over the end of the previous year. The proportion of loans to farmers and small and micro enterprises reached 91.71%.

As at the end of the reporting period, Lin'an CITIC Rural Bank recorded RMB2.125 billion total assets. Its net assets, balance of customer deposits, and combined balance of various loans posted RMB322 million, RMB1.731 billion and RMB1.429 billion, up by 1.26%, 19.88% and 11.73% over the end of last year, respectively. It realized a net profit of RMB16 million after tax for the reporting period, a year-on-year drop of 15.79%.

3.5.5.6 JSC Altyn Bank

JSC Altyn Bank was formerly an affiliate of HSBC established in Kazakhstan in 1998. In November 2014, it was wholly acquired by the JSC Halyk Bank of Kazakhstan, the largest commercial bank in the country. On 24 April 2018, the Bank completed the acquisition of a majority stake in JSC Altyn Bank and became the first Chinese bank to acquire bank equity in the countries along the Belt and Road. At present the Bank holds 50.1% of shares in JSC Altyn Bank.

During the reporting period, in the face of the severe external situations such as the continued spread of COVID-19 pandemic and the increased volatility of international crude oil prices, JSC Altyn Bank took quick actions and adopted multiple strategies to meet the challenges, finally turning the crisis into opportunities. Meanwhile, it made full use of its own advantages to seize market opportunities, accelerated product innovation and increased business coordination, further enhancing the coordinated development of efficiency, quality and scale. In a comprehensive examination of the assets quality of the top 14 commercial banks in Kazakhstan conducted by the Central Bank of Kazakhstan, the Central Bank of Kazakhstan concluded that with stable operation performance, excellent asset quality, satisfactory capital adequacy ratios and risk indicators, as well as a solid and reliable development base, JSC Altyn Bank helps further provide quality financial services to facilitate the implementation of the Belt and Road Initiative.

As at the end of the reporting period, JSC Altyn Bank had a share capital of 7.050 billion tenge[30], total assets of 560.084 billion tenge, and net assets of 61.707 billion tenge, up by 8.72% over the end of the previous year. During the reporting period, it realized net operating income of 13.554 billion tenge and net profit of 7.550 billion tenge, up by 19.76% and 10.17% year on year, respectively.

29 Pursuant to the Plan for Promoting Inclusive Finance Development (2016-2020) formulated by the State Council, "two no-less-than" means that lending to SMEs with credit facility of RMB10 million and below per company should rise no less than growth in all loans year on year; and the number of small and micro borrowers in a year should be no less than the same period of the previous year; and "two control" means reasonably controlling asset quality and the overall cost of loans to SMEs.

30 The rate on 30 June 2020 of tenge against Renminbi was 1:0.017483966.

3.5.5.7 CITIC Wealth Management

CITIC Wealth Management was officially established and opened for business in July 2020. For relevant information of CITIC Wealth Management, please refer to "3.4 Capital Market Focuses" in Chapter 3 of this report.

3.5.6 Comprehensive Financial Services

The business synergy with CITIC Group acted as a bridge for the Bank in achieving the development vision of building into an "enterprise offering the best comprehensive financial services". In the first half of 2020, the Bank actively participated in CITIC Group's main synergy platform, built consensus on synergy, strengthened information sharing and risk prevention and control, and consolidated collaboration mechanism, thus forming joint force with subsidiaries of CITIC Group to facilitate top-level design and systematic push of synergy efforts.

First, top-level design of synergy. Fully implementing the strategy of intra-group synergy, the Bank developed synergy initiatives which accelerated synergy mechanism reform from organizational support, system building, incentive mechanism, system support, resource integration, etc. to assist with the transformation of its banking business and build into an "enterprise offering the best comprehensive financial services".

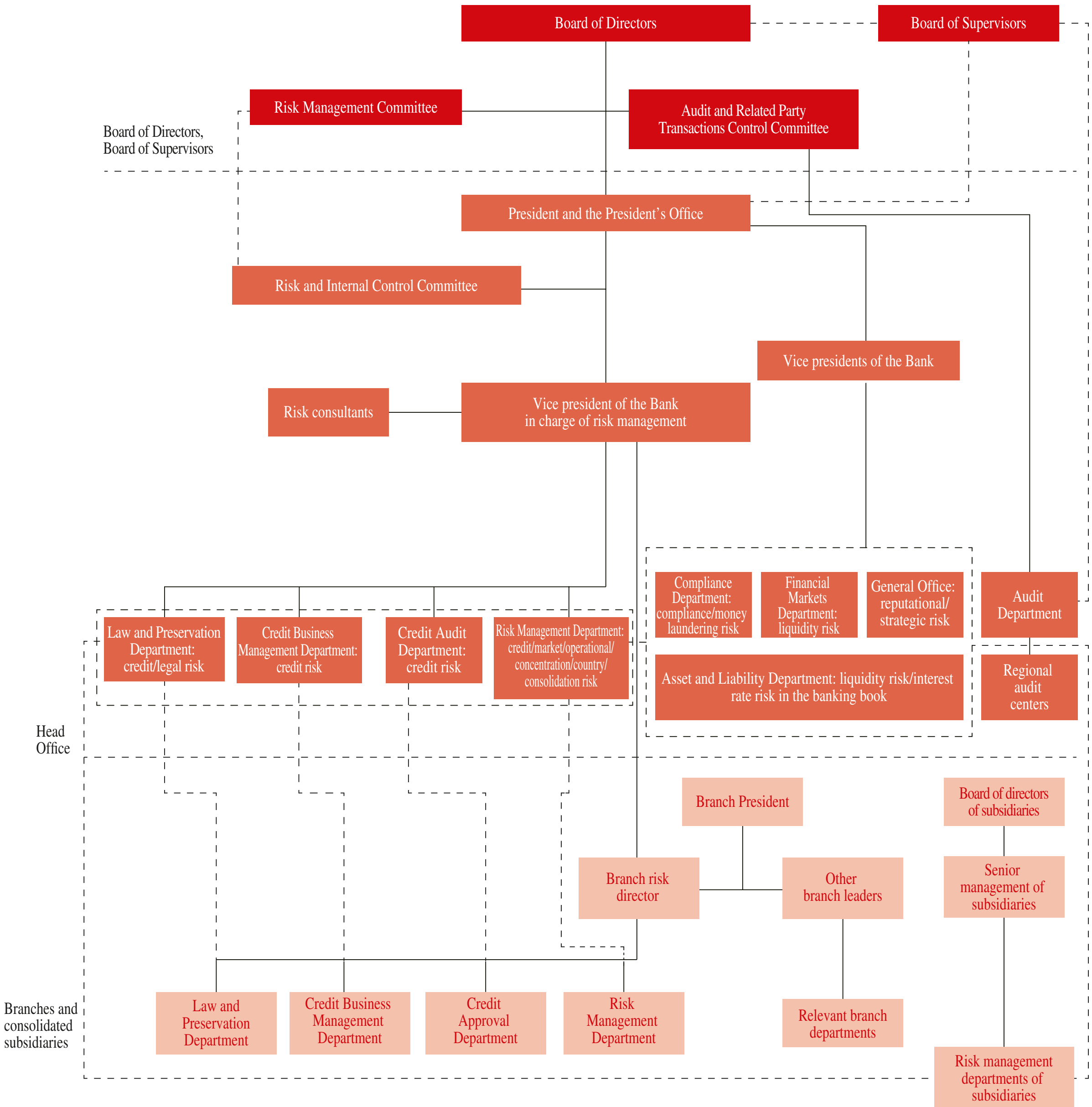
Second, financial and financial collaboration. As at the end of the reporting period, the Bank successfully implemented 358 coordinated projects with CITIC Securities, China Securities, CITIC Trust, CITIC Prudential Life Insurance and other financial subsidiaries of CITIC Group. The financing products covered bond underwriting, equity investment and trust plan, and cumulatively provided joint financing of RMB361.535 billion for customers, thereby strongly supporting the development of the real economy.

Third, industrial and financial collaboration. The Bank leveraged the advantages of the "CITIC United Fleet" and provided integrated and targeted solutions to meet customers' diverse needs based on the full-chain advantages of CITIC Group in the industry. It seized new opportunities in regional development and participated in the mixed ownership reform of State-owned enterprises (SOEs) together with CITIC Group's industry subsidiaries. It also made more efforts in underwriting of and investment in anti-pandemic bonds to support enterprise in pandemic control and work and production resumption.

Fourth, system building. The Bank expedited the digital transformation, and actively pushed forward the development of related synergy systems. During the reporting period, the Bank spared no effort to develop CITIC Bank matchmaking platform that could provide such functions as information collection and distribution, project collaboration and matchmaking, and collaboration information sharing, and provided systematic support for refined management of CITIC Group's synergy platform empowered by technology.

3.6 Risk Management

3.6.1 Risk Management Structure



3.6.2 Risk Management System and Techniques

During the reporting period, the impacts from global spread of COVID-19 exerted impacts bigger and longer than expected on economic fundamentals. Domestic residents' willingness and ability for consumption weakened and enterprises, especially micro, small and medium-sized ones, encountered with significant difficulties. The Bank strengthened risk analysis and forecast, implemented the central government's relevant policies and provisions, and took comprehensive measures to strengthen the management of risks of various types in a proactive manner. It improved relevant policies and procedures and cemented the duties of the three lines of defense in a bid to create a responsibility system in which the duties, rights and benefits are commensurate with each other and the customer management and risk management are consistent. Meanwhile, the Bank strengthened the unified credit management system and intensified the credit risk management of consolidated subsidiaries. It also improved the credit approval system, enhanced the early warning and monitoring and the management of key customers at risks, continued to improve the asset quality and step up the disposal of non-performing assets. In addition, the Bank accelerated IT system improvement and upgrade. The Bank also strengthened the building of a professional team for risk management and improved risk management level in an all-out effort.

The Bank continued to enhance its capacity for research and development of risk management technology, deepened the multi-level application of big data and artificial intelligence technology, and accelerated the digital transformation of risk management. During the reporting period, the Bank developed regional and industry rating models, created multi-dimensional portraits and uniform scoring for corporate, individual and inclusive finance customers. It also used big data to conduct intelligent early warning and analysis to explore online business risk control modes based on transaction scenarios. During the reporting period, the Bank strictly implemented various regulatory provisions, continued to put the large-value risk exposures under intensified management, and managed to control the limit indicators of these exposures within the scopes permitted by the regulators.

3.6.3 Credit risk management

Credit risk refers to the risk of a bank incurring losses in its business due to the failure of its borrowers or transaction counter-parties to fulfill the obligations specified in relevant agreements or contracts.

3.6.3.1 Credit Risk Management in Corporate Business

During the reporting period, the corporate banking business line of the Bank followed the "customer-centric" business philosophy, strove towards the goal of "better structure, distinctive characteristics, consolidated foundation and enhanced earnings" and adhered to philosophy of high-quality and sustainable development. It allocated assets from the dimensions of customer, region, industry and product, enhanced the capability of comprehensive customer management and achieved high-quality development of its corporate credit business.

In terms of customers, the Bank took an active part in supporting strategic customers of both Head Office and branches levels, and tapped deep into the growth potential of high-quality customers. It further developed inclusive finance to better address the problem of "difficulties and high costs of financing" of small and micro enterprises and private enterprises. Meanwhile, the Bank strengthened unified credit management and limit management and control over customers, and deepened the "name list system" management of high-quality customers to improve the overall quality of customers at the source. It also actively implemented the state policies to keep businesses and employment stable. For enterprises in temporary difficulties caused by COVID-19 or other factors, the Bank deferred the repayment of principal and interest, so as to relieve enterprises, especially micro, small and medium-sized ones, from the financing pressure of repayment of principal and interest during the pandemic.

In terms of regions, the Bank implemented the "differentiated and echelon-based" strategy for regional development. Credit resources were preferentially channeled towards the three strategic development regions, namely, Beijing-Tianjin-Hebei Region, Yangtze River Delta and Guangdong-Hong Kong-Macao Greater Bay Area, to build core poles of profits with concentrated resources. Focus was placed on branches in Xiong'an New Area, the Belt and Road region, free trade zones and other strategically important regions of the state, thus identifying industries with advantages in the regions and supporting their to achieve more than medium-scale development. Branches in other regions were guided to concentrate their limited resources to pursue high-quality projects with regional influence. In regions with high credit risk, low-quality and poor-performance customers were reduced and credit risk mitigation was enhanced to increase the proportion of high-quality customers.

In terms of industries, the Bank effectively strengthened support for advanced manufacturing and emerging industries and promoted the optimization and upgrading of traditional manufacturing industry with the aim of serving the real economy. Seizing the opportunity of the national effort to expand domestic demand and stabilize foreign demand after the pandemic, stronger support was provided for infrastructure and new-type infrastructure construction, public health and trade finance. In addition, the Bank strictly implemented the state's macro-regulation policies and regulatory rules on real estate and reasonably controlled the aggregate of real estate financing.

In terms of products, the Bank focused on high-quality customers, offered a financing products combining "commercial banking + investment banking" and expanded credit supply. Leveraging on its strengths in transaction banking, investment banking, asset management, international business products and other on-and-off-balance sheet products, and in collaboration with CITIC Group's trust, fund, securities and insurance comprehensive platforms, the Bank strengthened its major products with distinctive CITIC characteristics, such as auto finance, supply chain finance, bond underwriting and equity M&A, providing one-stop comprehensive financial services for high-quality corporate customers.

3.6.3.2 Credit Risk Management of Personal Loans

During the reporting period, the Bank managed credit risk through standardization of personal loans and "total-process and thorough risk management" and identified and controlled credit risks before, in and after lending all along. The closed-loop lifecycle management and operation system of personal loans ran steadily.

In the pre-lending process, the Bank built a tiered management system by channel, selected qualified "Head Office to Headquarters" cooperation channels based on credit grading, and introduced the tiered management mechanism of product credit risk and the review mechanism of product credit risk in the product design stage. Meanwhile, scenario-based credit solutions were used based on fixed scenarios and channels of credit use, taking into account various guarantee modes and customer qualifications. In the lending process, the Bank effectively identified and managed credit risk through the use of scorecards and other retail credit risk measurement models as well as the quick update of business logic rule and the iteration of rating models and business rules. External third-party data were reasonably used in addition to the in-house historical data built up over time to continuously improve the credit portrait of individual customers, gradually improve the anti-fraud models and enhance the capability of credit risk management and control. The Bank improved the core elements of risk control, enhanced the standard risk control measures for products, boosted the automatic level of business approval and strengthened systematic control of credit risk. It also developed standard business templates to enable standardization and specialization of business access, and personal loan examination and approval across the Bank and continuously improve risk control measures. In the post-lending process, the Bank kept improving its risk early warning system, improved the early warning and monitoring rules and processes and carried out risk management for products, regions and cooperation channels. It expedited the iteration and updating of policies and processes for products according to the results of risk early warning, and formulated differentiated access rules.

Affected by the pandemic, both balance and ratio of non-performing personal loans increased. As the pandemic got effectively controlled and the economy is recovering in China, the asset quality is expected to remain under control in the whole year. As at the end of the reporting period, the Bank's non-performing balance of personal loans (excluding credit card loans) recorded RMB8.533 billion, an increase of RMB2.330 billion from the end of the previous year. The NPL ratio was 0.69%, up by 0.16 percentage point from the end of the previous year.

3.6.3.3 Risk Management of Credit Card Business

During the reporting period, the credit card industry felt a shock from the COVID-19 outbreak, economic slowdown and some other factors. In response to the above changes in market environment, the Bank strengthened its joint risk control system for before, in and after lending. In the pre-lending access, the Bank tracked credit risk changes in new cardholders dynamically in a multi-dimensional manner by moving risk management forward to earlier stages, enhancing the application intake management, tightening the customer onboarding criteria and fully tapping into internal and external data. Regarding the risk control in the lending process, the Bank strengthened dynamic limit management and improved the allocation of credit resources by building a multi-dimensional rating management system, and conducted special screening and crackdown campaigns against high-risk customers and non-compliant credit card usages like cash-out. Regarding the post-lending recovery of non-performing assets, the Bank fulfilled its corporate social responsibilities by deferring the repayment of principal and interest for customers hit hard by the COVID-19 and stepping up the disposal of non-performing assets. As at the end of the reporting period, the Bank recorded RMB12.034 billion in balance of non-performing credit card loans, corresponding to an NPL ratio of 2.50%, up by 0.76 percentage point from the end of the previous year.

3.6.3.4 Risk Management in Asset Management Business

The Bank actively carried out comprehensive risk management of the asset management business, took the initiative in screening changes in asset risk caused by external factors and conducted stress tests. A variety of measures were taken to help high-quality enterprises overcome the COVID-19 pandemic while ensuring the effective and stable operation of wealth management products.

The asset management business follows the Bank's unified risk preference. The credit risk management system upholds the Bank's risk management culture of comprehensive risk management, with the first, second and third lines of defense set up for risk management. Specifically, business divisions and other front-office bodies serve as the first line of defense responsible for the lifecycle credit risk management of underlying assets of wealth management products. Risk management divisions serve as the second line of defense responsible for coordinating the work in the first line of defense according to the type of wealth management assets, and facilitating the risk warning, handling and mitigating. The Audit Department of the Bank serves as the third line of defense responsible for supervising over the conduct of wealth management business to ensure compliance with laws and regulations. During the reporting period, the Bank incurred no default or inadequate repayment of any matured wealth management product.

3.6.3.5 Risk Management in Financial Markets Business

During the reporting period, the Bank kept an eye on and assessed the overall impact of COVID-19 pandemic and other external events on the financial markets business, continuously improved the risk prevention and control mechanism, regularly reviewed key industries and businesses affected seriously, effectively carried out risk screening and control, formulated effective asset adjustment plans according to specific scenario analysis and implemented these plans adequately. During the reporting period, the Bank's proprietary bond assets primarily consisted of treasure bonds, policy financial bonds and local government bonds. The issuers of unsecured bonds held by the Bank were mainly large enterprises and institutions with high credit ratings and sound operating results.

3.6.4 Loan Monitoring and Post-Lending Management

During the reporting period, the Bank adapted itself to changes in market and policy environment, and launched the credit business management policy during the COVID-19 pandemic to address the impact of the COVID-19 pandemic in a proactive manner. It also stepped up efforts in early warning management and portfolio management, strengthened customer classification and credit review, enhanced asset quality control, and upgraded the new-generation credit business system to ensure the stable quality of assets.

During the reporting period, the Bank surveyed and improved the early risk warning system, established a close link to the intelligent risk control system, further enriched the variables in the early risk warning model, and improved the early warning rules to ensure more effective management of early warnings. The working mechanism of the Credit Risk Early Warning Committee was improved to unify the management of customers triggering early warnings against major risks, so as to allow early intervention and win time for risk mitigation. Meanwhile, the Bank strengthened the risk monitoring of credit customers, implemented the "name list system" of large credit facilities at risk and designated staff for timely tracking to boost management efficiency. It also improved portfolio analysis from the perspectives of asset quality, portfolio distribution, credit policy match level and risk trends, thereby providing data and report support for the asset structure improvement and better matching between asset allocation and policy requirements. "Name list system" classification management by category was carried out for problematic accounts to supervise the work on risk mitigation.

3.6.5 Market Risk Management

Market risk refers to the risk of on-and-off-balance sheet businesses of a bank incurring losses due to unfavorable changes in market prices (including interest rate, exchange rate, stock price and commodity price). The main market risk confronting the Bank includes interest rate risk and exchange rate risk. The Bank has established a market risk management system covering market risk identification, measurement, monitoring and control. It manages market risk through product access approval and risk limit management, and thus controls market risk within the reasonable range and maximizes risk-adjusted returns.

During the reporting period, the volatility of the stock market, bond market and commodities market intensified. The Bank actively conducted research and responded, and made its market analysis more forward-looking. It improved the market risk limit settings, dynamically adjusted market risk limits, and continued to conduct risk monitoring and reminding. What's more, the Bank revised policies on market risk measurement, thereby continuously improved the refined management of market risk, and strongly supported the development of relevant financial markets businesses based on risk control. For details of market risk capital measurement, please refer to the Note 53 to the financial report of this report. For details of interest rate gaps and foreign exchange exposures and sensitivity analysis, please refer to Note 52(b) to the financial report of this report.

3.6.5.1 Interest Rate Risk

Interest rate risk in the trading book

The Bank established a complete risk limit system for the interest rate risk in the trading book, set limits such as value at risk, interest rate sensitivity and stop-loss at market value according to features of different products, and regularly assessed the interest rate risk in the trading book through stress test and other tools, so as to control the interest rate risk in the trading book within its risk preference.

During the reporting period, affected by the pandemic, the downward pressure on the domestic economy increased, the market liquidity was overall loose, and domestic bond market yields continued to decline. However, since May 2020, due to the continuous recovery of economic indicators, the relaxed monetary policy and other factors, bond market yields have rebounded, with the 10-year Treasury bond yield rising from 2.5% at the end of April 2020 to 2.82% at the end of June 2020, and the market volatility intensified. US Treasury bond yields have declined significantly due to the impact of the pandemic in the US, economic prospects and the US Federal Reserve's loose policies. In response to the volatility in domestic and overseas financial markets, the Bank has scaled up efforts in market research, effectively carried out risk monitoring and warning, continuously improved the market risk limit system and prudently controlled the interest rate risk exposure in the trading book.

Interest rate risk in the banking book

Interest rate risk in the banking book is defined as the risk of loss in the overall earnings and economic value of the banking book arising from adverse movements in interest rate, maturity structure, and other factors. It consists of gap risk, benchmark risk and option risk. The Bank manages its interest rate risk in the banking book for the overall objective of observing its prudent risk preference principle and ensuring that adverse impacts of interest rate movements on the Bank's profit and value are controllable.

During the reporting period, due to the impact of the pandemic, major economies adopted strong monetary and fiscal policies to boost economic recovery as soon as possible, and China was no exception. As pandemic situation was constantly changing, coupled with structural, institutional and cyclical factors of the global economy, the interest rate environment on domestic and foreign markets became more complex and volatile. Against such a backdrop, the Bank responded actively to domestic and overseas market and situational changes. After improving the risk management framework, optimizing the risk monitoring indicators, renewing the risk management policies and upgrading the risk management system in the previous period, the Bank applied gap analysis, sensitivity analysis, stress testing and other methods to monitor the risk exposure level and changes from multiple dimensions such as re-pricing gap, re-pricing cycle, duration management, net interest income fluctuation (ΔNII) and economic value of Entity fluctuation (ΔEVE). It placed focus on changes in the scale and structure of products under key categories, and tried to analyze the changes in indicators arising from the changes in size and structure of assets and liabilities using a multi-scenario dynamic simulation process. At the same time, based on various customer behavior model frameworks developed in the previous period, the Bank updated the underlying model data for the most recent complete year, with a focus on the special analysis of the impact of unconventional market trends on customer behaviors during the reporting period, and updated and maintained models in an orderly manner. It is expected that all model management related work will be completed in the second half of 2020.

During the reporting period, the Bank continued to analyze and estimate net interest income on a regular basis, and actively applied management means such as price control and regulation to conduct structural analysis and provide targeted reminders and guidance on the sources of interest rate risk for existing key products and new products, and kept building on the capacity for market-oriented, self-discretionary and differentiated pricing and reasonably setting up portfolios and maturity structures for asset and liability products. Besides, the Bank moved ahead steadily in the LPR conversion for outstanding loans. Taking further implementation of the LPR reform as an opportunity, it mitigated risk factors such as large-scale concentrated re-pricing of assets on specific dates step by step through contract revision, internal and external publicity and other measures, and ensured that customers were fully aware of interest rate risk in the LPR conversion. In view of market changes such as the expanded issuance scale and the prolonged maturity of domestic local government bonds during the reporting period, the Bank adopted targeted measures such as step-by-step scale control and structural adjustment based on quota management, and increased the monitoring frequency and accuracy of key products, thereby effectively controlling the maturity mismatch of the overall balance sheet. Under the above multi-dimensional control measures, the Bank's management indicators for interest rate risk of banking book fell within the risk tolerance range of the Bank during the reporting period.

3.6.5.2 Exchange Rate Risk Management

Exchange rate risk refers to the risk of on-and-off-balance sheet businesses of a bank incurring losses due to unfavorable changes in exchange rates. The Bank mainly measures the magnitude of exchange rate risk through foreign exchange exposure analysis. Its foreign exchange exposure mainly comes from the foreign exchange position formed through foreign exchange transactions and from foreign currency capital and foreign currency profits. The Bank manages exchange rate risk by reasonably matching Renminbi and foreign currency denominated assets with liabilities denominated in the same currencies and by making appropriate use of derivative financial instruments. For foreign exchange exposures of bank-wide assets and liabilities as well as foreign exchange exposures formed in foreign exchange settlement and sale, foreign exchange trading and other transactions, the Bank sets foreign exchange exposure limits to manage and control its exchange rate risk at an acceptable level.

The exchange rate risk of the Bank was mainly subject to impacts of the Renminbi exchange rate against the US dollar. During the reporting period, the exchange rate of RMB against the US dollar declined amid fluctuations and depreciated by 1.53% in the first half of 2020. The Bank actively responded to these foreign exchange market fluctuations with continuous improvement of the measurement and management of the foreign exchange exposures, strict control of the foreign exchange risk exposures of relevant businesses, and more intensive routine risk monitoring, forewarning and reporting. As a result, the Bank was able to control its exchange rate risk within the acceptable range.

3.6.6 Liquidity Risk Management

Liquidity risk refers to the risk that a bank is unable to obtain adequate capital in a timely manner and at reasonable cost to repay matured debts, perform other payment obligations or meet other capital needs for normal business. The Bank has set up a robust governance structure for liquidity risk management, which clearly lays out the division of duties among the Board of Directors, the Board of Supervisors and the senior management and their subordinate specialized committees and the relevant departments of the Bank, and explicitly defines the strategies, policies and procedures on liquidity risk management. The Bank maintains a prudent liquidity risk level, implements a prudent coordinated liquidity risk management strategy, and effectively identifies, measures, monitors and controls liquidity risk by gap management, stress testing, emergency drills and qualified premium liquid assets management. The Group has put in place a unified liquidity risk management framework. The Head Office is responsible for formulating liquidity risk management policies and strategies of the Group and its legal-person institutions, and for managing liquidity risk at the legal-person institution level in a centralized manner. All domestic and overseas affiliates of the Group are responsible for developing and implementing their own strategies and procedures for liquidity risk management pursuant to the requirements of competent regulators and within the Group's master policy framework on liquidity risk management.

During the reporting period, the central bank pursued a prudent monetary policy in a more flexible and appropriate way, and made comprehensive use of various policy tools including required reserve ratio reductions, lending and discounting, lowering policy tool rates and excess reserve ratio, and creation of policy tools directly benefiting the real economy to intensify counter-cyclical adjustment and structural adjustment. Through these efforts, the market liquidity was reasonable and abundant, fund prices dropped significantly, the minimum overnight SHIBOR dropped to 0.66%, and the minimum one-year NCD issuance rate of joint-stock banks dropped to 1.59%, both hitting record lows.

During the reporting period, the Bank continued to strengthen liquidity risk management. In accordance with the latest changes in the pandemic, policies and market conditions, the Bank coordinated the management of assets and liabilities, and stepped up efforts in improving the total amount and structure of fund sources and utilization, and maintained a dynamic balance of liquidity and efficiency. It also enhanced liquidity risk measurement and monitoring, kept practicing liquidity risk limit management, and conducted stress tests on a regular basis. Moreover, the Bank reinforced active management of liabilities, and made overall plans for the scale and timing of various fund sources with an overall consideration of quantity, price and maturity, so as to ensure the smooth channels and diversified sources of financing and reasonably reduce the cost of proactive liabilities. In addition, the Bank also improved routine liquidity management, reinforced market analysis and pre-judgment, and arranged funds in a forward-looking manner, thereby improving the efficiency of fund utilization and effectively responding to market fluctuations.

During the reporting period, the Bank reasonably set stress scenarios and conducted liquidity risk stress tests on a quarterly basis, taking into account major factors and external environmental factors that may trigger liquidity risk. Under the mild, medium and severe scenarios, the Bank's minimum survival periods all exceed the 30-day limit specified by the regulator.

The Group's liquidity coverage ratio as at the end of the reporting period is set out as below:

Unit: RMB million

Item	**30 June 2020**	31 March 2020	31 December 2019
Liquidity coverage ratio	**125.95%**	147.56%	149.27%
Qualified premium liquid assets	**768,665**	761,664	744,317
Net cash outflow in the coming 30 days	**610,312**	516,187	498,654

Note: The Group disclosed relevant information on its liquidity coverage ratio in accordance with *the Rules on Disclosure of Liquidity Coverage Ratio of Commercial Banks* (CBRC Decree [2015] No.52).

The Group's net stable funding ratio as at the end of the reporting period is set out as below:

Unit: RMB million

Item	**30 June 2020**	31 March 2020	31 December 2019
Net stable funding ratio	**105.75%**	105.06%	105.85%
Available stable funding	**4,029,716**	4,005,323	3,887,038
Required stable funding	**3,810,648**	3,812,477	3,672,303

Note: The Group disclosed relevant information on its net stable funding ratio in accordance with *the Rules on Disclosure of Net Stable Funding Ratio of Commercial Banks* (CBIRC Decree [2019] No.11).

For relevant information about the Group's liquidity gaps as at the end of the reporting period, please refer to Note 52(c) to the financial statements contained in the Report.

3.6.7 Operational Risk Management

Operational risk refers to the risk of losses resulting from imperfect or deficient internal procedures, employees and information technology systems and external incidents. It includes legal risk but excludes strategic risk and reputational risk. During the reporting period, the Bank continued to strengthen its operational risk control and intensified the daily management of operational risk. The Bank carried out risk assessment of the key business process, established a stratified and layered indicator monitoring system, and improved the capability for in-process monitoring of operational risk. At the same time, the Bank continuously reinforced the mechanism for grading and reporting risk incidents, and conducted stricter risk screening on the business stages highly prone to operational risk. Moreover, it made further endeavors to establish a robust risk management system for its outsourcing business, strengthened daily management and risk assessment of outsourcing affairs, and organized outsourcing audits and inspections, thus effectively standardizing outsourcing activities and preventing outsourcing risk. In addition, the Bank continuously built up capacity for emergency response, improved the business continuity management system, and enhanced the business continuity management of key projects, in major events and against the pandemic. In the meantime, it also further strengthened the prevention and control of information technology risks, and conducted comprehensive assessment and continuous monitoring of such risks. During the reporting period, the operational risk management system of the Bank operated stably, placing operational risk under control in the overall sense.

3.6.8 Reputational Risk

Reputational risk mainly refers to the risk caused by negative opinion of the Bank by stakeholders resulting from the Bank's operation, management and other actions or external events. During the reporting period, the Bank on the one hand implemented the strategic planning of Central Party Committee and the nation, actively communicated the Bank's works in containing the pandemic, supporting enterprises back to work and fighting the hard war against poverty, so as to improve market reputation and demonstrate the Bank's fulfillment of social responsibility and the brand image of a bank with human touch. On the other hand, the Bank followed the opinion topics closely, proactively responded public concerns, improved internal process and strengthened the source management of reputational risk and enhanced the building of reputational risk management system.

3.6.9 Country Risk

Country risk refers to the risk of losses to the business or assets of the Bank in a country or region or other losses of the Bank caused by the inability or refusal of the borrower or debtor in the country or region to repay the Bank's debts due to economic, political and social changes and events in the country or region. The Bank followed the principle of adaptation and continuous improvement in country risk management. It gradually improved country risk management policies and procedures, and formulated concrete methods and procedures based on its country risk management objectives, country risk exposure scale and business complexity, so as to effectively identify, measure, monitor and control country risk, and promote the steady development of its business.

During the reporting period, the Bank continued to enhance country risk management in line with regulatory requirements and operating strategies, reviewed annual country risk limits, and strengthened limit management of high-risk countries. It also regularly conducted country risk ratings, monitored changes in country risk exposures, carried out stress tests on country risk, and improved the contingency plan for country risk, thus controlling country risk at an acceptable level.

3.7 Internal Control

3.7.1 Internal Control System

The Bank always follows the overarching principle of pursuing progress while ensuring stability and upholds the business philosophy that "compliance creates profits". It keeps strengthening the internal control and compliance management mechanism, endeavoring to fulfill the management objective of "Safe CITIC Bank" by enhancing the capability of compliance risk management, cementing the foundation for compliance governance and boosting the efficiency of compliance governance.

During the reporting period, the Bank emphasized the management requirements for a tier-one legal person across the Bank. It put the annual authorization under the further "differentiated, standardized and meticulous" management, further advocated granting of differentiated authorization to branches located in three major regions. It revised authorization rules, established and improved the review mechanism for exercise of delegated powers at Head Office and branch levels, refined the rules for exercise of power and discharge of duties, strengthened the responsibility for follow-up supervision over the exercise of delegated power, clarified the authorization management mechanism for subsidiaries and continued to improve the authorization management rules. It also brought discipline to authorization management at all levels of institutions and made timely and dynamic adjustment to authorization to further standardize management and increase business efficiency. Besides, the Bank further improved the swindle prevention mechanism, placing focus on ten key fields, including the credit, pursuant to regulatory requirements set forth in the *Guidelines of General Office of CBIRC for Preventing Financial Illegalities and Crimes of Practitioners in the Banking and Insurance Industries*, in an effort to strictly prevent criminal offenses of practitioners and detect potential risks early.

The "Cement the Results in Irregularities Crackdown and Enhance Compliance" campaign was carried out bank-wide. Adopting a risk-prevention-based approach, the Bank carried out the irregularities crackdown, risk crackdown in major fields and risk self-inspection of internal control, re-examined key processes of important businesses, and helped branches to identify their internal control deficiencies and fraud case prevention risks. At the same time, measures were taken to re-examine how the internal control management processes and key link-related policies were implemented, evaluate the effectiveness of internal control management conducted by related businesses and make proper corrections. Thanks to all of these efforts, the Bank managed to conduct internal control more effectively and execute related policies more efficiently.

3.7.2 Compliance Management

During the reporting period, the Bank conducted in-depth policy governance. A total of 337 policies were revised or issued and 61 normative documents were issued to effectively shore up the policy weaknesses and strengthen the policy's control over power. Standard procedures were established for initiation, tracking, supervision and acceptance of internalization of regulatory rules. 48 regulatory policies were internalized to promote effective implementation of regulatory rules. In addition, the Bank continued to build a multi-tier, practical compliance training and examination system, provide compliance both online and offline training through multiple channels. The 5C platform[31]-based online training was harnessed to organize compliance exams involving all employees. "Three types of new staff members"[32] received orientation to ensure strict pre-service eligibility.

3.7.3 Anti-Money Laundering (AML)

During the reporting period, the Bank earnestly acted on the new regulatory rules released by the PBOC and the CBIRC, kept highlighting the importance of legal person governance, and helped directors, supervisors, and senior management members to raise their awareness of duty performance. It also further intensified authorization management, continued to improve the AML internal control policies, consolidated the money laundering risk management measures, and improved the AML information system constantly.

The Bank strengthened AML authorization management. According to the principle of "laterally extending to the sides and longitudinally extending to the bottoms", the Head Office departments and branches at home and abroad were all included into the bank-wide AML authorization system, in a move to make sure that AML risk management duties could be fulfilled across the Bank. Business departments were caused to embed AML management requirements into policies, processes and systems to fortify the Bank's foundation for AML management and continuously improve the AML internal control system. The key points of risk identification were specified. Risk prevention and control measures including pre-event prevention, real-time monitoring, and follow-up screening and reporting were intensified. Well-timed control measures were taken to manage the money laundering risk more effectively. Besides, the Bank strengthened efforts to build the AML risk management system, refined the scope of customer money laundering risk assessment, kept improving the AML list monitoring system, increased the effectiveness of list monitoring, and enhanced the management of AML information system.

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31 "5C" platform means the first ever standard internal control and compliance management system developed by the Bank. Twenty basic items of compliance work, organized into five categories (culture, control, compliance, check and correct), are put together to create a fundamental framework, shaping the Bank's internal control and compliance management system.

32 "Three types of new staff members" mean new hires, newly transferred staff members and newly promoted officers. New hires include new employees hired on campus and other hired off campus; newly transferred staff members mean in-service employees transferred to new position in a different business line; newly promoted officers mean ordinary employees promoted to officer positions in different profession series or business lines or in-service officers promoted to higher positions in different profession series or business lines.

3.8 Internal Audit

In accordance with its work objective of "promoting audit transformation and enhancing auditing value", pursuant to the overall arrangements set out in the "2018-2020 Development Plan" and the "8100 Project"[33], and with the guidance of the *Audit Department's Implementation Program for the New Three-year Plan (2018-2020)*, the Bank's internal audit earnestly fulfilled its duties of audit supervision, endeavored to build related capabilities, improved auditing technologies and means on all fronts, strengthened audit supervision and evaluation, and promoted the application of audit findings, resulting in more independent and effective audit.

During the reporting period, the Bank revised the *Internal Audit Charter of China CITIC Bank Corporation Limited (Version 5.0, 2020)*, strengthened the Board of Supervisors' guidance on audit and its supervisory duties, enhanced the requirements on "strengthening audit with technology" and specified the rules for auditing of state policy implementation. During the reporting period, the Bank allocated more resources for offsite audit in response to the COVID-19 pandemic. Towards the five objectives of "increasing the proportion of regulator-identified problems uncovered earlier", "enhancing the ability to forestall major risks", "strengthening the audit supervision of key minorities", "stepping up the detection of frauds" and "strengthening follow-up on rectification", the Bank intensified the supervision over key institutions, key risk fields, key links of business management and staff in key positions, taking into account the new situation and new changes. What's more, the Bank conducted special audits over corporate credit, personal loans, centralized procurement, etc. and overall audits over branches and major subsidiaries, kept track of internal control risks in a complicated business environment and managed to promote the healthy development of business management activities of the Bank.

3.9 Capital Management

The Group has established a comprehensive capital management system covering capital planning, capital allocation, capital examination, capital monitoring and capital analysis and management. During the reporting period, in line with changes in both the internal and external situations, the Group continued to uphold the "capital light, asset light and cost light" development strategy. Following the concept of "capital constrains assets", the Bank established a linkage mechanism between capital planning and business arrangements, made reasonable plans for asset growth, actively promoted asset turnover and thus continuously improved its asset structure. At the same time, guided by the concepts of "light development" and "value creation", the Group adhered to the framework of "limit management of regulatory capital" and "examination of economic capital", reformed the overall capital allocation mode, increased the weight of economic capital under the weight method in evaluation, and guided operating institutions to reasonably improve asset structure under capital restraint, thus improving the Group's capital adequacy ratios.

As at the end of the reporting period, as required by the *Provisional Measures for Capital Management of Commercial Banks* promulgated by the former CBRC in June 2012, the Group recorded the following capital adequacy profile: a capital adequacy ratio of 12.57%, an increase of 0.13 percentage point from the end of the previous year; a 10.29% tier-one capital adequacy ratio, 0.09 percentage point higher than the end of the previous year; and a 8.80% core tier-one capital adequacy ratio, up by 0.11 percentage point from the end of the previous year, all meeting regulatory requirements.

The Group will continue to carry out comprehensive capital management with the focus on capital under the guidance of "light development" and "value creation", and realize the balanced development of business growth, value return and capital consumption by strengthening capital management measures, so as to improve capital application efficiency at all fronts.

33 The "8100 Project" refers to the detailed breakdown arrangements that the Bank used to promote the implementation of the 2018-2020 plan. "8" refers to the "eight major projects", namely, the eight major measures of the development plan for 2018-2020, including the regional differentiated development project, the "One Body Two Wings" transformation project, the integrated internationalized operation project, the financial technology innovation project, the "Safe CITIC Bank" project, the refined management project, the human resources reform project, and the Party building and corporate culture fostering project. "100" refers to the "100 key tasks", i.e., the 100 major breakdown tasks to promote the implementation of the "eight major projects".

Capital adequacy ratios

Unit: RMB million

Item	**30 June 2020**	31 December 2019	Increase (%)/Decrease	31 December 2018
Net core tier-one capital	**458,366**	444,203	3.19	403,354
Net additional tier-one capital	**77,783**	77,555	0.29	37,768
Net tier-one capital	**536,149**	521,758	2.76	441,122
Net tier-two capital	**118,632**	114,139	3.94	142,271
Net capital	**654,781**	635,897	2.97	583,393
Risk-weighted assets	**5,208,268**	5,113,585	1.85	4,677,713
Core tier-one capital adequacy ratio	**8.80%**	8.69%	Up 0.11 percentage point	8.62%
Tier-one capital adequacy ratio	**10.29%**	10.20%	Up 0.09 percentage point	9.43%
Capital adequacy ratio	**12.57%**	12.44%	Up 0.13 percentage point	12.47%

Leverage ratio

Unit: RMB million

Item	**30 June 2020**	31 December 2019	Increase (%)/Decrease	31 December 2018
Leverage ratio	**6.64%**	6.71%	Down 0.07 percentage point	6.37%
Net tier-one capital	**536,149**	521,758	2.76	441,122
Adjusted balance of on- and off-balance sheet assets	**8,072,066**	7,780,321	3.75	6,928,004

Note: The Group calculated its leverage ratio in accordance with the provisions of the *Rules on Leverage Ratio of Commercial Banks (Revised)* (CBRC Decree [2015] No.1). For detailed information about leverage ratios, please refer to the column on investor relations at the Bank's website http://www.citicbank.com/about/investor/financialaffairs/gglzb/2020/.

3.10 Material Investments, Acquisitions and Disposal and Restructuring of Assets

The meeting of the Board of Directors of the Bank convened on 27 June 2019 considered and adopted *the Proposal on Increasing Share Capital of CITIC aiBank Corporation Limited*, giving consent that the Bank would contribute RMB1.4 billion to subscribe the shares of CITIC aiBank. Based on work needs, the meeting of the Board of Directors of the Bank convened on 18 December 2019 considered and adopted *the Proposal on Adjusting the Plan for Increasing Share Capital of CITIC aiBank Corporation Limited*, giving consent that the Bank would contribute RMB1.4 billion to subscribe the shares of CITIC aiBank as well as the adjusted plan for increasing share capital of CITIC aiBank. The share capital increase plan was approved by the CBIRC (CBIRC Reply [2020] No.269) on 29 April 2020.

The meeting of the Board of Directors of the Bank convened on 13 December 2018 deliberated and approved *the Proposal on Establishing CITIC Wealth Management Corporation Limited*, giving consent that the Bank would establish CITIC Wealth Management Corporation Limited with proprietary fund. In December 2019, the Bank received the *Reply of CBIRC on the Preparations for Establishing CITIC Wealth Management Corporation Limited* (CBIRC Reply [2019] No. 1095), approving the Bank's establishment of CITIC Wealth Management Corporation Limited with a contribution up to RMB5 billion. In June 2020, the Bank received *the Reply of CBIRC on the Opening for Business of CITIC Wealth Management Corporation Limited* (CBIRC Reply [2020] No. 359), approving the opening for business of the Bank's wholly-owned subsidiary CITIC Wealth Management Corporation Limited. As per the approval of the CBIRC, CITIC Wealth Management Corporation Limited, with a registered capital of RMB5 billion and the registered place in Shanghai, is mainly engaged in asset management related businesses such as the issuance of public-raising wealth management products, the issuance of private-raising wealth management products, financial advisory and consulting and other related businesses.

Please refer to the relevant announcements published on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) for detailed information thereof.

Except for those already disclosed and the day-to-day businesses such as transfer of credit assets that were involved in its business operation, the Bank was not aware of any other material investments, acquisitions, disposals or restructuring of assets that took place in the reporting period.

3.11 Information about Structured Entities

For relevant information about structured entities beyond the scope of the Bank's consolidation of financial statements, please refer to "Note 56 to the financial statements contained in this report".

3.12 Outlook

Looking into the second half of 2020, international economic growth will remain a major uncertainty under the effect of the pandemic. On the one hand, the proactive fiscal policy will be more effective to pursue the policy objective of ensuring stability on six fronts and security in six areas. The prudent monetary policy will be more flexible and appropriate. Given the faster issuance of central and local government bonds, larger scale of tax and fee cuts and recovering investment in new infrastructure and new urbanization initiatives and major projects on transportation and water conservancy, commercial banks are expected to see new market opportunities. On the other hand, China has made major achievements in the fight against COVID-19 and in pursuit of economic reopening, with all economic indicators showing improvement. As the COVID-19 is still rampant across the world, China will remain under pandemic containment pressure, facing decline in foreign demand. The banking industry will still feel big pressure regarding credit risk exposures in the foreseeable future. The Bank will resolutely implement policy requirements of the central government and regulatory authorities, keep improving the risk management system, pursue credit structure adjustment with vigor and grant credit steadily. Meanwhile, sufficient resources will be put in place for future risk mitigation through sufficient provisioning, quicker disposal of non-performing assets and solid capital replenishment.

Chapter 4 The Report of Board of Directors

4.1 Purchase, Sale or Redemption of Shares of the Bank

During the reporting period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any shares of the Bank.

4.2 Profit Distribution of Ordinary Shares

The formulation and implementation of the Bank's cash dividend policy accords with the provisions stipulated in the Articles of Association of the Bank and the requirements provided in the resolutions of the general meeting. The standards and proportion of dividend distribution are clear and explicit, and the decision-making procedure and mechanism are complete. The annual profit distribution plan for 2019 proposed by the Board of Directors was approved by independent directors of the Bank, and also adopted through resolution by more than 99.99% of shareholders holding less than 5% of shares at the 2019 Annual General Meeting, the 1st A Shareholders Class Meeting of 2020 and the 1st H Shareholders Class Meeting of 2020 of the Bank held on 20 May 2020, thus effectively safeguarding the rights and interests of minority shareholders.

4.2.1 2019 Annual Profit Distribution Plan

Upon the approval at the general meeting, the Bank distributed cash dividends of about RMB11.695 billion, or RMB2.39 per ten ordinary shares (pre-tax), for the year 2019 to the A shareholders on register on 14 July 2020 and H shareholders on register on 29 May 2020. The annual profit distribution plan for 2019 is detailed in the 2019 Annual Report, the meeting materials for the 2019 Annual General Meeting, the 1st A Shareholders Class Meeting of 2020 and the 1st H Shareholders Class Meeting of 2020, the H-share circular of the 2019 Annual General Meeting and the announcement of the implementation of annual dividend distribution of ordinary A shares for 2019. Please refer to the relevant announcements published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) for details thereof.

4.2.2 Interim Profit Distribution in 2020

The Bank will not distribute interim profits for 2020, nor will it transfer any capital reserves to share capital.

4.3 Material Contracts and Their Performance

During the reporting period, the Bank did not have any material custody, contracting or leasing of any assets of other companies that took place during the reporting period or took place in previous periods but went on to the reporting period; neither did other companies hold custody of, contract or lease any material assets of the Bank. The guarantee business is one of the Bank's regular off-balance-sheet items. During the reporting period, the Bank did not have any other material guarantee that needs to be disclosed except for the financial guarantee business that is within its approved business scope.

During the reporting period, the Bank did not sign any other material contracts beyond its normal scope of business.

4.4 Appropriation of Funds by the Controlling Shareholder and Other Related Parties

During the reporting period, there was no appropriation of the Bank's funds by either the controlling shareholder or its related parties.

4.5 Material Related Party Transactions

When engaging in related party transactions with related parties during its ordinary and usual course of business, the Bank followed general commercial principles and executed the transactions with terms available to related parties being no more favorable than those available to non-related parties for similar transactions. For statistical details of the related party transactions, please refer to "Note 55" to the financial statements contained in this report, of which the transactions constituting connected transactions as per Chapter 14A of the Hong Kong Listing Rules all complied with the disclosure requirements of Chapter 14A of the Hong Kong Listing Rules.

4.5.1 Related Party Transactions Involving Disposal and Acquisition of Assets

During the reporting period, the Bank was not engaged in any significant related party transactions involving the disposal and acquisition of assets under the rules and requirements of the SSE.

4.5.2 Credit Extension Continuing Related Party Transactions

In line with the need for business development and with approval from the 2nd Extraordinary General Meeting of 2017 convened on 30 November 2017, the Bank applied to the SSE for the respective annual caps on credit extension for related party transactions with CITIC Group and its associates, with Xinhu Zhongbao and its associates, and with China Tobacco and its associates from 2018 to 2020. In line with the need for business development and with review and approval from the 7th meeting of the 5th Session of the Board of Directors convened on 25 October 2018, the Bank applied to the SSE for the annual cap on credit extension for related party transactions with Poly Group and its associates from 2018 to 2020. Subject to the regulatory requirements applicable to the Bank, the 2020 annual caps on credit extension for related party transactions with the afore-mentioned four parties under the SSE regulatory criteria came to the amounts of RMB150 billion, RMB20 billion, RMB20 billion and RMB18 billion, respectively. In addition, the balances of the Bank's credit extension to any of these four parties shall not exceed 15% of the Bank's net capital of the preceding quarter as per relevant CBIRC requirements. All credit extension transactions between the Bank and the above-mentioned related parties followed general commercial principles and were executed with terms no more favorable than those available to independent third parties.

The Bank attached great importance to the day-to-day monitoring and management of credit extension related party transactions and ensured lawfulness and compliance of such transactions by enhancing relevant measures such as more intensive process-based management, strict risk review and better post-lending management of related credit extension. As at the end of the reporting period, the balance of credit that the Bank and its subsidiaries extended to all related companies under the SSE regulatory criteria amounted to RMB42.507 billion, including RMB33.744 billion to CITIC Group and its associates, RMB6.794 billion to Xinhu Zhongbao and its associates, zero to China Tobacco and its associates, zero to Poly Group and its associates, and RMB1.969 billion to related parties which the related natural persons invested in or worked for. Under the CBIRC regulatory criteria, the balance of credit that the Bank and its subsidiaries extended to all related companies amounted to RMB79.748 billion, including RMB32.009 billion to CITIC Group and its associates, RMB20.735 billion to Xinhu Zhongbao and its associates, RMB78 million to China Tobacco and its associates, RMB23.801 billion to Poly Group and its associates, and RMB3.125 billion to related parties which the related natural persons invested in or worked for. Such credit extended to related companies was of good quality in general, with one transaction being special mention (RMB196 million), two being substandard (RMB402 million in total), one being doubtful (RMB920 million), and all others being pass loans. As such, these credit extension transactions will not exert material impact on the normal operation of the Bank in terms of transaction volume, structure and quality.

The Bank stringently followed the SSE and CBIRC requirements on review and disclosure procedures. As at the end of the reporting period, there was no fund exchange or appropriation as specified in the *Notice on Several Issues Concerning the Standardization of Fund Exchanges between Listed Companies and Their Related Parties and External Guarantees Provided by Listed Companies* (as amended in 2017) (CSRC Announcement [2017] No.16) and *the Notice on Standardization of External Guarantees Provided by Listed Companies* (CSRC Release [2005] No.120). The related loans that the Bank extended to CITIC Group and its associates, Xinhu Zhongbao and its associates, China Tobacco and its associates, Poly Group and its associates, and the related parties which the Bank's related natural persons invested in or worked for had no material adverse impact on the operating results or financial position of the Bank.

4.5.3 Non-Credit Extension Continuing Related Party Transactions

In line with the need for business development and with approval from the 25th meeting of the 4th Session of the Board of Directors convened on 24 August 2017 and the 2nd Extraordinary General Meeting of 2017 convened on 30 November 2017, the Bank applied to the SSE and the SEHK for the annual caps on the seven main categories of non-credit extension continuing related party transactions with CITIC Group and its associates for 2018-2020, and has entered into relevant continuing related party transactions framework agreements on the board meeting date. In line with the need for business development and with review and approval from the 7th meeting of the 5th Session of the Board of Directors convened on 25 October 2018, the Bank applied to the SSE for the respective annual caps on non-credit extension continuing related party transactions with Xinhu Zhongbao and its associates, with China Tobacco and its associates, and with Poly Group and its associates from 2018 to 2020. The non-credit extension transactions between the Bank and the above-mentioned related parties followed general commercial principles and were executed with terms no more favorable than those available to independent third parties for similar transactions.

The Bank carried out continuing related party transactions with CITIC Group and its associates, with Xinhu Zhongbao and its associates, with China Tobacco and its associates, and with Poly Group and its associates according to the applicable provisions of Chapter 14A of the Hong Kong Listing Rules and Chapter 10 of *the Rules Governing the Listing of Stocks on Shanghai Stock Exchange*. Particulars thereof are described as follows:

4.5.3.1 Third-Party Escrow Services

Third-party escrow services between the Bank and its substantial shareholders and their associates shall be delivered on terms no more favorable than those available to independent third parties. The service fees payable to the Bank by its substantial shareholders and their associates shall be determined on the basis of relevant market rates and subject to periodic reviews. The principal terms of the Third-Party Escrow Service Framework Agreement are set out as follows: (1) to provide third-party escrow services in connection with the transaction settlement funds of the customers of different securities companies; (2) the services to be provided under the agreement include but not limited to funds transfer, payment of interest and other settlement-related matters; (3) the service recipient shall, and will procure its associates to, pay service fees to the service provider (if applicable); (4) the services to be provided under the agreement shall be made on terms no less favorable to the Bank than those available to or from independent third parties.

During the reporting period, related party transactions on third-party escrow services between the Bank and its substantial shareholders and their associates are as follows:

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2020	Transaction amount in Jan.-Jun. 2020
CITIC Group and its associates	Third-Party Escrow Services	Service fees	0.8	0.10
Xinhu Zhongbao and its associates			0.5	0
China Tobacco and its associates			0.5	0
Poly Group and its associates			0.5	0

As at the end of the reporting period, none of related party transactions on third-party escrow services between the Bank and its substantial shareholders and their associates exceeded the corresponding approved annual cap.

4.5.3.2 Asset Custody Services

Asset custody services, account management services and third-party regulatory services provided between the Bank and its substantial shareholders and their associates shall be delivered on terms no more favorable than those available to independent third parties. The service fees payable to each other shall be determined on the basis of relevant market rates and the categories of assets or funds under custody, subject to periodic review. The principal terms of the Asset Custody Service Framework Agreement are set out as follows: (1) to provide asset custody services and account management services in connection with financial assets or funds, including but not limited to, assets under management by fund companies (including securities investment funds), assets under management by securities companies, assets under management by trust companies, wealth management products of commercial banks, assets under management by insurance companies, equity investment funds, enterprise annuities, QDII, QFII, social insurance funds, welfare plans, funds of third-party transactions; (2) to conduct third-party supervising services, the service recipient shall pay the service fees; (3) the service recipient shall, and will procure its associates to, pay service fees to the service provider; and (4) the services to be provided under the agreement shall be made on terms no less favorable to the Bank than those available to or from independent third parties.

During the reporting period, related party transactions on asset custody services between the Bank and its substantial shareholders and their associates are as follows:

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2020	Transaction amount in Jan.-Jun. 2020
CITIC Group and its associates	Asset Custody Services	Service fees	16	2.53
Xinhu Zhongbao and its associates			2	0
China Tobacco and its associates			2	0.003
Poly Group and its associates			2	0.001

As at the end of the reporting period, none of related party transactions on asset custody services between the Bank and its substantial shareholders and their associates exceeded the corresponding approved annual cap.

4.5.3.3 Financial Consulting and Asset Management Services

The financial consulting and asset management services provided between the Bank and its substantial shareholders and their associates shall have no fixed prices or rates. The price and rate applicable to a particular service may be calculated on the basis of the scale, rate and duration of the service, and shall be determined through fair and reciprocal negotiations between the parties and on terms no more favorable than those available to independent third parties. The principal terms of the Financial Consulting Service and Asset Management Service Framework Agreement are set out as follows: (1) the services including, but not limited to: bond underwriting, financing and financial consulting services, financial products agency sales services, asset securitization underwriting, entrusted loans services, underwriting of investment and financing projects, consulting services, and management of factoring receivables, collection of receivables and guarantee for bad debts, etc.; (2) the service recipient shall, and will procure its associates to pay service fees to the service provider (if applicable); (3) the services to be provided under the agreement shall be made on terms no less favorable to the Bank than those available to or from independent third parties.

During the reporting period, related party transactions on financial consulting and asset management services between the Bank and its substantial shareholders and their associates are as follows:

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2020	Transaction amount in Jan.-Jun. 2020
CITIC Group and its associates	Financial Consulting and Asset Management Services	Service fees	55	3.10
Xinhu Zhongbao and its associates			5	0.09
China Tobacco and its associates			5	0.0007
Poly Group and its associates			5	0.01

As at the end of the reporting period, none of related party transactions on financial consulting and asset management services between the Bank and its aforementioned substantial shareholders and their associates exceeded the corresponding approved annual cap of the Bank.

4.5.3.4 Capital Transactions

The Bank and its substantial shareholders and their associates shall conduct capital transactions in their ordinary and usual course of business according to applicable general market practices and on normal commercial terms. The prices and rates applicable to such transactions between the two parties shall be the prevailing market prices with reference to the rates generally applicable to independent third parties for similar transactions. Specifically, for foreign exchange and precious metals transactions, precious metals leasing, money market transactions, and bond transactions and other business, the two parties shall price their transactions according to publicly available market prices; for agency settlement of bonds business, the two parties shall decide on the rates thereof according to prevailing industrial rules; and for financial derivatives, transaction prices shall be fixed in accordance with factors such as the level of market activity of the underlying products, openly available market quotes and the Bank's requirements relating to the management of various risks. The principal terms of the Capital Transactions Framework Agreement are set out as follows: transactions covered, including but not limited to, foreign currency and precious metals transactions, precious metals leasing, money market transactions, bond transactions and agency settlement of bonds and financial derivatives transactions.

During the reporting period, related party capital transactions between the Bank and its substantial shareholders and their associates are as follows:

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2020	Transaction amount in Jan.-Jun. 2020
CITIC Group and its associates	Capital Transactions	Gains and losses of transactions	15	3.49
		Fair value recorded as assets	25	3.93
		Fair value recorded as liabilities	45	5.87
Xinhu Zhongbao and its associates		Gains and losses of transactions	10	0.03
		Fair value recorded as assets	10	0
		Fair value recorded as liabilities	10	0
China Tobacco and its associates		Gains and losses of transactions	10	0
		Fair value recorded as assets	10	0
		Fair value recorded as liabilities	10	0
Poly Group and its associates		Gains and losses of transactions	10	0
		Fair value recorded as assets	100	0
		Fair value recorded as liabilities	100	0

As at the end of the reporting period, none of related party capital transactions between the Bank and its substantial shareholders and their associates exceeded the corresponding approved annual cap of the Bank.

4.5.3.5 Comprehensive Services

Comprehensive services provided between the Bank and its substantial shareholders and their associates include but are not limited to medical insurance and enterprise annuity, procurement of goods and services, outsourcing services, value-added services, advertising services, technology services and property lease. The Bank and its substantial shareholders and their associates shall apply prevailing market prices or applicable rates of independent third-party transactions to the provision of comprehensive services between them and shall determine the price and rate of a particular type of service through fair and reciprocal negotiations and according to applicable market price and rate. The principal terms of the Comprehensive Service Framework Agreement are set out as follows: (1) services conducted include, but are not limited to, medical insurance and enterprise annuity; procurement of goods and services (including conference hosting services); outsourcing services; value-added services (including bank card customers' credit point exchange services and electronic online banking services); advertising services; technology services and property leasing; (2) both parties of the agreement shall provide the services prescribed in the agreement; and (3) the service recipient shall pay the service fees to the service provider with respect to the services it provides. The services to be provided under the agreement shall be made on terms no less favorable to the Bank than those available to or from independent third party customers.

During the reporting period, related party transactions on comprehensive services between the Bank and its substantial shareholders and their associates are as follows:

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2020	Transaction amount in Jan.-Jun. 2020
CITIC Group and its associates	Comprehensive Services	Service fees	35	15.80
Xinhu Zhongbao and its associates			1	0.05
China Tobacco and its associates			1	0.01
Poly Group and its associates			5	0.06

As at the end of the reporting period, none of related party transactions on comprehensive services between the Bank and its substantial shareholders and their associates exceeded the corresponding approved annual cap of the Bank.

4.5.3.6 Asset Transfer

Asset transfer transactions between the Bank and its substantial shareholders and their associates shall be made on terms no more favorable than those available to independent third parties. The transfer prices payable by the transferee shall be determined according to the following principles: (1) for transfer of general assets, as per regulatory requirements, credit assets shall be transferred on the principle of entirety. When transferring a credit asset to the transferee, the transferor shall use the loan principal as the transaction price, make a parity transfer without discount or premium, and prioritize the consideration of post-transfer obligations to be performed by the transferor and the transferee in addition to the market supply and demand; (2) for transfer of assets in asset securitization, the Bank shall use the loan principal as the transaction price when transferring a credit asset to a related party. Except for securitization of non-performing assets, the Bank shall make parity transfers in general. In terms of the issuance interest rate of the asset-backed securities, the prioritized asset-backed securities' issuance interest rates (with exclusion of the sections held by the originating institutions) shall be determined by the approach of single spread (Netherland Style) bidding or book building through the bidding system of China Central Depository & Clearing Co., Ltd., and the secondary asset-backed securities (with exclusion of the sections held by the originating institutions) are determined by the number of tenders or by the book building approach; and (3) where there is no statutory government-prescribed transfer price available at present for a particular asset transfer, once such statutory prices are available in the future, the concerned asset transfers shall be priced with reference to the government-prescribed prices. The principal terms of the Asset Transfer Framework Agreement are set out as follows: (1) to buy from or sell the interests in credit loan or other related assets (including, but not limited to, directly or through asset management plan, asset securitization, factoring or other forms to sell corporate and retail credit loan assets, and inter-bank creditor's rights); (2) the course of business under the agreement shall be made on terms no less favorable to the Bank than terms available to or from independent third parties; (3) the agreement shall specify the management rights of the credit loan and other related assets; and (4) undertake confidentiality in respect of asset transfer transactions.

During the reporting period, related party transactions on asset transfer between the Bank and its substantial shareholders and their associates are as follows:

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2020	Transaction amount in Jan.-Jun. 2020
CITIC Group and its associates	Asset Transfer	Transaction amount	2,300	4.39
Xinhu Zhongbao and its associates			150	0
China Tobacco and its associates			150	0
Poly Group and its associates			150	0

As at the end of the reporting period, none of related party transactions on asset transfer between the Bank and its aforementioned substantial shareholders and their associates exceeded the corresponding approved annual cap.

4.5.3.7 Wealth Management and Investment Services

The Bank and its substantial shareholders and their associates shall apply general market practices and normal commercial terms in their ordinary and usual course of business. The Bank provides its substantial shareholders and their associates with wealth management and investment services including non-principal-protected wealth management and agency services, principal-protected wealth management, and proprietary fund investment, while its substantial shareholders and their associates provide the Bank with intermediary services of wealth management, such as trust services and management services. The transactions between the two parties shall be made through fair negotiations, determined by normal commercial terms and conducted on terms no more favorable than those available to independent third parties, in line with the categories and scopes of wealth management services, and with real-time adjustments made according to changes in market prices. The principal terms of the Wealth Management and Investment Service Framework Agreement are set out as follows: (1) To provide wealth management and investment services, including non-principal-protected wealth management services and agency services, principal-protected wealth management services, and proprietary fund investment; and the related party will provide the Bank with wealth management intermediary services, including trust services and management services; (2) the related party shall pay service fees to the Bank with respect to the wealth management and investment services provided by the Bank. The Bank shall also pay service fees to the related party with respect to the wealth management intermediary services provided; and (3) the services to be provided under the agreement shall be made on terms no less favorable to the Bank than those available to or from independent third parties.

During the reporting period, related party transactions on wealth management and investment services between the Bank and its substantial shareholders and their associates are as follows:

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2020	Transaction amount in Jan.-Jun. 2020
CITIC Group and its associates	Non-principal-protected Wealth Management and Agency Services	Service fees	50	5.12
	Principal-protected Wealth Management and Investment Services	Period-end balance of principal in wealth management services for customers	160	0.12
		Yield on wealth management services for customers	6	0.01
		Bank investment return and service fees	75	3.05
		Period-end balance of investment funds	1,100	211.44
Xinhu Zhongbao and its associates	Non-principal-protected Wealth Management and Agency Services	Service fees	5	0
	Principal-protected Wealth Management and Investment Services	Period-end balance of principal in wealth management services for customers	100	0
		Yield on wealth management services for customers	10	0
		Bank investment return and service fees	4	0.006
		Period-end balance of investment funds	50	0
China Tobacco and its associates	Non-principal-protected Wealth Management and Agency Services	Service fees	1	0
	Principal-protected Wealth Management and Investment Services	Period-end balance of principal in wealth management services for customers	10	0
		Yield on wealth management services for customers	1	0
		Bank investment return and service fees	1	0
		Period-end balance of investment funds	10	0
Poly Group and its associates	Non-principal-protected Wealth Management and Agency Services	Service fees	3	0.0002
	Principal-protected Wealth Management and Investment Services	Period-end balance of principal in wealth management services for customers	30	0
		Yield on wealth management services for customers	3	0
		Bank investment return and service fees	4	0
		Period-end balance of investment funds	50	0

As at the end of the reporting period, none of related party transactions on wealth management and investment services between the Bank and its aforementioned substantial shareholders and their associates exceeded the corresponding approved annual cap.

4.5.4 Related Party Transactions in Joint External Investment

During the reporting period, the Bank did not have any major related party transaction arising from joint external investment with its related parties.

4.5.5 Related Party Debt Transactions and Guarantees

For details of related party debt transactions and guarantees between the Bank and its related parties, please refer to Note 55 to the Financial Statements contained in this report.

4.5.6 Transaction Balances and Risk Exposures of Related Natural Persons

For details of the transaction balances and risk exposures relating to the transactions between the Bank and its related natural persons, please refer to Note 55 to the Financial Statements contained in this report.

4.6 Material Litigations and Arbitrations

During the reporting period, the Bank was not involved in material litigation or arbitration cases. The Group was involved in several litigation and arbitration cases in its ordinary and usual course of business. Most of these litigations and arbitrations were initiated by the Bank for loan recovery, and there were also litigations and arbitrations resulting from disputes with customers. As at the end of the reporting period, there were 133 outstanding litigation and arbitration cases (regardless of the disputed amounts) involved in the Bank's ordinary and usual course of business where the Bank acted as defendant/respondent with an aggregate disputed amount of RMB5.008 billion. The Bank is of the view that the above-mentioned litigations or arbitrations will not have significant adverse impacts on either its financial or operating results.

4.7 Undertakings by the Company and Its Relevant Stakeholders

According to relevant CSRC regulations, the Bank has proposed remedial measures regarding the dilution of immediate returns that may arise from the non-public offering of preference shares and the public issuance of A-share convertible corporate bonds and their listings. These measures include: strengthening capital planning and management to ensure capital adequacy and stability; reinforce asset restructuring to improve capital allocation efficiency; enhancing operational efficiency and reducing operating costs; improving the internal capital adequacy assessment process for better capital management; and strengthening capital stress test and improving capital emergency response plans. At the same time, the directors and senior management members of the Bank also gave undertakings to effectively execute the remedial measures. During the reporting period, the Bank was not aware of any violation of the above-mentioned undertakings.

During the reporting period, the Bank was not aware of any other undertakings that were performed during the reporting period or not yet performed as at the end of the reporting period by its de facto controllers, shareholders, acquirers and the Bank itself or other parties that had given undertakings.

4.8 Interests and Short Positions in the Shares, Underlying Shares and Bonds of the Bank Held by Its Directors, Supervisors and Senior Management Members

As at the end of the reporting period, none of the directors, supervisors or senior management members of the Bank held any shares, stock options, restricted shares, underlying shares or bonds of the Bank or its associated corporations (as defined in Part XV of the *Securities and Futures Ordinance* of Hong Kong) or had any interests or short positions which have to be recorded in the register maintained under Section 352 of the *Securities and Futures Ordinance* of Hong Kong, or any interests or short positions which have to be notified to the Bank and SEHK pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 of the Hong Kong Listing Rules.

4.9 Penalties Imposed on the Company and its Directors, Supervisors, Senior Management Members, Controlling Shareholder and De Facto Controller

On 9 May 2020, the Financial Rights Protection Bureau of the CBIRC issued the *Circular of the Financial Rights Protection Bureau of the CBIRC on Infringement on Customer Rights by China CITIC Bank* (CBIRC Consumer Protection Release [2020] No. 5), initiating an investigation into the case where "China CITIC Bank provided third parties with the transaction details of personal banking account without authorization by the customer". As at the disclosure date of this report, the CBIRC had not published relevant investigation conclusions.

Save as disclosed above and as far as the Bank is aware, during the reporting period, neither the Bank nor any of its incumbent directors, supervisors, senior management members, controlling shareholder or de facto controller had any record of being subject to investigation by competent authorities or coercive measures by judicial bodies or disciplinary bodies, transfer to judicial bodies or accountability for criminal liabilities, case investigation or administrative penalties by CSRC, ban of entry into securities markets, being identified as inappropriate candidates, material administrative punishments by environmental protection, work safety, taxation or other administrative authorities, or public censure by any stock exchange; nor was the Bank subject to regulatory and administrative measures or requirements for remedial actions within prescribed time limits by the CSRC or its dispatched agencies.

During the reporting period, the Bank conducted its business activities in accordance with laws and complied with the provisions of relevant laws, regulations and its Articles of Association in its decision-making procedures. The directors, supervisors and senior management members of the Bank all performed their due diligence. The Bank was not aware of any conduct on the part of the directors, supervisors and senior management members in their normal course of duty performance that was in violation of relevant laws, regulations and its Articles of Association or detrimental to the interests of the Bank.

4.10 Compliance with the Corporate Governance Code under the Hong Kong Listing Rules

The Bank was in compliance with all code provisions as well as most of the recommended best practices of the *Corporate Governance Code* set out in Appendix 14 to the Hong Kong Listing Rules throughout the six months ended 30 June 2020, except for the following:

According to Code A.1.3 of *the Corporate Governance Code*, the meeting notice of the Board of Directors shall be given at least 14 days before each regular board meeting, while all directors and supervisors shall be notified in writing 10 days prior to a regular Board meeting according to Article 179 of the Bank's Articles of Association. The Bank adopted the abovementioned latter notice practice for regular board meetings because a 10-day prior notice practice complies with applicable PRC laws and regulations, and reasonable time is deemed to have been given.

According to Code A.6.7 of *the Corporate Governance Code*, independent non-executive directors and other non-executive directors should attend the general meetings. Some directors were unable to attend the general meetings of the Bank in person due to conflict of timing or other arrangements.

4.11 Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Bank has adopted *the Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 of the Hong Kong Listing Rules and has complied with Rules 13.67 and 19A.07B of the Hong Kong Listing Rules to regulate the securities transactions of its directors and supervisors. All the directors and supervisors were consulted specifically for this matter and all of them confirmed that they had strictly complied with the relevant provisions of the Model Code throughout the reporting period.

4.12 Review of Interim Results

The Audit and Related Party Transactions Control Committee of the Board of Directors of the Bank has reviewed the accounting policies and practices adopted by the Bank together with the senior management, discussed matters on internal control and financial reporting and reviewed this interim report. It is deemed that the accounting policies adopted in the interim financial report of the Group are consistent with those applied to the Group's annual financial statements for the year ended 31 December 2019.

4.13 Equity Incentive Scheme

The Bank did not implement any equity incentive scheme during the reporting period.

4.14 Integrity of the Company and Its Relevant Stakeholders

During the reporting period, neither the Bank nor its controlling shareholder or its de facto controller was involved in failure to execute valid court verdicts or failure to repay matured debts of considerable amounts.

4.15 Environment-Related Performance and Policies

The Bank strictly abided by the requirements of applicable laws and regulations such as the *Environmental Protection Law of the People's Republic of China and the Energy Conservation Law of the People's Republic of China. The 2018-2020 Development Plan of CITIC Bank* makes it clear that during the plan period the Bank will boost support to the green economy and enhance total-process management of environmental and social risks.

During the reporting period, the Bank stayed true to the philosophy of green development, implemented industry policies and regulatory requirements related to green finance, and fulfilled due social responsibilities. It explored innovated green business models, and granted more credit facilities to the low-carbon economy, circular economy, energy conservation and environmental protection, clean energy, transformation and upgrading of enterprises and their technical upgrading, and green ecology on the basis of controlled risk and commercial sustainability. Besides, it integrated green credit business into performance evaluation, aiming to increase the proportion of green finance business.

During the reporting period, the Bank strictly controlled the loan extension to "high energy consumption, heavy pollution and overcapacity" industries, and differentially provided supports to premium enterprises with advanced technology, high efficiency, good potential and ready market. And the Bank resolutely implemented the "veto" system in the environmental protection so as to guide credit resources further towards industries and enterprises of low energy and resources consumption, low pollution and low emission.

4.16 Performance of Social Responsibility for Poverty Alleviation

During the reporting period, the Bank implemented the decisions and plans of the CPC Central Committee and the State Council on poverty alleviation via financial efforts and promotion of rural revitalization. It acted on the requirements of regulatory institutions including PBOC and the CBIRC for financial services for precision poverty alleviation and "Sannong" (i.e., agriculture, rural areas, and rural residents). Furthermore, it completed the political tasks and vigorously performed the responsibilities as a state-owned financial enterprise by giving top priority to the precision poverty alleviation and the financial services for Sannong. On top of these, it established a steering group for inclusive finance, where the secretary of Party committee and the Chairperson served as team leaders, to advance efforts of inclusive finance, small and micro enterprises, Sannong, and poverty alleviation in a coordinated manner.

During the reporting period, the Bank improved the five specialized systems and mechanisms[34] for agricultural inclusive finance and financial services for precision poverty alleviation. The Bank actively provided financial services for various modern agricultural entities and continued to improve the ability and level of financial services for "Sannong" by separate credit plans and enhanced assessment and incentives. As at the end of the reporting period, the balance of agriculture-related loans of the Bank stood at RMB316.958 billion, up by RMB15.073 billion from the end of the previous year. Wherein, the balance of the agriculture-related inclusive loans was RMB12.315 billion, up by RMB797 million from the end of the previous year, approximately 1 percentage point higher than the average growth of the Bank's loans. Meanwhile, the Bank proposed the concept of "Party building + joint development + poverty alleviation through industrial development + poverty alleviation through consumption" based on the reality, customized credit programs and work plans for financial services for precision poverty alleviation, and focused on poverty alleviation through impoverished people with established poverty files and cards, severely impoverished areas and as well as industrial poverty alleviation. Besides, the Bank enhanced the construction of financial infrastructure, extended the service radius of electronic channels, and established a multi-layered financial support system. During the reporting period, Lanzhou Branch of the Bank was awarded the "National Finance May 1st Labor Medal" as an advanced model of poverty alleviation by the Central Financial Work Commission, and Chongqing Branch of the Bank was selected as the "Most Socially Responsible Financial Institution in Chongqing Banking Industry" for five consecutive years. As at the end of the reporting period, the Bank's balance of loans for precision poverty alleviation with financial services stood at RMB18.307 billion. In terms of borrowers, personal loans for precision poverty alleviation recorded RMB13.777 billion, and institutional loans for precision poverty alleviation stood at RMB4.530 billion.

4.17 Access to the Interim Report

The Bank has prepared the interim reports of A shares and H shares in accordance with regulatory requirements for A shares and H shares listed companies respectively. The interim report of H shares is available in both Chinese and English languages. A-share shareholders may write to the Board of Directors Office of the Bank for copies of the A-share Interim Report prepared in accordance with the PRC Accounting Standards. H-share shareholders may write to the Bank's H-share registrar Computershare Hong Kong Investor Services Limited for copies of the H-share Interim Report prepared in accordance with the IFRS.

[34] The "five specialized systems and mechanisms" refer to the specialized mechanisms for integrated services, statistical accounting, risk management, resource allocation, and assessment.

Chapter 5 Changes in Ordinary Shares and Information on Ordinary Shareholders

5.1 Changes in Ordinary Shares

5.1.1 Table on Changes in Shareholdings

Unit: share

	31 December 2019		Changes (+, -)					30 June 2020	
	Number of shares held	Percentage (%)	New issue	Bonus issue	Capital reserve converted to shares	Others	Subtotal	Number of shares held	Percentage (%)
Shares subject to restrictions on sale:	**2,147,469,539**	**4.39**						**2,147,469,539**	**4.39**
1. Shares held by the state									
2. Shares held by state-owned legal persons	2,147,469,539	4.39						2,147,469,539	4.39
3. Shares held by other domestic investors									
Including: Shares held by domestic non-state-owned legal persons									
Shares held by domestic natural persons									
4. Foreign-held shares									
Including: Shares held by overseas legal persons									
Shares held by overseas natural persons									
Shares not subject to restrictions on sale:	**46,787,341,567**	**95.61**				**+10,933**	**+10,933**	**46,787,352,500**	**95.61**
1. Renminbi denominated ordinary shares	31,905,178,590	65.20				+10,933	+10,933	31,905,189,523	65.20
2. Domestically-listed foreign shares									
3. Overseas-listed foreign shares	14,882,162,977	30.41						14,882,162,977	30.41
4. Others									
Total shares	**48,934,811,106**	**100.00**				**+10,933**	**+10,933**	**48,934,822,039**	**100.00**

5.1.2 Shares Subject to Restrictions on Sale

Publicly tradeable time of shares subject to restrictions on sale

Unit: share

Time	Incremental publicly tradeable shares upon expiry of lock-up period	Number of shares subject to restrictions on sale	Number of shares not subject to restrictions on sale
20 January 2021	2,147,469,539	2,147,469,539	46,787,352,500

Shareholdings of the top 10 shareholders subject to restrictions on sale and the conditions of restrictions on sale

Unit: share

Name of shareholder subject to restrictions on sale	Number of shares subject to restrictions on sale held	Publicly tradeable time	Incremental publicly tradeable shares	Conditions of restrictions on sale
China National Tobacco Corporation	2,147,469,539	20 January 2021	—	On 20 January 2016, the Bank completed the registration and custody formalities relating to its private offering of 2,147,469,539 A shares to China Tobacco. China Tobacco undertook to the former CBRC that it would not transfer its subscribed equity in CITIC Bank within 5 years as of the date of completion of the delivery (Refer to the Report of China CITIC Bank Corporation Limited on Its Private Offering of A Shares published on the official websites of SSE (www.sse.com.cn) and the HKEXnews (www.hkexnews.hk) for details thereof.)

5.2 Issuance and Listing of Securities

5.2.1 Equity Financing

During the reporting period, the Bank did not issue any new shares.

5.2.2 Issuance of Bonds

The First Extraordinary General Meeting of 2019, the First H Shareholders Class Meeting of 2019 and the First A Shareholders Class Meeting of 2019 of the Bank convened on 30 January 2019 considered and approved the *Proposal on General Authorization to Issue Financial Bonds and Tier-two Capital Bonds*. Pursuant to the *Reply of the China Banking Insurance Regulatory Commission on Approving the Issuance of Special Financial Bonds for Loans to Small and Micro Enterprises by China CITIC Bank* (CBIRC Reply [2020] No.4) issued by CBIRC and the *Affirmative Decision of Administrative License from the People's Bank of China* (PBOC Decision [2020] No. 20) issued by PBOC, the Bank was approved to issue financial bonds up to RMB50.0 billion (referred as "Bonds" hereinafter)in the national inter-bank bond market. The financial bonds were issued in instalments, and the 2020 Special Financial Bonds for Loans to Small and Micro Enterprises (Tranche 1) (the "Bonds") were book-built on 16 March 2020, and the issuance was completed on 18 March 2020 in the national inter-bank bond market. The size of issuance of the three-year fixed-rate Bonds is RMB30.0 billion, and the coupon rate is 2.75%. The proceeds from the Bonds were used to grant loans to small and micro enterprises in accordance with applicable laws and approvals of the regulatory authorities.

In June 2020, the Bank received the *Reply of the China Banking Regulatory Commission on Approving the Issuance of Tier-2 Capital Bonds by China CITIC Bank Corporation Limited* (CBIRC Reply [2020] No.278) issued by CBIRC and the *Affirmative Decision of Administrative License* (PBOC Decision [2020] No. 17) issued by PBOC, and was approved to issue tier-2 capital bonds (the "Bonds") up to RMB40.0 billion in the national inter-bank bond market, which shall be recognized as tier-2 capital of the Bank as per relevant rules. The administrative license granted in the *Affirmative Decision of Administrative License* is effective from 16 June 2020 to 15 June 2022, and the Bank may issue the Bonds in batches during the effective period. The Bonds were issued in the national inter-bank bond market on 14 August 2020. The size of issuance of the Bonds is RMB40.0 billion, and the Bonds has a term of 10 years. The Issuer shall have a conditional redemption right from the end of the fifth year onwards. The coupon rate is 3.87%. After deducting the issuance costs, all proceeds from the bond issuance will be used to replenish the Bank's tier-2 capital in accordance with applicable laws and regulatory approval, so as to improve the Bank's capital structure, and promote the steady development of its business.

Please refer to the relevant announcements published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) for details thereof.

5.3 Information on Ordinary Shareholders

5.3.1 Total Number of Shareholders

As at the end of the reporting period, the Bank had 176,426 accounts of ordinary shareholders in total, including 147,267 accounts of A shareholders and 29,159 accounts of registered H shareholders, and no preference shareholders with restored voting right.

5.3.2 Information on the Top 10 Shareholders (as at the end of the reporting period)

Unit: share

No.	Name of shareholder	Nature of shareholder	Class of shares	Total number of shares held	Shareholding percentage (%)	Number of shares subject to restrictions on sale	Increase or decrease in shareholding during the reporting period	Shares pledged or frozen
1	CITIC Corporation Limited	State-owned legal person	A share, H share	31,988,728,773	65.37	0	0	0
2	Hong Kong Securities Clearing Company Nominees Limited	Overseas legal person	H share	11,555,352,346	24.61	0	+218,352	Unknown
3	China National Tobacco Corporation	State-owned legal person	A share	2,147,469,539	4.39	2,147,469,539	0	0
4	China Securities Finance Corporation Limited	State-owned legal person	A share	1,114,065,677	2.28	0	0	0
5	Central Huijin Asset Management Limited	State-owned legal person	A share	272,838,300	0.56	0	0	0
6	China Construction Bank Corporation	State-owned legal person	H share	168,599,268	0.34	0	0	0
7	Hong Kong Securities Clearing Company Limited	Overseas legal person	A share	134,651,342	0.28	0	-39,555,638	0
8	Mao Tian Capital Limited	State-owned legal person	A share	31,034,400	0.06	0	0	0
9	China Poly Group Corporation Limited	State-owned legal person	A share	27,216,400	0.06	0	0	0
10	Gu Liyong	Natural person	A share	19,980,646	0.04	0	0	0

Notes: (1) Except for CITIC Corporation Limited and Hong Kong Securities Clearing Company Nominees Limited, the shareholdings of A-share holders and H-share holders in the table above were calculated based on the Bank's share registers respectively maintained with China Securities Depository and Clearing Corporation Limited Shanghai Branch and Computershare Hong Kong Investor Services Limited.

(2) Hong Kong Securities Clearing Company Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited. The total number of shares held by Hong Kong Securities Clearing Company Nominees Limited is the aggregate number of H shares it held in its capacity as nominee on behalf of all institutional (except for CITIC Corporation Limited) and individual investors registered with the company as at the end of the reporting period. Hong Kong Securities Clearing Company Limited is an institution that is designated by others to hold shares, including the Shanghai Stock Connect shares held by Hong Kong and overseas investors, on behalf of others in its capacity as nominee shareholder.

(3) CITIC Corporation Limited is a wholly-owned subsidiary of CITIC Limited. CITIC Corporation Limited confirmed that as at the end of the reporting period, CITIC Limited and its subsidiaries (including CITIC Corporation Limited) together owned 32,284,227,773 shares of the Bank, accounting for 65.97% of the Bank's total shares, including 28,938,928,294 A shares and 3,345,299,479 H shares. CITIC Corporation Limited directly owned 31,988,728,773 shares of the Bank, accounting for 65.37% of the Bank's total shares, including 28,938,928,294 A shares and 3,049,800,479 H shares.

(4) Summit Idea Limited confirmed that, as at the end of the reporting period, it held via Hong Kong Securities Clearing Company Nominees Limited 2,292,579,000 H shares of the Bank, accounting for 4.685% of the Bank's total shares. Summit Idea Limited is a wholly-owned affiliate of Xinhu Zhongbao. In addition to the afore-mentioned stake, Hong Kong Xinhu Investment Co., Ltd., a wholly-owned subsidiary of Xinhu Zhongbao, also owned 153,686,000 H shares of the Bank via Hong Kong Securities Clearing Company Nominees Limited, taking up 0.314% of the Bank's total shares.

(5) Note on connected relations or concerted actions of the above ordinary shareholders: Hong Kong Securities Clearing Company Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited. According to the *Report for the First Quarter of 2020 of China Construction Bank Corporation,* as at 31 March 2020, Central Huijin Investment Ltd. and its wholly-owned subsidiary Central Huijin Asset Management Ltd. together owned 57.31% equity of China Construction Bank Corporation. Except for these, the Bank was not aware of any connected relations or concerted actions between the above-mentioned shareholders.

5.3.3 Information on the Top 10 Shareholders Not Subject to Restrictions on Sale (as at the end of the reporting period)

Unit: share

No.	Name of shareholder	Number of shares not subject to restrictions on sale held	Class and number of shares held: Class	Class and number of shares held: Number
1	CITIC Corporation Limited	31,988,728,773	Renminbi denominated ordinary shares	28,938,928,294
			Overseas-listed foreign shares	3,049,800,479
2	Hong Kong Securities Clearing Company Nominees Limited	11,555,352,346	Overseas-listed foreign shares	11,555,352,346
3	China Securities Finance Corporation Limited	1,114,065,677	Renminbi denominated ordinary shares	1,114,065,677
4	Central Huijin Asset Management Limited	272,838,300	Renminbi denominated ordinary shares	272,838,300
5	China Construction Bank Corporation	168,599,268	Overseas-listed foreign shares	168,599,268
6	Hong Kong Securities Clearing Company Limited	134,651,342	Renminbi denominated ordinary shares	134,651,342
7	Mao Tian Capital Limited	31,034,400	Renminbi denominated ordinary shares	31,034,400
8	China Poly Group Corporation Limited	27,216,400	Renminbi denominated ordinary shares	27,216,400
9	Gu Liyong	19,980,646	Renminbi denominated ordinary shares	19,980,646
10	E Fund — ICBC — FOTIC — FOTIC Steady Wealth FOF Single Fund Trust	14,587,442	Renminbi denominated ordinary shares	14,587,442

5.4 Interests and Short Positions Held by Substantial Ordinary Shareholders and Other Persons

The table below sets out the interests and short positions in the shares of the Bank held by substantial shareholders and other persons (except the directors, supervisors and chief executives of the Bank defined according to the Hong Kong Listing Rules) as recorded in the register that the Bank maintained pursuant to Section 336 of the *Securities and Futures Ordinance* and as far as the Bank was aware as at the end of the reporting period.

Name	Class of shares	Identity	Number of shares held	Shareholding percentage of the issued share capital of the same class (%)	Shareholding percentage of the total issued share capital (%)
CITIC Corporation Limited	H share	Beneficiary owner	3,049,800,479(L)	20.49	6.23
	A share		32,480,941,716(L)	95.38	66.38
	H share	Interest of controlled corporations	10,313,000(L)	0.07	0.02
CITIC Limited	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.84
	A share		32,480,941,716(L)	95.38	66.38
CITIC Polaris Limited	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.84
	A share		32,480,941,716(L)	95.38	66.38
CITIC Glory Limited	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.84
	A share		32,480,941,716(L)	95.38	66.38
CITIC Group	H share	Interest of controlled corporations	3,345,299,479(L)	22.48	6.84
	A share		32,480,941,716(L)	95.38	66.38
Summit Idea Limited	H share	Beneficiary owner	2,292,579,000(L)	15.41	4.685
Total Partner Global Limited	H share	Interest of controlled corporations	2,292,579,000(L)	15.41	4.685
Hong Kong Xinhu Investment Co., Ltd.	H share	Beneficiary owner	153,686,000(L)	1.03	0.314
		Interest of controlled corporations	2,292,579,000(L)	15.41	4.685
Xinhu Zhongbao Co., Ltd.	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Zhejiang Xinhu Group Corporation Limited	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Zhejiang Hengxingli Holding Group Co., Ltd.	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Ningbo Jiayuan Industrial Development Co., Ltd.	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Huang Wei	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999
Li Ping	H share	Interest of controlled corporations	2,446,265,000(L)	16.44	4.999

Notes: (1) (L) — long position, (S) — short position.

(2) The above disclosure is made mainly on the basis of the information released on SEHK (www.hkexnews.hk).

(3) According to Section 336 of the *Securities and Futures Ordinance*, if multiple conditions are met, shareholders of the Bank shall submit the disclosure form. When there is a change to shares of the Bank held by shareholders, unless multiple conditions are met, related shareholders need not to notify the change to the Company and SEHK. Therefore, the latest shares held by shareholders at the Company may differ from those already submitted to SEHK.

Except for the afore-mentioned disclosure, as at the end of the reporting period, the Bank didn't know that any person (except the directors, supervisors and chief executives of the Bank defined according to the Hong Kong Listing Rules) held any interests and short positions in the shares of the Bank or underlying shares that shall be recorded in the register that the Bank maintained pursuant to Section 336 of the *Securities and Futures Ordinance*.

5.5 Controlling Shareholder and De Facto Controller of the Bank

During the reporting period, the Bank's controlling shareholder and de facto controller remained unchanged. As at the end of the reporting period, CITIC Corporation Limited was the controlling shareholder of the Bank; CITIC Limited was the single direct controlling shareholder of CITIC Corporation Limited; CITIC Group was the controlling shareholder of CITIC Limited, and the de facto controller of the Bank.

CITIC Group was founded in 1979 by Mr. Rong Yiren with the support of Mr. Deng Xiaoping. Since its inception, CITIC Group has been a pilot unit for national economic reform and an important window for China's opening to the outside world. With fruitful explorations and innovation in many areas, CITIC Group has built itself a robust image and reputation both domestic and abroad. At present, CITIC Group has developed into a large state-owned multinational conglomerate with both financial and non-financial businesses. Its financial business covers a full range of services including banking, securities, trust, insurance, fund and asset management; and its non-financial business includes real estate, engineering contracting, energy and resources, infrastructure construction, machinery manufacturing and information technology, with clear overall strength and great momentum of growth.

In December 2011, with approval from the State Council, and in alignment with its wholly-owned subsidiary Beijing CITIC Enterprise Management Co., Ltd., CITIC Group contributed the majority of its existing net operating assets to establish CITIC Corporation Limited (named "CITIC Limited" when first established). In particular, CITIC Group held 99.9% equity interest in CITIC Limited, and Beijing CITIC Enterprise Management Co., Ltd. held 0.1%. CITIC Group as a whole was restructured into a wholly state-owned company. To complete the afore-mentioned capital contribution, CITIC Group transferred its entire equity in the Bank to CITIC Corporation Limited as capital contribution. As a result, CITIC Corporation Limited held 28,938,929,004 shares in the Bank both directly and indirectly, accounting for 61.85% of the Bank's total share capital. The above-mentioned share transfer was approved by the State Council, the Ministry of Finance (MOF), former CBRC, the CSRC and the Hong Kong Monetary Authority. In February 2013, the relevant formalities for the share transfer were officially completed with approvals from the SSE and China Securities Depositary and Clearing Corporation Limited Shanghai Branch. On 20 December 2018, the MOF, and the Ministry of Human Resources and Social Security (MOHRSS) issued a notice to implement the relevant arrangements of the *Notice of the State Council on Printing and Distributing the Implementation Plan on the Transfer of Some State-owned Capital to Replenish the Social Security Fund*, transferring MOF's 10% equity in CITIC Group to the National Council for Social Security Fund in a lump sum.

In October 2013, BBVA transferred to CITIC Limited 2,386,153,679 H shares it held in the Bank, accounting for approximately 5.10% of the total share capital of the Bank, after which CITIC Limited increased its shareholding in the Bank to 66.95%.

In August 2014, CITIC Group injected its main business assets entirely into its Hong Kong listed subsidiary CITIC Pacific and renamed it CITIC Limited. The former CITIC Limited was renamed CITIC Corporation Limited. CITIC Limited held 100% equity interest in CITIC Corporation Limited.

In September 2014, CITIC Corporation Limited purchased an additional 81,910,800 H shares of the Bank via agreement transfer, after which, CITIC Corporation Limited held a total of 31,406,992,773 A shares and H shares of the Bank, accounting for approximately 67.13% of the Bank's total share capital.

In January 2016, the Bank completed its private offering of 2,147,469,539 A shares to China Tobacco, upon which time the Bank's total share capital increased to 48,934,796,573 shares and the proportion of shares owned by CITIC Corporation Limited went down to 64.18%.

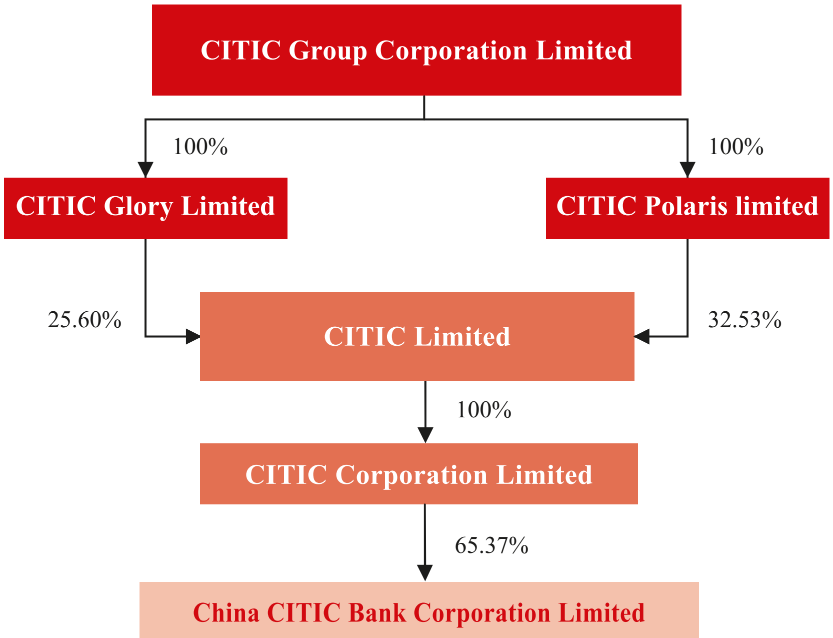
In January 2016, CITIC Limited notified the Bank that it planned to increase its shareholding in the Bank by 21 January 2017 when appropriate, provided that the accumulative percentage of such incremental equity holding did not exceed 5% of the Bank's total issued share capital. As at 21 January 2017, the implementation of the additional shareholding plan was completed. CITIC Limited and its subsidiaries (including CITIC Corporation Limited) hold 32,284,227,773 shares of the Bank in aggregate, of which they hold 28,938,928,294 A shares and 3,345,299,479 H shares, representing 65.97% of the total issued shares of the Bank.

As at the end of the reporting period, CITIC Group's legal representative was Mr. Zhu Hexin. Its business scope covered: investment in and management of domestic and overseas financial enterprises and related industries including banking, securities, insurance, trust, asset management, futures, leases, funds and credit cards; investment businesses in energy, transportation infrastructure, mining, forestry resources development and raw materials industry, machinery manufacturing, real estate development, information infrastructure, basic telecommunications and value-added telecom services, environmental protection, pharmaceuticals, biological engineering and new materials, aviation, transportation, warehousing, hotels, tourism, domestic and international trade, commerce, education, publication, media, culture and sports, domestic and overseas project design, construction, contracting and sub-contracting, and industrial investment; asset management; capital operation; project tendering, exploration, design, construction, supervision, contracting and subcontracting and consulting services; external allocation of required workers to overseas projects compatible with its strength, scale and business performance; import and export; and information services business (only restricted to internet information services which excludes information search and inquiry service, information community service, instant information interaction service and information protection and processing service). (The entity shall discretionally choose its business projects and conduct its business activities according to the law; conduct its business activities as per approval of competent authorities regarding business items that may only be conducted with such approval according to the law; and may not engage in business activities of the projects that are prohibited or restricted by the municipal industrial policy).

As at the end of the reporting period, CITIC Corporation Limited had a registered capital of RMB139 billion; and Mr. Zhu Hexin was its legal representative. Its business scope covered: 1. Investment in and management of the financial sector, including investment in and management of domestic and overseas financial enterprises and related industries such as banking, securities, insurance, trust, asset management, futures, leases, funds and credit cards; 2. Investment in and management of the non-financial sector, including (1) energy, transportation and other infrastructure; (2) mining, forestry and other resource development and the raw materials industry; (3) machine manufacturing; (4) real estate development; (5) the information industry: information infrastructure, basic telecommunications and value-added telecom services; (6) commercial and trade services and other industries; environment protection; pharmaceuticals, biological engineering and new materials; aviation, transportation, warehousing, hotels and tourism; domestic and international trade, import and export, commerce; education, publication, media, culture and sports; consulting services; 3. Grant of shareholder loans to its domestic and overseas subsidiaries; capital operation; asset management; domestic and overseas project design, construction, contracting and sub-contracting, and labor export; and other business items approved by competent authorities. (The entity changed from a domestic enterprise into a foreign-invested enterprise on 22 July 2014, and therefore needs to conduct its business activities as per approval of competent authorities regarding business items that may only be conducted with such approval according to the law.)

As at the end of the reporting period, CITIC Limited and its subsidiaries (including CITIC Corporation Limited) held 32,284,227,773 shares of the Bank in aggregate, representing 65.97% of the total issued shares of the Bank, including 28,938,928,294 A shares and 3,345,299,479 H shares. CITIC Corporation Limited directly owned 31,988,728,773 shares in the Bank, accounting for 65.37% of the total share capital of the Bank, including 28,938,928,294 A shares and 3,049,800,479 H shares.

As at the end of the reporting period, the ownership structure between the Bank, its controlling shareholder and its de facto controller was as follows:[35]



In accordance with the relevant requirements of *Provisional Measures for Equity Management of Commercial Banks*, as at the end of the reporting period, the controlling shareholder, de facto controller, persons acting in concert and ultimate beneficiary of CITIC Corporation Limited are as follows:

Name of shareholder	Controlling shareholder	De facto controller	Person acting in concert	Ultimate beneficiary
CITIC Corporation Limited	CITIC Limited	CITIC Group Corporation Limited	Fortune Class Investments Limited, Metal Link Limited	CITIC Group Corporation Limited

5.6 Information on Other Substantial Shareholders

As per the relevant provisions of the *Provisional Measures for the Management of Equity in Commercial Banks*, in addition to CITIC Corporation Limited, the substantial shareholders of the Bank also include Summit Idea Limited, China Tobacco and Poly Group. During the reporting period, among members of the Board of Directors of the Bank, one non-executive director was recommended by Summit Idea Limited and another non-executive director was recommended by China Tobacco; among members of its Board of Supervisors, one shareholder representative supervisor was recommended by Poly Group.

[35] CITIC Glory Limited (formerly translated as "CITIC Shengrong Co., Ltd") and CITIC Polaris Co., Ltd. (formerly translated as "CITIC Shengxing Co., Ltd.") are both wholly-owned subsidiaries of CITIC Group. CITIC Corporation Limited directly owned 65.37% of the total share capital of the Bank, in addition to which, CITIC Limited also held part of the Bank's equity via its subsidiaries and CITIC Corporation Limited's subsidiaries.

Summit Idea Limited is a company incorporated in Hong Kong. As at the end of the reporting period, it held via Hong Kong Securities Clearing Company Nominees Limited 2,292,579,000 H shares of the Bank, accounting for 4.685% of the Bank's total shares, with 1,123,363,710 H shares of the Bank pledged as collateral as at the end of the reporting period. Summit Idea Limited is a wholly-owned subsidiary of Xinhu Zhongbao. In addition to the afore-mentioned stake, Hong Kong Xinhu Investment Co., Ltd, a wholly owned subsidiary of Xinhu Zhongbao, owned 153,686,000 H shares of the Bank via Hong Kong Securities Clearing Company Nominees Limited, taking up 0.314% of the Bank's total shares. Xinhu Zhongbao (SH.600208) was listed on the Shanghai Stock Exchange in 1999. Its principal business is real estate and finance. As at the end of December 2019, the company recorded registered capital of RMB8.599 billion, total assets of RMB144.032 billion and net assets of RMB35.163 billion. The company is an industry leader in terms of the size, strength and quality of its real estate business. At the time of the report, Xinhu Zhongbao has developed more than 50 real estate projects in over 30 cities across the country with aggregate development area reaching over 30 million square meters. In terms of financial business, Xinhu Zhongbao has formed a financial investment pattern that covers securities, banking, insurance and futures, etc. It has made forward-looking investment in high-tech companies engaged in block chain, big data, artificial intelligence and cloud computing, and is an important shareholder of Wind, Bangsun Technology, Hyperchain and other financial technology companies which owned leading technology and market shares.

China Tobacco is a mega state-owned enterprise established with approval from the State Council. As at the end of the reporting period, China Tobacco held 2,147,469,539 A shares of the Bank, accounting for 4.39% of the Bank's total shares, with no pledge of the Bank's equity as collateral. China Tobacco is an enterprise owned by the whole people with registered capital of RMB57 billion. Its legal representative is Zhang Jianmin. The main business scope of China Tobacco includes the production, operation and import and export of tobacco monopoly products, as well as management and operation of state-owned assets.

Poly Group is a large-scale central state-owned enterprise administered by State-owned Assets Supervision and Administration Commission of the State Council (SASAC). As at the end of the reporting period, Poly Group held 27,216,400 A shares of the Bank, accounting for 0.056% of the Bank's total shares, with no pledge of the Bank's equity as collateral. Poly Group was incorporated in 1992 with approval of the State Council and the Central Military Commission. Its legal representative is Zhang Zhengao. With registered capital of RMB2 billion, Poly Group is mainly engaged in the following core businesses: trade in military and civilian goods trade, real estate development, light industry research and development and related engineering services, arts and crafts business and services (both raw materials and products), culture and arts business, and production and sale of explosives for civilian uses and related services. Poly Group has established a development pattern focusing on international trade, real estate development, culture and arts business, production and sale of explosives for civilian uses, development and application of light industry materials and products, and development and utilization of raw materials for arts and crafts. Its business spreads over 100 countries around the world and more than 100 cities in China.

In accordance with the relevant requirements of *Provisional Measures for Equity Management of Commercial Banks*, as at the end of the reporting period, the above substantial shareholders and their controlling shareholders, de facto controllers, persons acting in concert and ultimate beneficiaries are as follows:

Name of shareholder	Controlling shareholder	De facto controller	Person acting in concert	Ultimate beneficiary
Summit Idea Limited	Total Partner Global Limited	Huang Wei	Hong Kong Xinhu Investment Co., Ltd.	Huang Wei
China Tobacco	State Council	State Council	None	State Council
Poly Group	SASAC	SASAC	None	SASAC

Chapter 6 Preference Shares

6.1 Issuance and Listing of Preference Shares

After obtaining the *Reply of China Banking Regulatory Commission on Approving China CITIC Bank's Private Offering of Preference Shares and Amendment to the Articles of Association* (CBRC Reply [2015] No.540) from the former CBRC and the *Reply of China Securities Regulatory Commission on Approving China CITIC Bank's Private Offering of Preference Shares* (CSRC License [2016] No.1971), the Bank made the non-public offering of 350 million onshore preference shares each with a par value of RMB100 and issued at par on 21 October 2016. The shares were issued at par at 3.80% initial nominal dividend rate and with no maturity period. These 350 million preference shares, referred to as "CITIC Excellent 1" with the stock code of 360025, were listed on Shanghai Stock Exchange's Comprehensive Business Platform on 21 November 2016.

On 13 December 2018, the 8th meeting of the 5th session of the Board of Directors of the Bank considered and approved the *Proposal on Plan for Non-Public Offering of Preference Shares* and other relevant proposals, endorsing the Bank's offering of up to 400 million preference shares (inclusive) at RMB100 par value per share. The *Proposal on Plan for Non-Public Offering of Preference Shares,* the *Proposal to the General Meeting on Authorizing the Board of Directors to Handle Relevant Matters Relating to the Non-Public Offering of Preference Shares*, among others, were considered and approved by the 1st Extraordinary General Meeting of 2019, the 1st A Shareholders Class Meeting of 2019 and the 1st H Shareholders Class Meeting of 2019 of the Bank convened on 30 January 2019. The Bank plans to make a non-public offering of preference shares of no more than RMB40 billion (inclusive) in China. The authorization period from the extraordinary general meeting and the shareholders class meetings to the Board of Directors for handling relevant matters in relation to the non-public offering of preference shares (the "Preference Shares") is 12 months from the date of the extraordinary general meeting's and the shareholders class meetings' consideration and approval of the *Proposal to the General Meeting on Authorizing the Board of Directors to Handle Relevant Matters Relating to the Non-public Offering of Preference Shares*, which expired on 29 January 2020.

Given the fact that related work of the Preference Shares is still in progress, the 19th meeting of the 5th session of the Board of Directors of the Bank considered and approved the *Proposal to the General Meeting on the Extension of the Authorization Period to the Board of Directors for Handling Relevant Matters in Relation to the Non-public Offering of Preference Shares* on 18 December 2019. On 20 May 2020, the Annual General Meeting of 2019, the 1st A Shareholders Class Meeting of 2020 of the Bank and the 1st H Shareholders Class Meeting of 2020 considered and approved the *Proposal regarding the Extension of the Authorization Period to the Board of Directors for Handling Matters in Relation to the Non-public Offering of Preference Shares by the General Meeting*, and agreed to extend the authorization period to 29 January 2021. Apart from the extension of the authorization period from the general meeting and the shareholders class meetings to the Board of Directors to handle relevant matters relating to the issuance of Preference Shares, other authorization matters approved by the 1st Extraordinary General Meeting of 2019, the 1st A Shareholders Class Meeting of 2019 and the 1st H Shareholders Class Meeting of 2019 of the Bank by poll remain unchanged.

Please refer to the relevant announcements published on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) for detailed information thereof.

6.2 Number of Preference Shareholders and Their Shareholdings

As at the end of the reporting period, the Bank recorded 31 accounts of preference shareholders ("CITIC Excellent 1", preference share stock code: 360025). Information on the top 10 preference shareholders at the end of the reporting period is set out in the table below.

Unit: shares

No.	Name of shareholder (full name)	Nature of shareholder	Changes in shareholding in the reporting period (+, -)	Number of shares held at the end of the period	Shareholding percentage (%)	Class of shares held	Number of shares subject to restrictions on sale	Shares pledged or frozen Status	Quantity
1	China Mobile Communications Group Corporation limited	State-owned legal person	–	43,860,000	12.53	Onshore preference shares	–	–	–
2	China Life Insurance Company Limited — Dividend — Individual Dividend — 005L — FH002 Shanghai	Other	–	38,430,000	10.98	Onshore preference shares	–	–	–
3	China Life Insurance Company Limited — Traditional — Ordinary Insurance Products — 005L — CT001 Shanghai	Other	–	38,400,000	10.97	Onshore preference shares	–	–	–
4	China Ping An Life Insurance Co., Ltd. — Universal — Individual Universal Insurance	Other	–	30,700,000	8.77	Onshore preference shares	–	–	–
5	China Ping An Life Insurance Company Limited — Dividend — Dividends for Individual Insurance	Other	–	30,700,000	8.77	Onshore preference shares	–	–	–
6	BOCOM International Trust Co., Ltd. — Jin Sheng Tian Li No. 1 Single Fund Trust	Other	–	30,700,000	8.77	Onshore preference shares	–	–	–
7	Puyin Ansheng Fund Company — SPDB — Shanghai Pudong Development Bank Shanghai Branch	Other	–	21,930,000	6.27	Onshore preference shares	–	–	–
8	Xing Quan Rui Zhong Total Assets — Ping An Bank — Ping An Bank Co., Ltd.	Other	–	15,350,000	4.39	Onshore preference shares	–	–	–
9	Chuang Jin He Xin Fund — China Merchants Bank — China Merchants Bank Co., Ltd.	Other	–	10,960,000	3.13	Onshore preference shares	–	–	–
10	Bank of Communications Schroder Fund — Minsheng Bank — China Minsheng Bank Co., Ltd.	Other	–	8,770,000	2.51	Onshore preference shares	–	–	–
	China Resources Shenzhen Investment Trust Co., Ltd. — No. 1 Single Investment Trust Fund	Other	–	8,770,000	2.51	Onshore preference shares	–	–	–

Notes: (1) The shareholdings of the preference shareholders were calculated based on the information contained in the preference-share register of the Bank.

(2) Note on related relations or concerted actions of the above preference shareholders: Based on publicly available information, the Bank came to the preliminary conclusion that there was related relation between China Life Insurance Company Limited — Dividend — Individual Dividend — 005L — FH002 Shanghai and China Life Insurance Company Limited — Traditional — Ordinary Insurance Products — 005L — CT001 Shanghai and between China Ping An Life Insurance Co., Ltd. — Universal — Individual Universal Insurance and China Ping An Life Insurance Company Limited — Dividend — Dividends for Individual Insurance. Except for these, the Bank was not aware of any related relation or concerted action between the above-mentioned preference shareholders or between the above-mentioned preference shareholders and the top 10 ordinary shareholders.

(3) "Shareholding percentage" means the number of preference shares held by preference shareholders accounting for in the total issued preference shares.

6.3 Dividend Distribution for Preference Shares

6.3.1 Policy on dividend distribution of preference shares

The Bank's preference shares shall apply a nominal dividend yield subject to phase-specific adjustment, i.e., every five years as of the payment date of the subscribed shares constitutes an interest-bearing period and each period applies the same nominal dividend yield. The nominal dividend yield for the first interest-bearing period was set at 3.80% by way of book finding.

Cash dividends shall be paid for the above-mentioned preference shares on an annual basis, with the interest-bearing principal calculated as the total par value of the issued ongoing preference shares and the interest start date being the payment date of the subscribed shares (i.e., 26 October 2016). Dividends on the above preference shares shall not be cumulative, i.e., the shortage from a full-amount dividend in the current year will not be accumulated to the next interest-bearing year. Except for access to the dividends agreed upon in accordance with the issuance plan, the above-mentioned preference shareholders shall not participate in the distribution of surplus profits together with the ordinary shareholders.

6.3.2 Payment of dividends on preference shares during the reporting period

During the reporting period, the Bank did not distribute any dividend on preference shares.

6.3.3 Plan on payment of dividends on preference shares

The Bank adopted the 2020 Plan on Payment of Dividends on Preference Shares at the Board meeting convened on 27 August 2020, approving that the preference share dividends accrued between 26 October 2019 and 25 October 2020 would be paid on 26 October 2020. The Bank will pay dividends on the preference shares to all the shareholders of "CITIC Excellent 1" (preference share stock code: 360025) registered with China Securities Depository and Clearing Corporation Limited Shanghai Branch at the close of SSE trading on 23 October 2020. The Bank will pay out a preference dividend of RMB3.80 per share (before tax), which was calculated at a nominal dividend rate of 3.80%, with total dividend payment for preference shares amounting to RMB1.330 billion (before tax).

6.4 Redemption or Conversion of Preference Shares

No preference share of the Bank was redeemed or converted during the reporting period.

6.5 Restoration of Voting Right of Preference Shares

During the reporting period, no event that could restore the voting right of preference shares happened to the Bank.

6.6 Accounting Policies for Preference Shares and the Underlying Reasons

According to the relevant accounting standards promulgated by the Ministry of Finance (MOF), namely, *Accounting Standards for Enterprises No. 22 — Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprises No. 37 — Presentation of Financial Instruments,* and *Distinguishing between Financial Liabilities and Equity Instruments and the Relevant Accounting Treatments*, and pursuant to the principal terms of the preference share issuance, the above-mentioned preference shares are eligible to be classified as equity instrument. Hence, the Bank accounted for the preference shares as an equity instrument.

Chapter 7 Convertible Corporate Bonds

7.1 Overview

On 4 March 2019, the Bank completed the issuance of 40 million board lots of A-share convertible corporate bonds (hereinafter referred to as "A-share convertible bonds" for short), with each issued at the face value of RMB100 at par, raising total proceeds of RMB40 billion, which came to net proceeds of RMB39.9156402 billion after deduction of the issuance costs. These A-share convertible bonds, referred to as "CITIC Convertible Bonds" with the code of 113021, were listed on the Shanghai Stock Exchange for trading on 19 March 2019. All proceeds from the issuance of A-share convertible bonds had been used for operation to support business development, and will be used to replenish the Bank's core tier one capital after the conversion to shares according to relevant regulations.

7.2 Convertible Bond Holders and Guarantors during the Reporting Period

Unit: RMB Yuan

Convertible bond holders at the period end (accounts)		**17,586**
Guarantors of convertible bonds of the Bank		**None**
Name of top ten convertible bond holders	**Nominal value of bonds held at the end of the period**	**Percentage of bonds held (%)**
CITIC Corporation Limited	26,388,000,000	65.97
China National Tobacco Corporation	2,521,129,000	6.30
Special account for collateralized bond repurchase in the securities depository and clearing system (Industrial and Commercial Bank of China)	1,453,145,000	3.63
Special account for collateralized bond repurchase in the securities depository and clearing system (China Merchants Bank Co., Ltd.)	526,489,000	1.32
Special account for collateralized bond repurchase in the securities depository and clearing system (China Construction Bank)	505,901,000	1.26
Special account for collateralized bond repurchase in the securities depository and clearing system (China Minsheng Banking Corp., Ltd.)	297,561,000	0.74
Orient Securities Co., Ltd.	281,360,000	0.70
Bank of Jiujiang Co., Ltd. — Jiu Ying Wealth Management	275,418,000	0.69
Special account for collateralized bond repurchase in the securities depository and clearing system (Bank of China)	238,656,000	0.60
China Merchants Bank Co., Ltd. — Hong De Zhi Yuan Hybrid Securities Investment Fund (泓德致遠混合型證券投資基金)	228,937,000	0.57

7.3 Changes in A-share Convertible Bonds during the Reporting Period

For the A-share convertible bonds issued by the Bank, he conversion period commenced from 11 September 2019, i.e., the first trading day after six months from the completion of the issuance; and expires on 3 March 2025, i.e., the bond maturity date. As at the end of reporting period, a total of RMB184,000 CITIC Convertible Bonds had been converted into A-share ordinary shares of the Bank, making the total number of converted shares reaching 25,466, which accounted for 0.00005204% of the total ordinary shares issued by the Bank before the conversion of CITIC Convertible Bonds.

7.4 Previous Adjustments of Conversion Prices

On 14 July 2020 (the date of holder-of-record), the Bank distributed dividends on ordinary shares (A share) for the year 2019. According to the related articles of the *Prospectus on the Public Issuance of the A Share Convertible Corporate Bonds of China CITIC Bank Corporation Limited* as well as other applicable laws and regulations, after the issuance of A-share convertible bonds of the Bank, the Bank will accordingly adjust the conversion price of the A-share convertible bonds in case that changes take place to the Bank's shares due to the distribution of stock dividends, transfer of share capital, issuance of new shares, and rights issue (excluding the share capital increase due to the conversion of convertible bonds issued this time) and that the Bank distributes cash dividends. Therefore, after this profit distribution, the initial conversion price of CITIC Convertible Bonds was adjusted from RMB7.22 per share to RMB6.98 per share since 15 July 2020 (the ex-dividend date). Previous adjustments to conversion prices are set out in the table below:

Unit: RMB Yuan

Date of adjustment to conversion prices	Conversion price after adjustment	Disclosure date	Media of disclosure	Reasons for adjustment to conversion prices
22 July 2019	7.22	15 July 2019	*China Securities Journal, Shanghai Securities News, Securities Times,* website of SSE, website of the Bank	The implementation of profit distribution for ordinary shares (A share) for 2018
15 July 2020	6.98	8 July 2020	*China Securities Journal, Shanghai Securities News, Securities Times,* website of SSE, website of the Bank	The implementation of profit distribution for ordinary shares (A share) for 2019
The latest conversion price at the disclosure date of this report				6.98

7.5 The Bank's Outstanding Debts, Creditworthiness and Availability of Cash for Repayment of Debts in Future Years

In accordance with the applicable provisions in the *Administrative Measures for the Issuance of Securities by Listed Companies* and the *Administrative Measures for the Issuance and Trading of Corporate Bonds* of CSRC, the Bank entrusted the credit rating institution Dagong Global Credit Rating Co., Ltd. (hereinafter referred to as "Dagong Global" for short) to track and rate the credit standing of the CITIC Convertible Bonds the Bank issued in March 2019. Dagong Global issued the *Tracking Rating Report on China CITIC Bank Corporation Limited as the Issuer and its Publicly Offered A Share Convertible Corporate Bonds (2020)* which stated the rating results that: maintaining the Bank's issuer long-term credit rating at AAA with a stable outlook and the credit rating of CITIC Convertible Bonds at AAA. The Bank managed to remain stable in all aspects of operation, as exemplified by the reasonable asset structure, the steady liabilities without obvious changes, and the robust credit position. In future years, income from normal operations, cash inflows, and realization of current assets will constitute the principal cash sources for the Bank's debt service.

Chapter 8 Directors, Supervisors, Senior Management Members, Staff and Affiliates

8.1 Basic Information on Directors, Supervisors and Senior Management Members

As at the disclosure date of the Report, the basic information of directors, supervisors and senior management members of the Bank was set out as below:

8.1.1 Directors

Name	Title	Name	Title
Li Qingping	Chairperson, Executive Director	Cao Guoqiang	Non-executive Director
Fang Heying	Executive director, President & Chief Financial Officer	Guo Danghuai	Executive Director & Vice President
Huang Fang	Non-executive Director	Wan Liming	Non-executive Director
He Cao	Independent Non-Executive Director	Chen Lihua	Independent Non-Executive Director
Qian Jun	Independent Non-Executive Director	Yan Lap Kei Isaac	Independent Non-Executive Director

8.1.2 Supervisors

Name	Title	Name	Title
Liu Cheng	Chairman of the Board of Supervisors, Employee Representative Supervisor	Deng Changqing	Shareholder Representative Supervisor
Jia Xiangsen	External Supervisor	Zheng Wei	External Supervisor
Wei Guobin	External Supervisor	Li Gang	Employee Representative Supervisor
Chen Panwu	Employee Representative Supervisor	Zeng Yufang	Employee Representative Supervisor

8.1.3 Senior Management Members

Name	Title	Name	Title
Fang Heying	Executive Director, President & Chief Financial Officer	Guo Danghuai	Executive Director & Vice President
Yang Yu	Vice President	Hu Gang	Vice President & Chief Risk Officer
Xie Zhibin	Vice President	Xiao Huan	Secretary of the Committee for Disciplinary Inspection
Lu Wei	Business Director	Lu Jingen	Business Director
Lü Tiangui	Business Director	Zhang Qing	Secretary to the Board of Directors
Liu Honghua	Business Director		

8.2 Appointment and Departure of Directors, Supervisors and Senior Management Members

8.2.1 Directors

During the reporting period, there was no change in directors of the Bank.

8.2.2 Supervisors

In January 2020, Ms. Wang Xiuhong resigned as external supervisor of the Bank, and chairperson of the Nomination Committee of the Board of Supervisors of the Bank after completing her six years' term as external supervisor of the Bank. In order to ensure the Board of Supervisors of the Bank meets the requirement that the proportion of external supervisors is no less than one third of the number of supervisors, Ms. Wang Xiuhong's resignation took effect after the new external supervisor elected by the 2019 Annual General Meeting of the Bank held on 20 May 2020 took office.

In May 2020, as considered and approved at the 2019 Annual General Meeting, the Bank elected Mr. Wei Guobin as an external supervisor of the 5th Session of the Board of Supervisors of the Bank. Pursuant to regulations and the Articles of Association of the Bank, Mr. Wei Guobin serves as external supervisor of the 5th Session of the Board of Supervisors as of 20 May 2020.

On 22 May 2020, as considered and approved at the 22nd meeting of the 5th Session of the Board of Supervisors, the Bank elected supervisor Mr. Wei Guobin as a member of the Nomination Committee of the 5th Session of the Board of Supervisors of the Bank, and supervisor Mr. Zheng Wei as a member of the Nomination Committee of the 5th Session of the Board of Supervisors of the Bank. On 29 May 2020, as considered at the 5th meeting of the Nomination Committee of the 5th Session of the Board of Supervisors, Mr. Wei Guobin was approved to serve as Chairman of the Nomination Committee of the 5th Session of the Board of Supervisors of the Bank.

8.2.3 Senior Management Members

During the reporting period, there was no change in senior management members of the Bank.

8.3 Shareholdings of Directors, Supervisors and Senior Management Members at the Bank during the Reporting Period

During the reporting period, none of the Bank's directors, supervisors or senior management members, whether incumbent or non-incumbent during the reporting period, held any shares, share options or restrictive shares of the Bank.

8.4 Position Changes of Directors, Supervisors and Senior Management Members

Mr. Guo Danghuai started to serve as director of China CITIC Bank International Limited as of April 2020, and ceased to serve as director of CNCB (Hong Kong) Capital Limited as of June 2020.

Mr. Yang Yu started to serve as director of CITIC International Financial Holdings Limited as of March 2020, and as director of CITIC International Assets Management Limited as of April 2020.

Mr. Lu Wei ceased to serve as director of CITIC aiBank Corporation Limited as of March 2020.

Except for the above disclosures, there was no other change in the positions of directors, supervisors or senior management members of the Bank that requires disclosure pursuant to Article 13.51B (1) of the Hong Kong Listing Rules during the reporting period.

8.5 Profile on Staff and Affiliates

8.5.1 Number of Staff and Profile of Affiliates

As at the end of the reporting period, the Group had 56,881 employees of all categories, including 55,328 employees under labor contracts with the Group, 1,553 employees dispatched to the Group or hired with letters of engagement by the Group, and 1,726 retirees.

The Bank's Affiliates List (subsidiaries not included)

Region	Name of Affiliate	Address/Postal Code	Number of outlets	Number of staffers	Total Assets (RMB million)
Headquarters	Head Office	Address: 6-30/F and 32-42/F, Building No.1, 10 Guanghua Road, Chaoyang District, Beijing Postal Code: 100020	1	2,190	2,377,541
	Credit Card Center	Address: CITIC Bank Building, 121 Fuhua 1st Road, Futian Street, Futian District, Shenzhen, Guangdong Province Postal Code: 518048	1	5,730	471,416
Bohai Rim	Beijing Branch	Address: Tower A, Investment Plaza, No. 27, Financial Street, Xicheng District, Beijing Postal Code:100033	75	2,939	1,137,829
	Tianjin Branch	Address: 3-8/F &11/F Tianjin Global Financial Center, No. 2, Dagu North Road, Heping District, Tianjin Postal Code: 300020	36	989	108,567
	Shijiazhuang Branch	Address: CITIC Tower, No. 10, Ziqiang Road, Qiaoxi District, Shijiazhuang, Hebei Province Postal Code: 050000	61	1,732	96,302
	Jinan Branch	Address: CITIC Plaza, No. 150, Luoyuan Street, Jinan, Shandong Province Postal Code: 250002	45	1,514	113,926
	Qingdao Branch	Address: No. 22, Hong Kong Middle Road, Qingdao, Shandong Province Postal Code: 266071	53	1,644	112,190
	Dalian Branch	Address: No. 29, Renmin Road, Zhongshan District, Dalian, Liaoning Province Postal Code: 116011	24	827	53,220
Yangtze River Delta	Shanghai Branch	Address: CITIC Bank Building, 138 Expo Road, Pudong New Area, Shanghai Postal Code: 200126	51	1,701	398,539
	Nanjing Branch	Address: CITIC Tower, No. 348, Zhongshan Road, Nanjing, Jiangsu Province Postal Code: 210008	83	3,140	423,258
	Suzhou Branch	Address: West Building, Business Center, Financial Harbor, No. 266 East Suzhou Avenue, Suzhou Industrial Park, Suzhou, Jiangsu Province Postal Code: 215028	26	1,053	158,177
	Hangzhou Branch	Address: No. 9 Jiefang East Road, Jianggan District, Hangzhou, Zhejiang Province Postal Code: 310016	91	3,387	503,904
	Ningbo Branch	Address: CITIC Tower, No. 36, Zhenming Road, Haishu District, Ningbo, Zhejiang Province Postal Code: 315010	27	829	107,270
Pearl River Delta and West Strait	Fuzhou Branch	Address: Hengli Financial Center, No. 6, Guanfengting Street, Gulou District, Fuzhou, Fujian Province Postal Code: 350000	53	1,451	86,519
	Xiamen Branch	Address: 334-101, 201, 301, 401, Hubin South Road, Siming District, Xiamen, Fujian Province Postal Code: 361000	16	466	24,641
	Guangzhou Branch	Address: CITIC Plaza, No. 233, Tianhe North Road, Guangzhou, Guangdong Province Postal Code: 510613	101	3,226	390,591
	Shenzhen Branch	Address: 5-10/F, North Tower, Phase II Time Square, No. 8 Third Central Road, Futian District, Shenzhen, Guangdong Province Postal Code: 518048	46	1,502	407,176
	Haikou Branch	Address: Banshan Garden, No.1 Jinmao Middle Road, Longhua District, Haikou, Hainan Province Postal Code: 570125	12	330	10,680

Region	Name of Affiliate	Address/Postal Code	Number of outlets	Number of staffers	Total Assets (RMB million)
Central Region	Hefei Branch	Address: No. 396, Huizhou Avenue, Baohe District, Hefei, Anhui Province Postal Code: 230001	40	1,072	107,489
	Zhengzhou Branch	Address: CITIC Bank Building, No.1 Business Inner Ring Road, Zhengdong New District, Zhengzhou, Henan Province Postal Code: 450018	82	2,242	230,232
	Wuhan Branch	Address: CITIC Tower, No. 747 Jianshe Avenue, Hankou, Wuhan, Hubei Province Postal Code: 430000	44	1,417	149,980
	Changsha Branch	Address: No.1500 Third Section of Xiangjiang North Road, Kaifu District, Changsha, Hunan Province Postal Code: 410011	41	1,165	95,756
	Nanchang Branch	Address: Tower A, No. 16, Hengmao International Mansion, No. 333, Guangchang South Road, Nanchang, Jiangxi Province Postal Code: 330003	20	651	77,240
	Taiyuan Branch	Address: No. 9 Fuxi Street, Xinghualing District, Taiyuan, Shanxi Province Postal Code: 030002	30	902	48,759
Western Region	Chongqing Branch	Address: No. 5 Jiangbeicheng West Avenue, Jiangbei District, Chongqing Postal Code: 400021	29	1,031	136,565
	Nanning Branch	Address: No. 36-1, Shuangyong Road, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region Postal Code: 530021	18	541	47,115
	Guiyang Branch	Address: North Second Tower, BL Zone, Guizhou Financial City, Changling North Road, Guanshanhu District, Guiyang, Guizhou Province Postal Code: 550081	14	416	36,080
	Hohhot Branch	Address: CITIC Tower, Ruyihe Avenue, Ruyi Development Area, Hohhot, Inner Mongolia Autonomous Region Postal Code: 010010	34	859	46,773
	Yinchuan Branch	Address: No.160 Beijing Middle Road, Jinfeng District, Yinchuan, Ningxia Hui Autonomous Region Postal Code: 750002	8	250	16,421
	Xining Branch	Address: No.1 Jiaotong Lane, Chengxi District, Xining, Qinghai Province Postal Code: 810008	9	214	14,111
	Xi'an Branch	Address: No. 1, Middle Section of Zhuque Road, Xi'an, Shaanxi Province Postal Code: 710061	38	1,061	74,038
	Chengdu Branch	Address: La Defense Tower, No.1480 North Section of Tianfu Avenue, High-Tech Zone, Chengdu, Sichuan Province Postal Code: 610042	44	1,262	134,465
	Urumqi Branch	Address: CITIC Bank Tower, No.165, Xinhua North Road, Urumqi, Xinjiang Uygur Autonomous Region Postal Code: 830002	11	369	24,774
	Kunming Branch	Address: Fulin Square, Baoshan Street, Wuhua District, Kunming, Yunnan Province Postal Code: 650021	32	816	55,642
	Lanzhou Branch	Address: No. 9 Minzhu West Road, Chengguan District, Lanzhou, Gansu Province Postal Code: 730000	14	323	17,543
	Lhasa Branch	Address: No. 22 Jiangsu Road, Lhasa, Tibet Autonomous Region Postal Code: 850000	2	120	5,088
Northeastern region	Harbin Branch	Address: No. 236, Hongqi Avenue, Nangang District, Harbin, Heilongjiang Province Postal Code: 150000	18	487	33,515
	Changchun Branch	Address: No. 1177, Changchun Avenue, Changchun, Jilin Province Postal Code: 130000	19	468	37,660
	Shenyang Branch	Address: No. 336, Daxi Road, Shenhe District, Shenyang, Liaoning Province Postal Code: 110014	50	1,386	49,893
Overseas	London Branch	5th Floor, 99 Gresham Street, London, EC2V 7NG, UK	1	28	4,720
	Sydney Representative Office	Level 27, Gateway, 1 Macquarie Place, Sydney, NSW 2000, Australia	1	6	—

Notes: (1) In addition to the data listed in the above table, the Bank's staff also included 1,724 employees at its Data Center and Software Development Center; as well as four employees seconded to JSC Altyn Bank.

(2) The Credit Card Center mentioned in the above table had 75 sub-centers which consisted of 43 tier-one sub-centers and 32 tier-two sub-centers.

(3) The "total assets" in the above chart did not deduct the offset balance between affiliates.

8.5.2 Human Resources Management

During the reporting period, focusing on the completion of its three-year development plan, the Bank continuously improved its human resources governance system, emphasizing on strengthening the team building of managers, and further enhancing the team building of fin-tech professionals. And the Bank further optimized resource allocation and incentive & restraint mechanisms, thereby providing organizational support and talents for the high-quality and sustainable development of the Bank. The Bank comprehensively implemented COVID-19 pandemic prevention and control measures as for human resources management aspect, to introduce a series of service measures, care for the physical and psychological health of employees, and do a good job in personnel allocation so as to ensure business continuity.

Chapter 9 Corporate Governance

9.1 Overview of Corporate Governance

During the reporting period, aiming at high-quality development, the Bank continued to improve its corporate governance systems and mechanisms and kept improving the effectiveness of corporate governance. In particular, it effectively incorporated leadership of the Party into corporate governance, and coordinated the operation of the main corporate governance actors which are checked and balanced. With the role of general meeting as the Bank's organ of power given full play, the Board of Directors, the Board of Supervisors and their specialized committees effectively performed their functions. The Bank's corporate governance structure and its operation followed relevant rules and requirements of CBIRC and securities regulators at the places where the Bank's shares are listed. The Board of Directors, the Board of Supervisors and their specialized committees proactively functioned to ensure sound corporate governance for the Bank's development.

Firmly implementing national strategies, the Board of Directors of the Bank supported the development of the real economy, deepened its business transformation, and enhanced the value of light-style development. Upholding the philosophy of prudent operation, the Bank promoted the development of "Safe CITIC Bank", strengthened the long-acting mechanism for internal control and compliance at home and abroad and forestalled and defused financial risks, thereby forming a coordinated basis for preventing risks and promoting development. On top of all these, the Board of Directors also enhanced its development and self-consciously accepted supervision by the Board of Supervisors and other stakeholders. The Board of Supervisors of the Bank performed its duties with due care and diligence, focusing on the central work of the Bank. Oriented to "proactive supervision with innovative methods to create value", the Board of Supervisors discharged its supervisory duty, enhanced the capability of professional and standardized operation and further consolidated the function of the Board of Supervisors. Directors and supervisors of the Bank further enhanced their ability to perform duties through broader channels. Engagement of each and every member of the Board of Directors was decided based on comprehensive consideration of the competence, skills, knowledge and experience needed for overall operation of the Board of Directors. The membership composition of the Board of Directors complied with Code A.5.6 of the *Corporate Governance Code* as set out in Appendix 14 to the Hong Kong Listing Rules regarding diversification of members of the Board of Directors.

During the reporting period, in accordance with its Articles of Association, the Bank convened 3 general meetings, 11 meetings of the Board of Directors and 6 meetings of the Board of Supervisors. The general meetings, the meetings of the Board of Directors and those of the Board of Supervisors were all held in compliance with relevant laws and regulations and the procedures specified in the Articles of Association of the Bank.

9.2 Convening of General Meetings and Meetings of the Board of Directors and the Board of Supervisors

9.2.1 General Meetings

During the reporting period, the Bank convened the 2019 Annual General Meeting, the 1st A Shareholders Class Meeting of 2020 and the 1st H Shareholders Class Meeting of 2020 on 20 May 2020 in accordance with the listing rules of its two listing venues and its Articles of Association. At these meetings, it deliberated and approved a total of 14 proposals, which included those regarding the Bank's 2019 Annual Report, 2019 Financial Report, 2019 Profit Distribution Plan, 2020 Financial Budget Plan, 2020 Plan for Engagement of Accounting Firms and Their Fees, 2019 Special Report on Related Party Transactions, 2019 Report of the Board of Directors, 2019 Report of the Board of Supervisors, Amendments to the *Rules of Procedures of the Board of Directors of China CITIC Bank Corporation Limited*, Amendments to *the Rules of Procedures of the Board of Supervisors of China CITIC Bank Corporation Limited*, Appointment of Mr. Wei Guobin as an External Supervisor for the Fifth Session of the Board of Supervisors, Improvement of Management on the Remuneration of Independent Directors, Improvement of Management on the Remuneration of External Supervisors, and Extension of the Authorization Period to the Board of Directors for Handling Matters in Relation to the Non-public Offering of Preference Shares by the General Meeting. As such, the general meetings safeguarded legitimate rights and interests of all shareholders, ensured lawful exercise of rights by shareholders, and were critical for promoting long-term, robust and sustainable development of the Bank. Please refer to the relevant announcements published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) on 21 May 2020 for detailed information thereof.

9.2.2 Board of Directors

During the reporting period, the Board of Directors of the Bank convened a total of 11 meetings in accordance with the listing rules of the two listing venues and the Bank's Articles of Association. At those meetings, the Board of Directors deliberated and adopted 47 proposals, including those respectively regarding the Donation to China Charity Federation to Actively Support the Prevention and Control of the Epidemic, the Bank's 2019 Annual Report, 2019 Sustainability Report, 2019 Profit Distribution Plan, 2020 Business Plan, 2020 Financial Budget Plan, 2020 Plan for Engagement of Accounting Firms and Their Fees, 2019 Report on Management of Capital Adequacy Ratios, 2019 Report on Capital Adequacy Ratio Information Disclosure, 2019 Report on Internal Assessment of Capital Adequacy, 2020 Statement on Risk Preference and Programs of Consolidated Subsidiaries on Risk Preference, 2019 Internal Control Assessment Report, 2019 Special Report of Related Party Transactions, 2019 Major Shareholder Equity Management Report, 2019 Report of the Board of Directors, 2020 Work Plan of the Board of Directors, Report for the First Quarter of 2020, Report of the Board of Directors on Annual Performance Assessment of Directors in 2019, Amendments to the *Administrative Measures for Risk Preference of China CITIC Bank Corporation Limited*, Amendments to the *Measures for Consolidated Management of China CITIC Bank Corporation Limited* and Assignment of Corporate Credit Limits to Related Parties. Besides, related proposals were submitted to general meetings of shareholders for resolution by voting in accordance with the provisions of the Articles of Association of the Bank. At the same time, the Board of Directors regularly listened to presentations on the implementation of the agreed matters to ensure effective application of results of board meetings.

During the reporting period, the Board of Directors listened to a total of 27 reports and held discussions about related conditions. These reports include the 2019 Operating Results and 2020 Business Plan, Report on the Plan Implementation of 2019, 2019 Report on the Implementation of the Consolidated Management, 2019 Report on Liquidity Risk Management, 2019 Report on Comprehensive Risk Management, 2019 Report on Credit Risk Internal Rating System, Report on Business Cooperation with the Top Ten Credit Customers (Groups), 2019 Internal Control and Compliance and Anti-Money Laundering Report, 2019 Information Technology Risk Management Report, 2019 Report on Disposal of Non-performing Assets, 2019 Report on Consumer Rights Protection, 2019 Report on Complaints Management, 2019 Report on Internal Audit Findings and Rectification, 2019 Innovation Work Report, 2019 Report on Outsourcing Risk Assessment, 2020 First Quarter Report on Business Operation, 2020 First Quarter Report on Comprehensive Risk Management and Report on Findings of Risk Management and Internal Control Effectiveness Inspection and Rectification. In addition, the Board of Directors gained a comprehensive understanding of the business management, risk management, internal control and compliance and consumer rights protection of the Bank by reviewing reference materials submitted by the senior management.

During the reporting period, the independent directors of the Bank actively performed their due diligence by attending the meetings of general meetings, meetings of the Board of Directors and its specialized committees, reviewing the proposals, listening to the reports, surveying affiliated institutions of the Bank and voicing independent opinions on material issues.

9.2.3 Board of Supervisors

During the reporting period, the Board of Supervisors of the Bank held a total of 6 meetings in accordance with the listing rules of the two listing venues and the Bank's Articles of Association. The meetings deliberated and approved 21 proposals including the Bank's 2019 Annual Report, 2019 Sustainability Report, 2019 Internal Control Assessment Report, 2019 Profit Distribution Plan, 2019 Report of the Board of Supervisors, Report for the First Quarter of 2020, 2019 Duty Performance Evaluation Report of the Board of Supervisors on the Board of Directors and Its Members, 2019 Duty Performance Evaluation Report on the Board of Supervisors and 2019 Duty Performance Evaluation Report of the Board of Supervisors on the Senior Management and Its Members. As such, the Board of Supervisors actively performed its supervisory duties and responsibilities.

During the reporting period, the Board of Supervisors, focusing on the central tasks of the Bank, placed financial activities, risk management, internal control and performance of due diligence under more stringent supervisory scrutiny. The supervisors listened to a total of 23 reports, including the Bank's 2019 Business Operation and 2020 Business Plan Report, 2019 Report on the Implementation of the Consolidated Management, 2019 Report on Comprehensive Risk Management, 2019 Internal Control Compliance and Anti-Money Laundering Report, and 2020 First Quarter Report on Business Operation and Comprehensive Risk Management and Report on CBIRC Inspection Findings and Rectification. By doing so, the Board of Supervisors gained an insight into the Bank's operation and management status, and expressed opinions or suggestions on materials issues. And the follow-up and implementation of the meeting resolutions of Board of Supervisors and supervisory suggestions were enhanced to improve supervisory quality and effectiveness.

During the reporting period, in the light of the business development of the Bank, the Board of Supervisors made 3 supervision suggestions concerning the needs to further enhance the support for manufacturing sector's development, to improve the financial service to small and micro enterprises, and to effectively manage real estate business through the issuance of *Supervision Letter*. At the same time, the Board of Supervisors surveyed subsidiaries, conducted problem-oriented and in-depth discussions, produced special reports with scientific, systematic and targeted opinions and suggestions for the reference of the Board of Directors and the senior management, so as to promote the Bank toward high-quality development.

During the reporting period, members of the Board of Supervisors of the Bank attended the meetings of the Board of Directors and the general meetings of the Bank as non-voting delegates to ensure adequate supervision over the decision-making process of the Bank's significant events. All the external supervisors of the Bank were able to independently perform the supervisory duty in accordance with regulatory requirements and actively learned about the Bank's operation and management. External supervisors also carefully read all proposals and special reports and gave opinions and suggestions, playing an important role in the Board of Supervisors' performance of supervisory duty.

9.3 Information Disclosure

During the reporting period, strictly following the principles of truthfulness, accuracy, completeness, timeliness and fairness, the Bank issued the 2019 Annual Report, the Report for the First Quarter of 2020 and over 210 interim announcements and documents at the SSE and the SEHK. At the same time, in the light of the information needs of stakeholders, the Bank continued to refine the framework and contents of its periodic reports, increased disclosures regarding market concerns, constantly improved the pertinence and effectiveness of information disclosure, and provided investors with timely, sufficient and effective information to effectively protect investors' right to know.

During the reporting period, the Bank kept pace with regulatory developments to develop internal policies and procedures in line with the latest regulatory rules. Pursuant to the *Securities Law (Revised in 2019)*, the *Guidelines of Shanghai Stock Exchange on Reporting of Insiders of Listed Companies* and other relevant laws and regulations, the Bank revised nine policies including the *Administrative Measures for Information Disclosure* and its companion rules, further fortifying the compliance foundation for information disclosure. The Bank strictly implemented confidentiality rules for inside information in accordance with relevant laws and regulations as well as the Bank's policies and procedures, including the *Administrative Measures for Inside Information and Insiders*. Besides, the Bank standardized the information transmission process, intensified the management of insider information and controlled the scope of insiders.

9.4 Management of Related Party Transactions

During the reporting period, the Bank continued to attach great importance to the management of related party transactions pursuant to the regulatory requirements of the CBIRC, the CSRC, the SSE and the SEHK. In combination with the regulatory policy trends and the management requirements, further efforts were made to optimize its mechanism for such management. As a result, the Bank was able to raise the awareness for compliance of related party transactions, accelerate the information development regarding related party transactions, boost the efficiency and the degree of refinement of related party transactions management, promote the creation of synergistic value and shareholder value under the premise of compliance, and effectively protect the interests of shareholders and investors.

The Bank upheld its management system that featured decision making by the Board of Directors, supervision by the Board of Supervisors, execution by the senior management, and division of duties among business units. The Bank effectively performed obligations of reviewing and disclosing related party transactions, submitted material related party transactions to the Audit and Related Party Transactions Control Committee for review and to the Board of Directors for deliberation on a case-by-case basis, and disclosed such transactions and filed them with the CBIRC and the Board of Supervisors of the Bank for record, in strict compliance with relevant requirements on the management of related party transactions. The Audit and Related Party Transactions Control Committee under the Board of Directors consisted fully of independent non-executive directors who carried out preliminary review of material related party transactions and expressed independent opinions thereabout on behalf of minority shareholders to ensure that such transactions were made pursuant to internal approval procedures and in a fair manner on terms no more favorable than those available to independent third parties and in the overall interests of the Bank and all of its shareholders.

During the reporting period, guided by the concept of "returning to original purposes of regulation and creating value through compliance", the Bank managed related party transactions more effectively through a further standardized process to ensure compliance and orderly conduct of related party transactions. It further expanded the scope of related individuals managed, systematically reviewed and improved the scope of individuals empowered to decide on and participate in credit granting and asset transfer, and pursued automatic collection of information on related individuals in the human resources system, thus ensuring more timely acquisition of information on related individuals. The Bank further improved the management of non-credit related party transactions. Annual review was conducted over the validity of upper limits granted for ongoing related party transactions with related parties of shareholders during 2018-2020, with the annual amounts of non-credit transactions with related parties of shareholders estimated in detail and brought as major related party transactions through the procedures for deliberation by the Board of Directors, disclosure and filing with the CBIRC and the Board of Supervisors. The Bank further optimized the review and reporting mechanism for related party transactions by the Board of Directors by enhancing the depth, breadth and refinement of reporting, which enhanced the assessment of transaction reasonableness and avoided improper transfer of interests. In the meantime, a regular reporting mechanism was established for risk monitoring to ensure timely and effective identification and mitigation of risks. The Bank further improved the related party transactions management system. Based on the integration of information on related parties and related party transactions, the system was connected to the human resources system, business systems and external data platforms, thus continuously increasing the automated collection and statistical processing of information. In addition, the Bank further deepened the awareness of related party transaction compliance, strengthened supervision and guidance on day-to-day related party transaction management through multiple channels, thereby ensuring that its related party transactions were made in an orderly and compliant manner.

9.5 Management of Investor Relations

Attaching great importance to investor protection, the Bank built a multi-layer investor communication and service system. In the first half of 2020 when the COVID-19 pandemic was rampant, the Bank communicated with over 730 capital market participants through online interaction channels, such as hotline, email, online results briefing and investor meetings, effectively meeting the needs of domestic and overseas investors, analysts and small and medium-sized investors desired to communicate with the Bank. With investor communication channels expanded, the Bank strengthened interaction with small and medium-sized investors through online briefings on cash dividend distribution and SSE e-interaction platform. In addition, the Bank participated in the second "5.15 National Investor Protection Publicity Day" organized by CSRC Beijing Office by giving series of micro-lectures regarding investor protection under the new *Securities Law* through the Bank's official WeChat account under the theme of "Care for Investors, Act Together — Study and Implement the New Securities Law to Protect Legitimate Rights and Interests of Investors", receiving over 40,000 hits in total.

The Bank dynamically monitored changes in shareholders' holdings, market research reports, stock price and market capitalization performance and public opinions in the capital market, kept collecting research reports and information from the capital market, reported timely and accurate information of importance to the senior management, the Board of Directors and regulators, communicated useful market opinions within the Bank and effectively promoted the positive interaction between business operation and capital market. The Bank continued to implement the *Interim Measures for Equity Management of Commercial Banks* issued by the former CBRC and related regulatory requirements and coordinated with substantial shareholders of the Bank and other stakeholders to carry out equity management properly. During the reporting period, the Bank revised and implemented the *Administrative Measures for Share Pledge* and the *Administrative Measures for Shareholdings of Directors, Supervisors and Senior Management Members in the Bank and Changes in Their Holdings*, hence effectively enhancing its equity management.

To the Board of Directors of China CITIC Bank Corporation Limited

(Incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 106 to 207, which comprises the consolidated interim statement of financial position of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2020 and the consolidated interim statement of profit or loss and other comprehensive income, the consolidated interim statement of changes in equity, the consolidated interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). 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 Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. 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 Hong Kong 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, 27 August 2020

Chapter 10 Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	Six months ended 30 June 2020 Unaudited	2019 Unaudited
Interest income		**140,295**	130,777
Interest expense		**(75,360)**	(69,265)
Net interest income	4	**64,935**	61,512
Fee and commission income		**27,933**	26,843
Fee and commission expense		**(2,577)**	(2,901)
Net fee and commission income	5	**25,356**	23,942
Net trading gain	6	**2,218**	2,682
Net gain from investment securities	7	**9,569**	4,941
Net hedging loss		**(1)**	(3)
Other operating income		**123**	118
Operating income		**102,200**	93,192
Operating expenses	8	**(23,675)**	(24,673)
Operating profit before impairment		**78,525**	68,519
Credit impairment losses	9	**(47,229)**	(33,956)
Impairment losses on other assets	10	**(496)**	(234)
Revaluation (loss)/gain on investment properties		**(34)**	6
Share of (loss)/gain of associates and joint ventures		**(20)**	107
Profit before tax		**30,746**	34,442
Income tax expense	11	**(4,782)**	(5,605)
Profit for the period		**25,964**	28,837
Profit attributable to:			
Equity holders of the Bank		**25,541**	28,307
Non-controlling interests		**423**	530
Profit for the period		**25,964**	28,837
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss (net of tax):			
— Net changes on the measurement of defined benefit plan		**—**	(1)
— Fair value changes on financial investments designated at fair value through other comprehensive income		**(47)**	44
— Fair value changes on transfers from owner-occupied property to investment property		**53**	—
Items that may be reclassified subsequently to profit or loss (net of tax):			
— Other comprehensive income transferable to profit or loss under equity method		**(5)**	1
— Fair value changes on financial assets at fair value through other comprehensive income		**(1,601)**	(108)
— Impairment allowance on financial assets at fair value through other comprehensive income		**427**	524
— Exchange difference on translating foreign operations		**951**	(203)
Other comprehensive income, net of tax	12	**(222)**	257
Total comprehensive income for the period		**25,742**	29,094
Total comprehensive income attribute to:			
Equity holders of the Bank		**25,261**	28,464
Non-controlling interests		**481**	630
Earnings per share attributable to the ordinary shareholders of the Bank			
Basic earnings per share (RMB)	13	**0.52**	0.58
Diluted earnings per share (RMB)		**0.48**	0.55

The accompanying notes form an integral part of these consolidated interim financial statements.

Chapter 10 Consolidated Interim Statement of Financial Position

As at 30 June 2020

(Amounts in millions of Renminbi unless otherwise stated)

	Notes	**30 June 2020 Unaudited**	31 December 2019 Audited
Assets			
Cash and balances with central banks	14	**424,377**	463,158
Deposits with banks and non-bank financial institutions	15	**111,131**	121,297
Precious metals		**4,434**	6,865
Placements with and loans to banks and non-bank financial institutions	16	**220,414**	204,547
Derivative financial assets	17	**25,050**	17,117
Financial assets held under resale agreements	18	**38,061**	9,954
Loans and advances to customers	19	**4,090,669**	3,892,602
Financial investments	20	**1,991,665**	1,873,596
— at fair value through profit or loss		**303,654**	317,546
— at amortised cost		**944,479**	924,234
— at fair value through other comprehensive income		**739,881**	628,780
— designated at fair value through other comprehensive income		**3,651**	3,036
Investments in associates and joint ventures	21	**3,657**	3,672
Investment properties	23	**455**	426
Property, plant and equipment	24	**22,178**	22,372
Right-of-use assets	25	**11,664**	12,390
Intangible assets		**1,799**	1,874
Goodwill	26	**931**	912
Deferred tax assets	27	**42,837**	32,095
Other assets	28	**91,294**	87,556
Total assets		**7,080,616**	6,750,433
Liabilities			
Borrowings from central banks		**126,229**	240,298
Deposits from banks and non-bank financial institutions	30	**995,685**	951,122
Placements from banks and non-bank financial institutions	31	**71,980**	92,539
Financial liabilities at fair value through profit or loss		**5,582**	847
Derivative financial liabilities	17	**24,633**	16,836
Financial assets sold under repurchase agreements	32	**104,942**	111,838
Deposits from customers	33	**4,484,465**	4,073,258
Accrued staff costs	34	**17,987**	20,924
Taxes payable	35	**10,054**	8,865
Debt securities issued	36	**635,713**	650,274
Lease liabilities	25	**10,490**	10,896
Provisions	37	**6,181**	6,116
Deferred tax liabilities	27	**11**	10
Other liabilities	38	**40,298**	34,086
Total liabilities		**6,534,250**	6,217,909

Chapter 10 Consolidated Interim Statement of Financial Position (Continued)

As at 30 June 2020
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	30 June 2020 Unaudited	31 December 2019 Audited
Equity			
Share capital	39	**48,935**	48,935
Other equity instruments	40	**78,083**	78,083
Capital reserve	41	**58,977**	58,977
Other comprehensive income	42	**7,081**	7,361
Surplus reserve	43	**39,009**	39,009
General reserve	44	**81,535**	81,535
Retained earnings	45	**217,257**	203,411
Total equity attributable to equity holders of the Bank		**530,877**	517,311
Non-controlling interests	46	**15,489**	15,213
Total equity		**546,366**	532,524
Total liabilities and equity		**7,080,616**	6,750,433

The accompanying notes form an integral part of these consolidated interim financial statements.

Approved and authorised for issue by the board of directors on 27 August 2020.

Li Qingping	**Fang Heying**	**Li Peixia**	**Company stamp**
Legal Representative (Chairperson)	*Executive Director President and Chief Financial Officer*	*General Manager of Finance Department*	

(Amounts in millions of Renminbi unless otherwise stated)

		Equity attributable to equity holders of the Bank							Non-controlling interests		
	Notes	Share capital	Other Equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Ordinary shareholders in subsidiaries	Other equity instruments holders	Total equity
As at 31 December 2019/1 January 2020		48,935	78,083	58,977	7,361	39,009	81,535	203,411	8,546	6,667	532,524
(i) Profit for the period		—	—	—	—	—	—	25,541	224	199	25,964
(ii) Other comprehensive income	12	—	—	—	(280)	—	—	—	58	—	(222)
Total comprehensive income		—	—	—	(280)	—	—	25,541	282	199	25,742
(iii) Profit appropriations											
— Dividend distribution to ordinary shareholders of the Bank	45	—	—	—	—	—	—	(11,695)	—	—	(11,695)
— Dividend distribution to non-controlling interests		—	—	—	—	—	—	—	(6)	—	(6)
— Dividend distribution to other equity instruments holders	46	—	—	—	—	—	—	—	—	(199)	(199)
As at 30 June 2020		48,935	78,083	58,977	7,081	39,009	81,535	217,257	8,822	6,667	546,366

Chapter 10 Consolidated Interim Statement of Changes in Equity (Continued)

For the six months ended 30 June 2019
(Amounts in millions of Renminbi unless otherwise stated)

		Equity attributable to equity holders of the Bank							Non-controlling interests		
	Notes	Share capital	Other Equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Ordinary shareholders in subsidiaries	Other equity instruments holders	Total equity
As at 31 December 2018/1 January 2019		48,935	34,955	58,977	5,269	34,450	74,255	179,820	7,933	8,492	453,086
(i) Profit for the period		—	—	—	—	—	—	28,307	259	271	28,837
(ii) Other comprehensive income	12	—	—	—	157	—	—	—	100	—	257
Total comprehensive income		—	—	—	157	—	—	28,307	359	271	29,094
(iii) Issuing of other equity instruments											
— Convertible corporate bonds		—	3,135	—	—	—	—	—	—	—	3,135
— Redemption of other equity instruments		—	—	—	—	—	—	—	—	(1,825)	(1,825)
(iv) Profit appropriations											
— Dividend distribution to ordinary shareholders of the Bank	45	—	—	—	—	—	—	(11,255)	—	—	(11,255)
— Dividend distribution to non-controlling interests		—	—	—	—	—	—	—	(6)	—	(6)
— Dividend distribution to other equity instruments holders	46	—	—	—	—	—	—	—	—	(271)	(271)
As at 30 June 2019		48,935	38,090	58,977	5,426	34,450	74,255	196,872	8,286	6,667	471,958

		Equity attributable to equity holders of the Bank							Non-controlling interests		
	Notes	Share capital	Other Equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Ordinary equity holders	Other equity instruments holders	Total equity
As at 31 December 2018/1 January 2019		48,935	34,955	58,977	5,269	34,450	74,255	179,820	7,933	8,492	453,086
(i) Net profit		—	—	—	—	—	—	48,015	509	470	48,994
(ii) Other comprehensive income	12	—	—	—	2,092	—	—	—	110	—	2,202
Total comprehensive income		—	—	—	2,092	—	—	48,015	619	470	51,196
(iii) Issuing of other equity instruments											
— Convertible corporate bonds		—	3,135	—	—	—	—	—	—	—	3,135
— Undated capital bonds		—	39,993	—	—	—	—	—	—	—	39,993
— Redemption of other equity instruments		—	—	—	—	—	—	—	—	(1,825)	(1,825)
(iv) Profit appropriations											
— Appropriations to surplus reserve	43	—	—	—	—	4,559	—	(4,559)	—	—	—
— Appropriations to general reserve	44	—	—	—	—	—	7,280	(7,280)	—	—	—
— Dividend distribution to ordinary shareholders of the Bank	45	—	—	—	—	—	—	(11,255)	—	—	(11,255)
— Dividend distribution to non-controlling interests		—	—	—	—	—	—	—	(6)	—	(6)
— Dividend distribution to preference shareholders		—	—	—	—	—	—	(1,330)	—	—	(1,330)
— Dividend distribution to other equity instruments holders	46	—	—	—	—	—	—	—	—	(470)	(470)
As at 31 December 2019		48,935	78,083	58,977	7,361	39,009	81,535	203,411	8,546	6,667	532,524

The accompanying notes form an integral part of these consolidated interim financial statements.

Chapter 10 Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2020
(Amounts in millions of Renminbi unless otherwise stated)

	Six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
Operating activities		
Profit before tax	**30,746**	34,442
Adjustments for:		
— revaluation gains on investments, derivatives and investment properties	**(863)**	(526)
— investment gains	**(7,979)**	(3,445)
— net (gains)/losses on disposal of property, plant and equipment, intangible assets and other assets	**(3)**	32
— unrealised foreign exchange gains	**(88)**	(458)
— credit impairment losses	**47,229**	33,956
— impairment losses on other assets	**496**	234
— depreciation and amortisation	**1,395**	1,366
— interest expense on debt securities issued	**10,743**	11,361
— dividend income from equity investment	**(3)**	(180)
— depreciation of right-of-use assets and interest expense on lease liabilities	**1,915**	1,845
— income tax paid	**(14,562)**	(9,247)
Subtotal	**69,026**	69,380
Changes in operating assets and liabilities:		
(Increase)/Decrease in balances with central banks	**(11,530)**	44,895
Decrease in deposits with banks and non-bank financial institutions	**9,134**	9,342
Increase in placements with and loans to banks and non-bank financial institutions	**(8,476)**	(26,791)
(Increase)/Decrease at fair value through the profit or loss in financial assets	**(19,888)**	7,742
Increase in financial assets held under resale agreements	**(28,099)**	(33,940)
Increase in loans and advances to customers non-bank financial institutions	**(230,062)**	(262,403)
Decrease in borrowings from central banks	**(113,520)**	(47,610)
Increase deposits from banks and non-bank financial institutions	**42,895**	63,624
Decrease in placements from banks and non-bank financial institutions	**(20,857)**	(55,313)
Increase/(Decrease) in financial liabilities at fair value through profit or loss	**4,675**	(958)
Decrease in financial assets sold under repurchase agreements	**(6,879)**	(77,312)
Increase in deposits from customers	**400,019**	384,805
Increase in other operating assets	**(27,021)**	(48,279)
Increase/(Decrease) in other operating liabilities	**7,436**	(18,635)
Subtotal	**(2,171)**	(60,833)
Net cash flows from operating activities	**66,853**	8,547

For the six months ended 30 June 2020
(Amounts in millions of Renminbi unless otherwise stated)

		Six months ended 30 June	
		2020	2019
	Notes	**Unaudited**	Unaudited
Investing activities			
Proceeds from disposal and redemption of investments		**1,141,291**	998,944
Proceeds from disposal of property, plant and equipment, land use rights, and other assets		**25**	489
Cash received from equity investment income		**421**	180
Payments on acquisition of investments		**(1,257,414)**	(1,188,443)
Payments on acquisition of property, plant and equipment, land use rights and other assets		**(1,091)**	(1,193)
Net cash flows used in investing activities		**(116,768)**	(190,023)
Financing activities			
Cash received from debt securities issued		**263,936**	264,925
Cash paid for redemption of debt securities issued		**(274,863)**	(210,246)
Interest paid on debt securities issued		**(11,728)**	(10,772)
Dividends paid		**(205)**	(277)
Principal and interest paid for leasing liabilities		**(1,627)**	(1,112)
Net cash flows from financing activities		**(24,487)**	42,518
Net decrease in cash and cash equivalents		**(74,402)**	(138,958)
Cash and cash equivalents as at 1 January		**342,449**	376,009
Effect of exchange rate changes on cash and cash equivalents		**2,406**	(18)
Cash and cash equivalents as at 30 June	47	**270,453**	237,033
Cash flows from operating activities include:			
Interest received		**141,571**	130,101
Interest paid		**(57,382)**	(58,685)

The accompanying notes form an integral part of these consolidated interim financial statements.

Chapter 10 Notes to the Unaudited Consolidated Interim Financial Statements

For the six months ended 30 June 2020
(Amounts in millions of Renminbi unless otherwise stated)

1 Corporate information

China CITIC Bank Corporation Limited (the "Bank" or "CNCB") is a joint stock company incorporated in the People's Republic of China (the "PRC" or "Mainland China") on 31 December 2006. Headquartered in Beijing, the Bank's registered office is located at No.9 Chaoyangmen Beidajie, Dongcheng District, Beijing, China. The Bank listed its A shares and H shares on Shanghai Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited, respectively on 27 April 2007.

The Bank operates under financial services certificate No. B0006H111000001 issued by the China Banking Insurance and Regulatory Commission (the "CBIRC", originally named China Banking Regulatory Commission), and unified social credit code No. 91110000101690725E issued by the State Administration of Industry and Commerce of the PRC.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, financial leasing and other non-banking financial services.

As at 30 June 2020, the Group mainly operates in Mainland China with branches covering 31 provinces, autonomous regions and municipalities, and overseas. In addition, the Bank's subsidiaries have operations in Mainland China, the Hong Kong Special Administrative Region of PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and other overseas countries and regions.

For the purpose of these consolidated interim financial statements, Mainland China refers to the PRC excluding Hong Kong, Macau and Taiwan. Overseas refers to countries and regions other than Mainland China.

The consolidated interim financial statements were approved by the Board of Directors of the Bank on 27 August 2020.

2 Basis of preparation

The consolidated interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3 Principle accounting policies

The consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. The accounting policies and methods of computation used in preparing the consolidated interim financial statements are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019.

The consolidated interim financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019, which have been audited.

3 Principle accounting policies (Continued)

(a) Standards and amendments effective in 2020 relevant to and adopted by the Group

In the current interim period, the Group has adopted the following International Financial Reporting Standards ("IFRSs") and amendments issued by the International Accounting Standards Board ("IASB"), that are mandatorily effective for the current year. Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the six months ended 30 June.

(1)	Amendments to IFRS 3	(i)	Definition of a business
(2)	Amendments to IAS 1 and IAS 8	(ii)	Definition of material
(3)	Amendments to IFRS 9, IAS 39 and IFRS 7	(iii)	Interest rate benchmark reform

Adoption of the above standards and amendments has no significant impact on the operating results, comprehensive income or financial position of the Group.

(i) Amendments to IFRS 3- definition of a business

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

(ii) Amendments to IAS 1 and IAS 8- definition of material.

These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

(iii) Amendments to IFRS 9, IAS 39 and IFRS 7- Interest rate benchmark reform

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting requirements, and the effect that IBOR reform would not result in discontinuation of hedge accounting if the hedge meets other hedge accounting criteria. However, any hedge ineffectiveness should continue to be recorded in the income statement.

(Amounts in millions of Renminbi unless otherwise stated)

3 Principle accounting policies (Continued)

(b) Standards and amendments relevant to the Group that are not yet effective in the current interim period and have not been adopted before their effective dates by the Group

The Group has not adopted the following new and revised IFRSs and IFRS interpretations that have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee but are not yet effective.

				Effective for annual periods beginning on or after
(1)	Amendments to IAS 1	(i)	Classification of Liabilities as Current or Non-current	1 January 2022
(2)	Amendments to IFRS 3	(ii)	Reference to the Conceptual Framework	1 January 2022
(3)	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	(iii)	IASB Annual Improvements 2018 — 2020 cycle	1 January 2022
(4)	Amendments to IFRS 10 and IAS 28	(iv)	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.

(i) Amendments to IAS 1: Classification of Liabilities as Current or Non-current

On 23 January 2020, the IASB issued a narrow-scope amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The amendment requires the following:

— Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights, since loans are rarely unconditional (for example, because the loan might contain covenants).

— The assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. So, management's expectations do not affect classification.

— The right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

— 'Settlement' is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

The amendment changes the guidance for the classification of liabilities as current or non-current. It could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. All entities should reconsider their existing classification in the light of the amendment and determine whether any changes are required. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

3 Principle accounting policies (Continued)

(b) Standards and amendments relevant to the Group that are not yet effective in the current interim period and have not been adopted before their effective dates by the Group (Continued)

(ii) Amendments to IFRS 3: Reference to the Conceptual Framework

The IASB issued amendments to IFRS 3: Reference to the Conceptual Framework. The amendments have updated IFRS 3, 'Business combinations', to refer 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 Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(iii) Annual improvements 2018-2020 cycle (IFRS 1, IFRS 9, IFRS 16 and IAS 41)

The IASB issued amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: Annual improvements 2018-2020 cycle, which include fees included in the 10% test for derecognition of financial liabilities, illustrative examples accompanying IFRS 16, 'Leases', subsidiary as a first-time adopter and taxation in fair value measurements. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(iv) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

The adoption of the amendments does not have a significant impact on the Group's consolidated financial statements.

(Amounts in millions of Renminbi unless otherwise stated)

4 Net interest income

	Six months ended 30 June	
	2020	2019
Interest income arising from (Note(i)):		
Deposits with central banks	**3,030**	2,969
Deposits with banks and non-bank financial institutions	**1,406**	637
Placements with and loans to banks and non-bank financial institutions	**2,603**	3,421
Financial assets held under resale agreements	**450**	409
Loans and advances to customers		
— corporate loans	**51,729**	49,229
— personal loans	**46,200**	39,965
— discounted bills	**4,947**	5,133
Financial investments		
— at amortised cost	**19,639**	19,267
— at fair value through other comprehensive income	**10,288**	9,741
Others	**3**	6
Subtotal	**140,295**	130,777
Interest expense arising from:		
Borrowings from central banks	**(3,620)**	(4,198)
Deposits from banks and non-bank financial institutions	**(12,517)**	(12,414)
Placements from banks and non-bank financial institutions	**(1,184)**	(1,927)
Financial assets sold under repurchase agreements	**(1,047)**	(775)
Deposits from customers	**(46,006)**	(38,335)
Debt securities issued	**(10,743)**	(11,361)
Lease liabilities	**(241)**	(252)
Others	**(2)**	(3)
Subtotal	**(75,360)**	(69,265)
Net interest income	**64,935**	61,512

Note:

(i) Interest income includes interest income accrued on credit-impaired financial assets of RMB173 million for the six months ended 30 June 2020 (Six months ended 30 June 2019: RMB169 million).

(Amounts in millions of Renminbi unless otherwise stated)

5 Net fee and commission income

	Six months ended 30 June	
	2020	2019
Fee and commission income:		
Bank card fees	**15,914**	16,737
Agency fees and commission (Note (i))	**4,672**	3,402
Commission for custodian business and other fiduciary	**4,102**	3,477
Guarantee and advisory fees	**2,524**	2,466
Settlement and clearance fees	**679**	728
Others	**42**	33
Total	**27,933**	26,843
Fee and commission expense	**(2,577)**	(2,901)
Net fee and commission income	**25,356**	23,942

Note:

(i) Agency fees and commission represent fees earned from selling bonds, investment funds and insurance products, and provision of entrusted lending activities.

6 Net trading gain

	Six months ended 30 June	
	2020	2019
Debt securities and certificates of interbank deposit	**1,195**	1,376
Foreign currencies	**1,019**	1,181
Derivatives and related exposures	**4**	125
Total	**2,218**	2,682

7 Net gain from investment securities

	Six months ended 30 June	
	2020	2019
Financial investments		
— at fair value through profit or loss	**4,776**	3,742
— at amortised cost	**379**	—
— at fair value through other comprehensive income	**(68)**	(1,468)
Revaluation gain on transfer out of equity at disposal	**3,723**	2,336
Net gain from bills rediscounting	**593**	232
Net gain from securitisation of financial assets	**1**	(16)
Others	**165**	115
Total	**9,569**	4,941

(Amounts in millions of Renminbi unless otherwise stated)

8 Operating expenses

	Six months ended 30 June	
	2020	2019
Staff costs		
— other short-term benefits	**12,489**	12,668
— post-employment benefits — defined contribution plans	**735**	1,190
— post-employment benefits — defined benefit plans	**—**	5
— other long-term benefits	**2**	2
Subtotal	**13,226**	13,865
Property and equipment expenses		
— depreciation	**2,580**	2,438
— amortisation expenses	**489**	521
— rent and property management expenses	**443**	798
— maintenance and others	**729**	584
Subtotal	**4,241**	4,341
Tax and surcharges	**1,012**	899
Other general operating and administrative expenses	**5,196**	5,568
Total	**23,675**	24,673

9 Credit impairment losses

	Six months ended 30 June	
	2020	2019
Credit impairment losses		
Deposits with banks and non-bank financial institutions	**(28)**	(31)
Placements with and loans to banks and non-bank financial institutions	**13**	(59)
Financial assets held under resale agreements	**5**	18
Interest receivables	**2,066**	1,126
Loans and advances to customers	**38,253**	33,599
Financial investments		
— at amortised cost	**6,122**	485
— at fair value through other comprehensive income	**557**	537
Other receivables	**203**	(1,304)
Off-balance sheet items	**38**	(415)
Total	**47,229**	33,956

(Amounts in millions of Renminbi unless otherwise stated)

10 Impairment losses on other assets

	Six months ended 30 June	
	2020	2019
Repossessed assets	**496**	234

11 Income tax

(a) Recognised in the consolidated interim statement of profit or loss and other comprehensive income

		Six months ended 30 June	
	Note	**2020**	2019
Current tax			
— Mainland China		**14,899**	8,892
— Hong Kong		**33**	227
— Overseas		**24**	16
Deferred tax	27(c)	**(10,174)**	(3,530)
Income tax		**4,782**	5,605

Mainland China and Hong Kong income tax have been provided at the rate of 25% and 16.5% respectively. Overseas tax has been provided at the rates of taxation prevailing in the regions in which the Group operates respectively.

(b) Reconciliation between income tax expense and accounting profit

	Six months ended 30 June	
	2020	2019
Profit before tax	**30,746**	34,442
Income tax calculated at PRC statutory tax rate	**7,686**	8,611
Effect of different tax rates in other regions	**(64)**	(141)
Tax effect of non-deductible expenses	**940**	120
Tax effect of non-taxable income		
— interest income arising from PRC government bonds and interest income arising from local government bonds	**(2,979)**	(2,265)
— the dividends of funds	**(795)**	(608)
— others	**(6)**	(112)
Income tax	**4,782**	5,605

(Amounts in millions of Renminbi unless otherwise stated)

12 Other comprehensive income, net of tax

	Six months ended 30 June	
	2020	2019
Items that will not be reclassified subsequently to profit or loss		
Changes on the measurement of defined benefit plans, net of tax		
— net changes recognised during the year before tax	**—**	(1)
— income tax	**—**	—
Fair value changes on financial asset designated at fair value through other comprehensive income, net of tax		
— net changes in fair value recognised during the year before tax	**(45)**	55
— income tax	**(2)**	(11)
Fair value changes on self-used fixed assets transferred into investment real estate		
— net changes during the year	**53**	—
Subtotal	**6**	43
Items that may be reclassified subsequently to profit or loss		
Other comprehensive income transferable to profit or loss under equity method		
— net changes during the year	**(5)**	1
Fair value changes on financial assets at fair value through other comprehensive income, net of tax (Note(i))		
— net changes during the year before tax	**1,611**	2,139
— net amount transferred to profit or loss	**(3,775)**	(2,336)
— Income tax	**563**	89
Credit impairment allowance on financial assets at fair value through other comprehensive income (Note(ii))		
— net changes during the year	**551**	700
— Income tax	**(124)**	(176)
Exchange differences on translation	**951**	(203)
Subtotal	**(228)**	214
Other comprehensive income, net of tax	**(222)**	257

Notes:

(i) Fair value changes on financial assets at fair value through other comprehensive income include those of financial investments and loans and advances to customers at fair value through other comprehensive income (Note 19(a)).

(ii) Credit impairment allowance include financial investments and loans and advances to customers at fair value through other comprehensive income (Note 19(b)).

(Amounts in millions of Renminbi unless otherwise stated)

13 Earnings per share

Earnings per share information for the six months ended 30 June 2020 and 2019 is computed by dividing the profit for the period attributable to ordinary shareholders of the Bank by the weighted average number of shares in issue during the period.

The Bank issued non-cumulative preference shares in 2016 under the terms and conditions as detailed in Note 40. No cash dividend on preference shares was declared during the six months ended 30 June 2020.

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 30 June 2020, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

The diluted earnings per share are calculated on the assumption that all the Bank's convertible corporate bonds had been converted into ordinary shares at the beginning of the period, by dividing the net profit for the year attributable to ordinary shareholders of the Bank after adjustments for the interest expenses of convertible corporate bonds for the period, by the adjusted weighted average number of outstanding ordinary shares for the year.

	Six months ended 30 June	
	2020	2019
Profit attributable to equity holders of the Bank	**25,541**	28,307
Less: profit for the period attributable to preference shareholders of the Bank	**—**	—
Profit for the period attributable to ordinary shareholders of the Bank	**25,541**	28,307
Weighted average number of shares (in million shares)	**48,935**	48,935
Basic earnings per share (in RMB)	**0.52**	0.58
Diluted earnings per share (in RMB)	**0.48**	0.55

14 Cash and balances with central banks

	Notes	**30 June 2020**	31 December 2019
Cash		**6,127**	6,345
Balances with central banks			
— statutory deposit reserve funds	(i)	**365,247**	354,074
— surplus deposit reserve funds	(ii)	**47,520**	97,602
— fiscal deposits	(iii)	**1,990**	1,890
— foreign exchange reserve	(iv)	**3,344**	3,080
Accrued interest		**149**	167
Total		**424,377**	463,158

Notes:

(i) The Group places statutory deposit reserve funds with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserve funds are not available for use in the Group's daily business.

As at 30 June 2020, the statutory deposit reserve funds placed with the PBOC was calculated at 9% of eligible Renminbi deposits for domestic branches of the Bank and at 9% of eligible Renminbi deposits from overseas financial institutions. The Bank was also required to deposit an amount equivalent to 5% of its foreign currency deposits from domestic branch customers as statutory deposit reserve funds.

The statutory RMB deposit reserve rates applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited, a subsidiary of the Group, was at 6%.

The amounts of statutory deposit reserves funds placed with the central banks of overseas countries are determined by respective jurisdictions. The statutory deposit reserve funds are interest bearing except for the foreign currency reserve funds deposits placed with the PBOC.

(ii) The surplus deposit reserve funds are maintained with the PBOC for the purposes of clearing.

(iii) Fiscal deposits placed with the PBOC are not available for use in the Group's daily operations, and are non-interest bearing.

(iv) The foreign exchange reserve is maintained with the PBOC in accordance with the related notice issued by the PBOC. The reserve is payable on a monthly basis at 20% of the total contract amount of customers driven forward transactions in the previous month. Such foreign exchange reserve is non-interest bearing and will be repayable in 12 months according to the Notice.

(Amounts in millions of Renminbi unless otherwise stated)

15 Deposits with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	**30 June 2020**	31 December 2019
In Mainland China			
— banks		**82,351**	89,740
— non-bank financial institutions		**3,956**	5,188
Subtotal		**86,307**	94,928
Outside Mainland China			
— banks		**22,888**	25,785
— non-bank financial institutions		**624**	11
Subtotal		**23,512**	25,796
Accrued interest		**1,427**	715
Gross balance		**111,246**	121,439
Less: Allowances for impairment losses	29	**(115)**	(142)
Net balance		**111,131**	121,297

(b) Analysed by remaining maturity

	Note	**30 June 2020**	31 December 2019
Demand deposits (Note (i))		**33,183**	39,638
Time deposits with remaining maturity			
— within one month		**6,190**	1,620
— between one month and one year		**70,446**	79,466
Subtotal		**76,636**	81,086
Accrued interest		**1,427**	715
Gross balance		**111,246**	121,439
Less: Allowances for impairment losses	29	**(115)**	(142)
Net balance		**111,131**	121,297

Note:

(i) As at 30 June 2020, the carrying amount of pledged deposits with banks and other financial institutions was RMB475 million (31 December 2019: RMB849 million). These deposits were mainly maintenance margin with a regulatory body.

(Amounts in millions of Renminbi unless otherwise stated)

16 Placements with and loans to banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	**30 June 2020**	31 December 2019
In Mainland China			
— banks		**22,103**	22,773
— non-bank financial institutions		**111,579**	119,330
Subtotal		**133,682**	142,103
Outside Mainland China			
— banks		**85,936**	61,306
— non-bank financial institutions		**—**	—
Subtotal		**85,936**	61,306
Accrued interest		**890**	1,219
Gross balance		**220,508**	204,628
Less: Allowances for impairment losses	29	**(94)**	(81)
Net balance		**220,414**	204,547

(b) Analysed by remaining maturity

	Note	**30 June 2020**	31 December 2019
Within one month		**130,014**	126,867
Between one month and one year		**80,804**	62,092
Over one year		**8,800**	14,450
Accrued interest		**890**	1,219
Gross balance		**220,508**	204,628
Less: Allowances for impairment losses	29	**(94)**	(81)
Net balance		**220,414**	204,547

17 Derivatives

Derivatives include forward, swap and option transactions undertaken by the Group in foreign exchange, precious metals, interest rate and credit derivatives related to trading, asset and liability management and customer initiated transactions. The Group, through the operations of its branch network, acts as an intermediary for a wide range of customers for structuring deals to offer risk management solutions to match individual customer needs. These positions are actively managed through hedging transactions with external parties to ensure the Group's net exposures are within acceptable risk levels. The Group also uses these derivatives for proprietary trading purposes and to manage its own asset and liability and structural positions. Derivatives, except for those which are designated as hedging instruments (Note 17 (c)), are held for trading. Derivatives classified as held for trading are for trading and customer initiated transactions purpose, and those for risk management purposes but do not meet the criteria for hedge accounting.

The contractual/notional amounts of derivatives provide a basis for comparison with fair values of derivatives recognised on the consolidated interim statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the derivatives and, therefore, do not indicate the Group's exposure to credit or market risks.

(Amounts in millions of Renminbi unless otherwise stated)

17 Derivatives (Continued)

	30 June 2020			31 December 2019		
	Nominal amount	**Assets**	**Liabilities**	Nominal amount	Assets	Liabilities
Hedging instruments (Note (c))						
— interest rate derivatives	**783**	**—**	**66**	2,890	15	17
Non-Hedging instruments						
— interest rate derivatives	**3,194,616**	**14,206**	**13,863**	2,883,406	5,188	5,159
— currency derivatives	**1,932,033**	**10,152**	**9,688**	1,513,070	11,700	10,928
— precious metal derivatives	**25,384**	**691**	**1,016**	12,715	214	732
— credit derivatives	**190**	**1**	**—**	—	—	—
Total	**5,153,006**	**25,050**	**24,633**	4,412,081	17,117	16,836

(a) Nominal amount analysed by remaining maturity

	30 June 2020	31 December 2019
Within three months	**2,239,505**	1,746,119
Between three months and one year	**1,860,901**	1,753,923
Between one year and five years	**1,025,726**	896,911
Over five years	**26,874**	15,128
Total	**5,153,006**	4,412,081

(b) Credit risk weighted amounts

The credit risk weighted amount has been computed in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" promulgated by the CBIRC in the year of 2012, and depends on the status of the counterparties and the maturity characteristics of the instruments, including those customer-driven back-to-back transactions. As at 30 June 2020, the total amount of credit risk weighted amount for counterparty was RMB25,539 million (31 December 2019: RMB14,631 million).

(c) Fair value hedge

A subsidiary of the Group utilises fair value hedge to eliminate the effect of fair value changes of financial assets and financial liabilities caused by market interest rate fluctuations. Interest rate swap contracts are used for hedging interest risks arising from debt securities at fair value through other comprehensive income, certificates of deposit and subordinated bonds issued.

(Amounts in millions of Renminbi unless otherwise stated)

18 Financial assets held under resale agreements

(a) Analysed by types and locations of counterparties

	Note	**30 June 2020**	31 December 2019
In Mainland China			
— banks		**23,758**	10,001
— non-bank financial institutions		**14,288**	—
Subtotal		**38,046**	10,001
Outside Mainland China			
— banks		**65**	—
Accrued interest		**2**	—
Gross balance		**38,113**	10,001
Less: Allowance for impairment losses	29	**(52)**	(47)
Net balance		**38,061**	9,954

(b) Analysed by types of collateral

As at 30 June 2020 and 31 December 2019, the collateral type of financial asset under resale agreements of the Group are all debt instruments. The collateral received by the Group in resale transactions are disclosed in Note 49 Collateral.

(c) Analysed by remaining maturity

As at 30 June 2020 and 31 December 2019, the financial assets held under resale agreements of the Group all mature within one month.

(Amounts in millions of Renminbi unless otherwise stated)

19 Loans and advances to customers

(a) Analysed by nature

	Note	**30 June 2020**	31 December 2019
Loans and advances to customers at amortised cost			
Corporate loans and advances			
— loans		**2,047,714**	1,911,597
— discounted bills		**1,904**	3,787
— finance lease receivables		**38,015**	43,000
Subtotal		**2,087,633**	1,958,384
Personal loans and advances			
— residential mortgages		**834,168**	776,657
— credit cards		**481,127**	514,657
— personal consumption		**193,710**	205,483
— business loans		**236,028**	227,102
Subtotal		**1,745,033**	1,723,899
Accrued interest		**11,662**	10,104
Gross balance		**3,844,328**	3,692,387
Less: Allowances impairment losses	29		
— principal		**(135,357)**	(115,403)
— interest		**(159)**	(86)
Loans and advances to customers at amortised cost, net		**3,708,812**	3,576,898
Loans and advances to customers at fair value through other comprehensive income			
— loans		**3,288**	922
— discounted bills		**371,524**	307,867
Carrying amount of loans and advances at fair value through other comprehensive income		**374,812**	308,789
— fair value changes through other comprehensive income		**(227)**	(48)
Loans and advances to customers at fair value through profit or loss			
Personal loans and advances			
— residential mortgages		**7,045**	6,915
Total		**4,090,669**	3,892,602
Allowances for impairment losses on loans and advances to customers at fair value through other comprehensive income		**(451)**	(467)

(Amounts in millions of Renminbi unless otherwise stated)

19 Loans and advances to customers (Continued)

(b) Analysed by assessment method of allowance for impairment losses

	Note	30 June 2020 Stage one	Stage two	Stage three (Note (i))	Total
Gross loans and advances to customers at amortised costs		**3,628,874**	**118,465**	**85,327**	**3,832,666**
Accrued interest		**11,348**	**314**	**—**	**11,662**
Less: Allowance for impairment losses	29	**(39,113)**	**(36,735)**	**(59,668)**	**(135,516)**
Carrying amount of loans and advances to customers measured at Amortised cost		**3,601,109**	**82,044**	**25,659**	**3,708,812**
Carrying amount of loans and advances to customers at fair value through other comprehensive income		**374,555**	**228**	**29**	**374,812**
Total		**3,975,664**	**82,272**	**25,688**	**4,083,624**
Allowances for impairment losses on loans and advances to customers at fair value through other comprehensive income	29	**(431)**	**—**	**(20)**	**(451)**

	Note	31 December 2019 Stage one	Stage two	Stage three (Note (i))	Total
Gross loans and advances to customers at amortised costs		3,516,330	96,397	69,556	3,682,283
Accrued interest		9,320	773	11	10,104
Less: Allowance for impairment losses	29	(35,562)	(26,088)	(53,839)	(115,489)
Carrying amount of loans and advances to customers measured at Amortised cost		3,490,088	71,082	15,728	3,576,898
Carrying amount of loans and advances to customers at fair value through other comprehensive income		308,712	48	29	308,789
Total		3,798,800	71,130	15,757	3,885,687
Allowances for impairment losses on loans and advances to customers at fair value through other comprehensive income	29	(453)	—	(14)	(467)

Note:

(i) Stage 3 loans are loans and advances to customers that have incurred credit impairment.

	30 June 2020	31 December 2019
Secured portion	**48,205**	41,596
Unsecured portion	**37,151**	27,989
Gross balance	**85,356**	69,585
Allowance for impairment losses	**(59,688)**	(53,853)
Total	**25,668**	15,732

As at 30 June 2020, the maximum exposure covered by pledge and collateral held of secured portion is RMB46,869 million (as at 31 December 2019: RMB40,206 million).

The fair value of collateral was estimated by management based on the latest revaluation including available external valuation, if any, adjusted by taking into account the current realisation experience as well as market situation.

(Amounts in millions of Renminbi unless otherwise stated)

19 Loans and advances to customers (Continued)

(c) Overdue loans analysed by overdue period

	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	**14,937**	**13,416**	**2,091**	**215**	**30,659**
Guaranteed loans	**8,650**	**7,487**	**5,088**	**448**	**21,673**
Loans with pledged assets					
— loans secured by collateral	**22,771**	**17,724**	**14,088**	**1,848**	**56,431**
— pledged loans	**17,266**	**2,446**	**2,484**	**83**	**22,279**
Total	**63,624**	**41,073**	**23,751**	**2,594**	**131,042**

	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	17,173	10,511	1,507	144	29,335
Guaranteed loans	10,353	6,350	4,191	230	21,124
Loans with pledged assets					
— loans secured by collateral	23,901	11,134	10,810	2,012	47,857
— pledged loans	2,439	1,865	1,288	101	5,693
Total	53,866	29,860	17,796	2,487	104,009

Overdue loans represent loans of which the principal or interest are overdue one day or more.

(d) Finance lease receivables and Payment for resale arrangement

Finance lease receivables and payment for resale arrangement transactions are attributable to the Group's subsidiaries, CITIC Financial Leasing Limited ("CFLL") and CITIC International Finance Holdings Limited ("CIFH"), include net investment in machines and equipment leased to customers under finance lease and hire purchase contracts which have the characteristics of finance leases. The remaining period of these contracts range from 1 to 25 years. The total finance lease receivables and payment for resale arrangement transactions under finance lease and hire purchase contracts and their present values are as follows:

	30 June 2020	31 December 2019
Within one year (including one year)	**8,160**	11,619
One year to two years (including two years)	**6,127**	9,935
Two years to three years (including three years)	**4,071**	6,689
Over three years	**19,657**	14,757
Gross balance	**38,015**	43,000
Less: Allowance for impairment losses		
— stage one	**(538)**	(690)
— stage two	**(1,735)**	(1,153)
— stage three	**(150)**	(150)
Net balance	**35,592**	41,007

(Amounts in millions of Renminbi unless otherwise stated)

20 Financial investments

(a) Analysed by types

	Note	30 June 2020	31 December 2019
Financial assets at fair value through profit or loss			
Investment funds		**203,723**	218,491
Debt securities		**51,815**	42,870
Certificates of deposit		**32,511**	46,792
Equity instruments		**9,708**	8,424
WMPs and investments through structured entities		**5,879**	952
Trust investment plans (Note(i))		**18**	17
Net balance		**303,654**	317,546
Financial assets at amortised cost			
Debt securities		**667,179**	574,644
Trust investment plans (Note(i))		**159,894**	160,248
Investment management products managed by securities companies (Note(i))		**118,098**	186,217
Certificates of deposit		**163**	—
Subtotal		**945,334**	921,109
Accrued interest		**12,061**	9,901
Less: Allowance for impairment losses	29	**(12,916)**	(6,776)
— principal		**(12,880)**	(6,758)
— accrued interest		**(36)**	(18)
Net balance		**944,479**	924,234
Financial assets at fair value through other comprehensive income (Note(ii))			
Debt securities		**609,340**	616,794
Investment management products managed by securities companies (Note(i))		**119,742**	—
Certificates of deposit		**4,266**	4,866
Subtotal		**733,348**	621,660
Accrued interest		**6,533**	7,120
Net balance		**739,881**	628,780
Allowances for impairment losses on investments in financial assets at fair value through other comprehensive income	29	**(2,202)**	(1,631)
Financial assets designated at fair value through other comprehensive income (Note(ii))		**3,651**	3,036
Total		**1,991,665**	1,873,596

(Amounts in millions of Renminbi unless otherwise stated)

20 Financial investments (Continued)

(a) Analysed by types (Continued)

Notes:

(i) As of 30 June 2020, RMB85,925 million (31 December 2019: RMB84,447 million) of Trust investment plans and Investment management products managed by securities companies listed above were managed by the subsidiaries and related companies of CITIC Corporation Limited, the Bank's immediate parent company.

The underlying assets of Trust investment plans and Investment management products managed by securities companies primarily include credit assets, interbank assets and rediscounted bills (Note 56 (a)).

(ii) Financial investments at fair value through other comprehensive income:

	Note	30 June 2020 Equity instruments	 Debt security instruments	 Total
Costs/Amortised cost		**4,803**	**727,651**	**732,454**
Fair value change on accumulated into other comprehensive income		**(1,152)**	**5,697**	**4,545**
Fair value		**3,651**	**733,348**	**736,999**
Allowance for impairment losses	29		**(2,202)**	**(2,202)**

	Note	31 December 2020 Equity instruments	 Debt security instruments	 Total
Costs/Amortised cost		4,140	614,035	618,175
Fair value change on accumulated into other comprehensive income		(1,104)	7,625	6,521
Fair value		3,036	621,660	624,696
Allowance for impairment losses	29		(1,631)	(1,631)

(b) Analysed by location of counterparties

	Note	30 June 2020	31 December 2019
In Mainland China			
— governments		**749,598**	653,797
— policy banks		**96,531**	98,832
— banks and non-bank financial institutions		**953,145**	916,083
— corporates		**97,164**	102,415
— public entities		**43**	—
Subtotal		**1,896,481**	1,771,127
Outside Mainland China			
— governments		**20,615**	20,986
— banks and non-bank financial institutions		**38,915**	42,069
— corporates		**28,990**	28,829
— public entities		**986**	340
Subtotal		**89,506**	92,224
Accrued interest		**18,594**	17,021
Total		**2,004,581**	1,880,372
Less: Allowance for impairment losses	29	**(12,916)**	(6,776)
Net balance		**1,991,665**	1,873,596
Listed in Hong Kong		**51,654**	44,990
Listed outside Hong Kong		**1,509,676**	1,436,126
Unlisted		**430,335**	392,480
Total		**1,991,665**	1,873,596

Bonds traded in China's inter-bank bond market are listed outside Hong Kong.

(Amounts in millions of Renminbi unless otherwise stated)

20 Financial investments (Continued)

(c) Analysed by assessment method of allowance for impairment losses

	Note	30 June 2020 Stage one	Stage two	Stage three	Total
Financial assets at amortised costs		**924,275**	**2,610**	**18,449**	**945,334**
Accrued interest		**11,961**	**100**	**—**	**12,061**
Less: Allowance for impairment losses	29	**(4,897)**	**(339)**	**(7,680)**	**(12,916)**
Net Balance		**931,339**	**2,371**	**10,769**	**944,479**
Financial assets at fair value through other comprehensive income		**733,204**	**129**	**15**	**733,348**
Accrued interest		**6,532**	**1**	**—**	**6,533**
Net Balance		**739,736**	**130**	**15**	**739,881**
Total carrying amount of financial assets affected by credit risk		**1,671,075**	**2,501**	**10,784**	**1,684,360**
Allowance for impairment losses of other debt instruments included in other comprehensive income		**(1,863)**	**(3)**	**(336)**	**(2,202)**

	Note	31 December 2019 Stage one	Stage two	Stage three	Total
Financial assets at amortised costs		901,695	10,716	8,698	921,109
Accrued interest		9,825	76	—	9,901
Less: Allowance for impairment losses	29	(3,614)	(334)	(2,828)	(6,776)
Net Balance		907,906	10,458	5,870	924,234
Financial assets at fair value through other comprehensive income		621,337	123	200	621,660
Accrued interest		7,120	—	—	7,120
Net Balance		628,457	123	200	628,780
Total carrying amount of financial assets affected by credit risk		1,536,363	10,581	6,070	1,553,014
Allowance for impairment losses of other debt instruments included in other comprehensive income		(1,331)	(3)	(297)	(1,631)

(Amounts in millions of Renminbi unless otherwise stated)

21 Investments in associates and joint ventures

	Notes	**30 June 2020**	31 December 2019
Investments in joint ventures	(a)	**2,983**	2,914
Investments in associates	(b)	**674**	758
Total		**3,657**	3,672

(a) Investment in joint ventures

The details of the joint ventures as at 30 June 2020 were as follows:

Name of company	**Form of business structure**	**Place of incorporation**	**Effective percentage of shares**	**Principal activities**	**Nominal value of issued shares**
CITIC aiBank Corporation Limited ("Baixin") (Note (i))	Corporation	Mainland China	70%	Financial services	RMB4 billion
JSC Altyn Bank (Note(ii))	Corporation	Kazakhstan	50.1%	Financial services	KZT 7.05 billion

Notes:

(i) According to the Articles of Association, the Bank and Fujian BoRui Network Technology Co.,Ltd. ("Fujian BoRui") shall jointly approve main critical events before further development.

(ii) According to the Articles of Association of JSC Altyn Bank, decisions regarding all major activities of JSC Altyn Bank shall be subject to the joint approval of the Bank and the other shareholder, the JSC Halyk Bank of Kazakhstan.

Financial statements of the joint ventures are as follow:

	As at or for the period ended 30 June 2020				
Name of Enterprise	**Total assets**	**Total liabilities**	**Total net assets**	**Operating income**	**Net gain**
Baixin	**54,353**	**51,084**	**3,269**	**804**	**7**
JSC Altyn Bank	**9,792**	**8,714**	**1,078**	**242**	**135**

	As at or for the year ended 2019				
Name of Enterprise	Total assets	Total liabilities	Total net assets	Operating income	Net gain
Baixin	58,865	55,620	3,245	2,373	20
JSC Altyn Bank	9,520	8,487	1,033	472	259

Movement of the Group's interests in the joint ventures:

	Six months ended 30 June 2020	Year ended 31 December 2019
Initial investment cost	**3,229**	3,229
As at 1 January	**2,914**	2,759
Share of net loss of the joint ventures for the period	**71**	154
Exchange difference	**(2)**	1
As at 30 June/31 December	**2,983**	2,914

(Amounts in millions of Renminbi unless otherwise stated)

21 Investments in associates and joint ventures (Continued)

(b) Investment in associates

The Group holds its investment in associates through subsidiaries and details of the associates as at 30 June 2020 was as follows:

Name of company	Form of business structure	Place of incorporation	Effective percentage of shares and voting right held by the Group	Principal activities	Nominal value of issued shares
CITIC International Assets Management Limited ("CIAM")	Corporation	Hong Kong	46%	Investment holding and assets management	HKD2,218 million
Binhai (Tianjin) Financial Assets Exchange Company Limited ("BFAE")	Corporation	Mainland China	20%	Services and investment	RMB500 million

Financial statements of the associates are as follow:

Name of Enterprise	Total assets	Total liabilities	Total net assets	Operating income	Net loss
	As at or for the period ended 30 June 2020				
CIAM	**1,346**	**156**	**1,190**	**(16)**	**(63)**
BFAE	**442**	**42**	**400**	**14**	**—**

Name of Enterprise	Total assets	Total liabilities	Total net asset	Operating Income	Net loss
	As at or for the year ended 2019				
CIAM	1,540	172	1,368	(38)	(133)
BFAE	428	26	402	150	(50)

Movement of the Group's interests in associates:

	Six months ended 30 June 2020	Year ended 31 December 2019
Initial investment cost	**1,168**	1,168
As at 1 January	**758**	1,122
Reductions	**—**	(321)
Share of net loss of associates for the year	**(91)**	(52)
Share of other comprehensive income of associates for the year	**(4)**	—
Exchange difference	**11**	9
As at 31 December	**674**	758

(Amounts in millions of Renminbi unless otherwise stated)

22 Investments in subsidiaries

	Notes	30 June 2020	31 December 2019
Investments in subsidiaries			
— CIFH	(i)	**16,570**	16,570
— CNCB (Hong Kong) Investment Limited ("CNCB Investment")	(ii)	**1,577**	1,577
— Zhejiang Lin'an CITIC Rural Bank Corporation Limited ("Lin'an Rural Bank")	(iii)	**102**	102
— CFLL	(iv)	**4,000**	4,000
Total		**22,249**	22,249

Major subsidiaries of the Group as at 30 June 2020 are as follows:

Name of entity	Place of incorporation	Particulars of the issued and paid up capital	Principal activities	% of ownership directly held by the Bank	% of ownership held by subsidiaries of the Bank	The Group's effective interest
CIFH (Note (i))	Hong Kong	HKD7,503 million	Commercial banking and other financial services	100%	—	100%
CNCB Investment (Note (ii))	Hong Kong	HKD1,889 million	Investment and lending services	99.05%	0.71%	99.76%
Lin'an Rural Bank (Note (iii))	Mainland China	RMB200 million	Commercial banking	51%	—	51%
CFLL (Note (iv))	Mainland China	RMB4,000 million	Financial lease operations	100%	—	100%

Notes:

(i) CIFH is an investment holding company registered and headquartered in Hong Kong. Its business scope through its subsidiaries covers commercial banking and other financial services. The Bank holds 100% shareholding in CIFH. CIFH holds 75% shareholding in CITIC Bank International Limited ("CBI").

(ii) CNCB Investment was founded in Hong Kong in 1984. Holding a money lending licence issued by the Hong Kong Company Registry, CNCB Investment's business scope includes capital market investment, lending and other related services. The Bank holds 99.05% shareholding in CNCB Investment, and CIFH holds the remaining 0.71% shareholding in CNCB Investment. The Bank effectively held 99.76% shareholding in CNCB Investment.

(iii) Lin'an Rural Bank was founded in Zhejiang Province of Mainland China in 2011 with a registered capital of RMB200 million. Its principal activities are commercial banking related businesses. The Bank holds 51% of Lin'an Rural Bank's shares and voting rights.

(iv) The Bank established CFLL in 2015 with a registered capital of RMB4 billion. Its principal business activities is financial leasing. The Bank holds 100% of its shares and voting rights.

23 Investment properties

	Six months ended 30 June 2020	Year ended 31 December 2019
Fair value as at 1 January	**426**	443
Change in fair value	**(34)**	(15)
Transfers in/(out)	**54**	(10)
Exchange differences	**9**	8
Fair value as at 30 June/31 December	**455**	426

Investment properties of the Group are buildings held by subsidiaries and mainly located in Hong Kong and leased to third parties through operating leases. There are active real estate markets where the investment properties are located and the Group is able to obtain market price and related information of similar properties, and therefore makes estimation about the fair value of the investment properties as at 30 June 2020.

All investment properties of the Group were revalued at 30 June 2020 by an independent firm of surveyors on an open market value basis. The fair value is in line with the definition of "IFRS13 — Fair value measurement". The revaluation surplus has been recognised in the profit or loss for the current year.

The investment properties of the Group are categorised into Level 3.

(Amounts in millions of Renminbi unless otherwise stated)

24 Property, plant and equipment

	Buildings	**Construction in progress**	**Computer equipment and others**	**Total**
Cost or deemed cost:				
As at 1 January 2020	**22,599**	**1,616**	**11,768**	**35,983**
Additions	**78**	**224**	**451**	**753**
Transfers out	**(56)**	**—**	**—**	**(56)**
Disposals	**—**	**—**	**(213)**	**(213)**
Exchange differences	**11**	**—**	**17**	**28**
As at 30 June 2020	**22,632**	**1,840**	**12,023**	**36,495**
Accumulated depreciation:				
As at 1 January 2020	**(5,524)**		**(8,087)**	**(13,611)**
Depreciation charges	**(349)**		**(542)**	**(891)**
Transfers in	**3**		**—**	**3**
Disposals	**—**		**202**	**202**
Exchange differences	**(6)**		**(14)**	**(20)**
As at 30 June 2020	**(5,876)**		**(8,441)**	**(14,317)**
Net carrying value:				
As at 1 January 2020	**17,075**	**1,616**	**3,681**	**22,372**
As at 30 June 2020 (Note (i))	**16,756**	**1,840**	**3,582**	**22,178**

	Buildings	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
As at 1 January 2019	21,885	1,288	10,839	34,012
Additions	496	799	1,612	2,907
Transfer in/(out)	471	(471)	—	—
Disposals	(263)	—	(702)	(965)
Exchange differences	10	—	19	29
As at 31 December 2019	22,599	1,616	11,768	35,983
Accumulated depreciation:				
As at 1 January 2019	(4,949)		(7,678)	(12,627)
Depreciation charges	(694)		(1,048)	(1,742)
Transfer out	—		—	—
Disposals	125		656	781
Exchange differences	(6)		(17)	(23)
As at 31 December 2019	(5,524)		(8,087)	(13,611)
Net carrying value:				
As at 1 January 2019	16,936	1,288	3,161	21,385
As at 31 December 2019 (Note (i))	17,075	1,616	3,681	22,372

Note:

(i) As at 30 June 2020, the registration transfer process of certain buildings acquired has not been completed, and the net book value of such buildings was approximately RMB1,200 million (as at 31 December 2019: RMB1,211 million). The Group believes the incomplete registration procedure does not affect the rights of the Group as the legal successor to these buildings.

(Amounts in millions of Renminbi unless otherwise stated)

25 Right-of-use assets

	Buildings	Land use right	Equipment	Vehicles and others	Total
Cost or deemed cost:					
As at 1 January 2020	**14,501**	**1,219**	**126**	**47**	**15,893**
Additions	**1,171**	**2**	**4**	**3**	**1,180**
Reductions	**(249)**	**—**	**(2)**	**(2)**	**(253)**
Exchange differences	**14**	**—**	**—**	**—**	**14**
As at 30 June 2020	**15,437**	**1,221**	**128**	**48**	**16,834**
Accumulated depreciation:					
As at 1 January 2020	**(3,186)**	**(267)**	**(39)**	**(11)**	**(3,503)**
Accrual	**(1,650)**	**(15)**	**(19)**	**(5)**	**(1,689)**
Reductions	**28**	**—**	**—**	**—**	**28**
Exchange differences	**(6)**	**—**	**—**	**—**	**(6)**
As at 30 June 2020	**(4,814)**	**(282)**	**(58)**	**(16)**	**(5,170)**
Net carrying value:					
As at 1 January 2020	**11,315**	**952**	**87**	**36**	**12,390**
As at 30 June 2020	**10,623**	**939**	**70**	**32**	**11,664**

	Buildings	Land use right	Equipment	Vehicles and others	Total
Cost or deemed cost:					
As at 1 January 2019	12,145	1,235	125	48	13,553
Additions	2,485	—	7	—	2,492
Reductions	(146)	(16)	(6)	(1)	(169)
Exchange differences	17	—	—	—	17
As at 31 December 2019	14,501	1,219	126	47	15,893
Accumulated depreciation:					
As at 1 January 2019	—	(242)	—	—	(242)
Accrual	(3,194)	(30)	(40)	(11)	(3,275)
Reductions	10	5	1	—	16
Exchange differences	(2)	—	—	—	(2)
As at 31 December 2019	(3,186)	(267)	(39)	(11)	(3,503)
Net carrying value:					
As at 1 January 2019	12,145	993	125	48	13,311
As at 31 December 2019	11,315	952	87	36	12,390

(i) As at 30 June 2020, the balance of the Group's lease liabilities amounted to RMB10,490 million (31 December 2019: 10,896 million), including RMB3,058 million of lease liabilities that will mature within a year (31 December 2019: 3,176 million).

(ii) As at 30 June 2020, lease payments relating to lease contracts signed but yet to be executed amounted to RMB150 million (31 December 2019: 113 million).

(iii) For the six months ended 30 June 2020, the lease expense of short-term leases with a lease term of no more than 12 months and leases of assets with low values when new amounted to RMB87 million (for the six months ended 30 June 2019: 407 million).

(Amounts in millions of Renminbi unless otherwise stated)

26 Goodwill

	Six months ended 30 June 2020	Year ended 31 December 2019
As at 1 January	**912**	896
Exchange differences	**19**	16
As at 30 June/31 December	**931**	912

Based on the result of impairment test, no impairment losses on goodwill were recognised as at 30 June 2020 (31 December 2019: Nil).

27 Deferred tax assets/(liabilities)

	30 June 2020	31 December 2019
Deferred tax assets	**42,837**	32,095
Deferred tax liabilities	**(11)**	(10)
Net balance	**42,826**	32,085

(a) Analysed by nature and jurisdiction

	30 June 2020		31 December 2019	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
— allowance for impairment losses	**167,861**	**41,837**	129,678	32,209
— fair value adjustments	**(10,898)**	**(2,690)**	(11,559)	(2,865)
— employee retirement benefits and salaries payable	**13,017**	**3,254**	10,202	2,551
— others	**1,601**	**436**	985	200
Subtotal	**171,581**	**42,837**	129,306	32,095
Deferred tax liabilities				
— fair value adjustments	**(68)**	**(11)**	(56)	(10)
Total	**171,513**	**42,826**	129,250	32,085

(b) Offsetting of deferred tax assets and deferred tax liabilities

As at 30 June 2020, the deferred tax assets/liabilities offset by the Group were RMB3,131 million (31 December 2019: RMB3,223 million).

(Amounts in millions of Renminbi unless otherwise stated)

27 Deferred tax assets/(liabilities) (Continued)

(c) Movement of deferred tax

	Allowance for impairment losses	Fair value adjustments	Employee retirement benefits and accrued staff cost	Others	Total deferred tax
As at 1 January 2020	**32,209**	**(2,875)**	**2,551**	**200**	**32,085**
Recognised in profit or loss	**9,620**	**(385)**	**703**	**236**	**10,174**
Recognised in other comprehensive income	**—**	**561**	**—**	**2**	**563**
Exchange differences	**8**	**(2)**	**—**	**(2)**	**4**
As at 30 June 2020	**41,837**	**(2,701)**	**3,254**	**436**	**42,826**
As at 1 January 2019	23,729	(2,542)	1,857	114	23,158
Recognised in profit or loss	8,371	(72)	676	81	9,056
Recognised in other comprehensive income	103	(261)	18	6	(134)
Exchange differences	6	—	—	(1)	5
As at 31 December 2019	32,209	(2,875)	2,551	200	32,085

28 Other assets

	Notes	30 June 2020	31 December 2019
Advanced payments and settlement accounts		**34,856**	34,921
Prepayments for properties and equipment	(i)	**11,310**	11,721
Fee and commission receivables		**7,945**	2,716
Assets transfer receivables		**7,255**	12,698
Assets with continuing involvement		**7,045**	6,915
Prepayments for assets acquired for finance leases		**6,381**	4,466
Precious metal leasing		**4,135**	3,071
Interest receivables		**3,480**	2,119
Repossessed assets	(ii)	**1,597**	2,326
Leasehold improvements		**537**	663
Prepaid rent		**10**	45
Others	(iii)	**6,743**	5,895
Total		**91,294**	87,556

Notes:

(i) Prepayments for properties and equipment are mainly payments the Group made for office premises being constructed.

(ii) Repossessed assets

	30 June 2020	31 December 2019
Premises	**3,169**	3,491
Others	**2**	3
Gross balance	**3,171**	3,494
Less: Allowance for impairment losses	**(1,574)**	(1,168)
Net balance	**1,597**	2,326

As at 30 June 2020, the Group intended to dispose all of the repossessed assets, and had no plan to transfer the repossessed assets for own use. (as at 31 December 2019: Nil)

(iii) Others include provisional legal costs for lawyers and other receivables.

(Amounts in millions of Renminbi unless otherwise stated)

29 Movements of allowance for impairment losses

	Notes	Six months ended 30 June 2020 As at 1 January	Charge/ (reversal) for the period	Write-offs/ transfer out	Others Notes (i)	As at 30 June
Allowance for credit impairment losses						
Deposits with bank and non-bank financial institutions	15	**142**	**(28)**	**—**	**1**	**115**
Placements with and loans to banks and non-bank financial institutions	16	**81**	**13**	**—**	**—**	**94**
Financial assets held under resale agreements	18	**47**	**5**	**—**	**—**	**52**
Loans and advances to customers	19	**115,870**	**38,253**	**(23,530)**	**5,215**	**135,808**
Financial investments	20					
— at amortised cost		**6,758**	**6,122**	**—**	**—**	**12,880**
— at fair value through other comprehensive income		**1,631**	**557**	**—**	**14**	**2,202**
Other financial assets (Notes(ii))		**4,048**	**2,269**	**(980)**	**277**	**5,614**
Off balance sheet credit assets	37	**5,646**	**38**	**—**	**9**	**5,693**
Subtotal		**134,223**	**47,229**	**(24,510)**	**5,516**	**162,458**
Allowance for impairment losses on other assets						
Other assets — repossessed assets		**1,168**	**496**	**(93)**	**3**	**1,574**
Subtotal		**1,168**	**496**	**(93)**	**3**	**1,574**

	Notes	Year ended 31 December 2019 As at 1 January	Charge/ (reversal) for the year	Write-offs/ transfer out	Others Notes (i)	As at 31 December
Allowance for credit impairment losses						
Deposits with bank and non-bank financial institutions	15	74	67	—	1	142
Placements with and loans to banks and non-bank financial institutions	16	165	(84)	—	—	81
Financial assets held under resale agreements	18	4	43	—	—	47
Loans and advances to customers	19	101,154	68,793	(60,686)	6,609	115,870
Financial investments	20					
— at amortised cost		3,355	3,589	(186)	—	6,758
— at fair value through other comprehensive income		1,039	678	(90)	4	1,631
Other financial assets (Notes(ii))		12,072	2,493	(10,387)	(130)	4,048
Off balance sheet credit assets	37	4,543	1,100	—	3	5,646
Subtotal		122,406	76,679	(71,349)	6,487	134,223
Allowance for impairment losses on other assets						
Other assets — repossessed assets		725	576	(205)	72	1,168
Subtotal		725	576	(205)	72	1,168

Notes:

(i) Others include recovery of loans written off, and effect of exchange differences during the period.

(ii) The impairment losses of accrued interest of the financial instruments in this table and its changes are included in "Other financial assets".

(Amounts in millions of Renminbi unless otherwise stated)

30 Deposits from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	30 June 2020	31 December 2019
In Mainland China		
— banks	**345,593**	288,439
— non-bank financial institutions	**633,030**	658,614
Subtotal	**978,623**	947,053
Outside Mainland China		
— banks	**12,725**	1,300
— non-bank financial institutions	**25**	59
Subtotal	**12,750**	1,359
Accrued interest	**4,312**	2,710
Total	**995,685**	951,122

31 Placements from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	30 June 2020	31 December 2019
In Mainland China		
— bank	**39,951**	45,488
— non-bank financial institutions	**11,806**	35,562
Subtotal	**51,757**	81,050
Outside Mainland China		
— bank	**19,222**	11,109
— non-bank financial institutions	**707**	—
Accrued interest	**294**	380
Total	**71,980**	92,539

32 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparties

	30 June 2020	31 December 2019
In Mainland China		
— PBOC	**61,831**	65,329
— banks	**43,106**	46,486
Subtotal	**104,937**	111,815
Accrued interest	**5**	23
Total	**104,942**	111,838

(b) Analysed by type of collateral

	30 June 2020	31 December 2019
Discounted bills	**73,136**	76,229
Debt securities	**31,801**	35,586
Accrued interest	**5**	23
Total	**104,942**	111,838

The Group did not derecognise financial assets transferred as collateral in connection with financial assets sold under repurchase agreements. As at 30 June 2020, no legal title of the Group and the Bank has been transferred to counterparties. The above information of collateral is included in the Note 49.

(Amounts in millions of Renminbi unless otherwise stated)

33 Deposits from customers

Analysed by nature

	30 June 2020	31 December 2019
Demand deposits		
— corporate customers	**1,765,055**	1,668,449
— personal customers	**308,603**	275,526
Subtotal	**2,073,658**	1,943,975
Time and call deposits		
— corporate customers	**1,726,582**	1,485,727
— personal customers	**632,870**	602,644
Subtotal	**2,359,452**	2,088,371
Outward remittance and remittance payables	**10,706**	6,474
Accrued interest	**40,649**	34,438
Total	**4,484,465**	4,073,258

Guarantee deposits included in above deposits:

	30 June 2020	31 December 2019
Bank acceptances	**188,116**	172,075
Guarantees	**10,639**	21,390
Letters of credit	**9,850**	11,754
Others	**98,924**	93,315
Total	**307,529**	298,534

34 Accrued staff costs

	Notes	**Six months ended 30 June 2020** As at 1 January	Additions during the period	Reductions during the period	As at 30 June
Short-term staff costs	(a)	**20,512**	**12,489**	**(15,423)**	**17,578**
Post-employment benefits					
— defined contribution plans	(b)	**318**	**735**	**(726)**	**327**
Post-employment benefits					
— defined benefit plans	(c)	**19**	**—**	**(1)**	**18**
Other long-term benefits		**75**	**2**	**(13)**	**64**
Total		**20,924**	**13,226**	**(16,163)**	**17,987**

	Notes	Year ended 31 December 2019 As at 1 January	Additions during the year	Reductions during the year	As at 31 December
Short-term staff costs	(a)	19,548	26,879	(25,915)	20,512
Post-employment benefits					
— defined contribution plans	(b)	31	2,770	(2,483)	318
Post-employment benefits					
— defined benefit plans	(c)	35	(14)	(2)	19
Other long-term benefits		97	1	(23)	75
Total		19,711	29,636	(28,423)	20,924

(Amounts in millions of Renminbi unless otherwise stated)

34 Accrued staff costs (Continued)

(a) Short-term staff costs

Short-term staff costs include wages, bonuses, allowances and subsidies, social insurance contributions, employee benefits, housing funds, labour union funds and employee education funds, housing subsidies and other short-term benefits.

As at 30 June 2020, the Group reclassified certain items under short-term staff costs and comparatives were restated.

(b) Post-employment benefits — defined contribution plans

Post-employment benefits defined contribution plans include contributions to statutory retirement plan. Pursuant to the relevant laws and regulations in the PRC governing labor and social security, the Group joins statutory retirement plan for the employees as set out by city and provincial governments. The Group is required to make contributions based on defined ratios of the salaries, bonuses and certain allowance of the employees to the statutory retirement plan under the administration of the government.

In addition to the above statutory retirement plan, the Bank's qualified employees have joined a defined contribution retirement scheme (the "Scheme") which was established by the Group and managed by the CITIC Group. For six months ended 30 June 2020, the Bank has made annuity contributions at 4% (31 December 2019:7%) of its employee's gross wages. For six months ended 30 June 2020, the Bank made annuity contribution amounting to RMB273 million (year ended 31 December 2019: RMB1,061 million).

The Group operates a defined contribution provident fund and a Mandatory Provident Fund scheme for Hong Kong staff. Contributions are charged to profit or loss when the contribution fall due.

(c) Post-employment benefits — defined benefit plans

The Group offers supplementary retirement benefits for certain of its qualified employees in Mainland China. Retired employees are eligible to join this supplementary retirement benefit plan. The amount that is recognised as at reporting date presents the discounted value of benefit obligation in the future.

The Group's obligations in respect of the supplementary retirement benefit plan as at the reporting date are based on the projected unit credit actuarial cost method and computed by a qualified professional actuary firm (a member of Society of Actuaries in the United States of America).

Except for the aforementioned contributions, the Group has no other material obligations to pay employee retirement and other post-retirement benefits.

35 Taxes payable

	30 June 2020	31 December 2019
Income tax	**5,435**	5,012
Value-added tax and surcharges	**4,601**	3,830
Others	**18**	23
Total	**10,054**	8,865

(Amounts in millions of Renminbi unless otherwise stated)

36 Debt securities issued

	Notes	**30 June 2020**	31 December 2019
Long-term debt securities issued	(a)	**50,715**	80,351
Subordinated bonds issued:			
— by the Bank	(b)	**69,976**	81,475
— by CBI	(c)	**3,515**	5,591
Certificates of deposit issued	(d)	**177**	2,785
Certificates of interbank deposit issued	(e)	**470,600**	438,830
Convertible corporate bonds	(f)	**38,243**	37,730
Accrued interest		**2,487**	3,512
Total		**635,713**	650,274

(a) As at 30 June 2020, long-term debt securities issued by the Group:

Bond Type	Issue Date	Maturity Date	Annual Interest Rate	**30 June 2020 Nominal Value RMB**	31 December 2019 Nominal Value RMB
Fixed rate bond	21 May 2015	25 May 2020	3.98%	**—**	7,000
Fixed rate bond	17 November 2015	17 November 2020	3.61%	**8,000**	8,000
Fixed rate bond	17 April 2017	17 April 2020	4.20%	**—**	50,000
Fixed rate bond	24 May 2017	24 May 2020	4.40%	**—**	2,994
Floating rate bond	14 December 2017	14 December 2020	Three-month Libor +0.9%	**4,952**	4,877
Floating rate bond	14 December 2017	15 December 2022	Three-month Libor +1%	**3,891**	3,832
Fixed rate bond	14 December 2017	14 December 2020	2.88%	**2,122**	2,090
Fixed rate bond	14 December 2017	15 December 2022	3.13%	**1,768**	1,741
Fixed rate bond	18 March 2020	18 March 2023	2.75%	**30,000**	—
Total nominal value				**50,733**	80,534
Less: Unamortised issuance				**(18)**	(33)
cost				**—**	(150)
Carrying value				**50,715**	80,351

(Amounts in millions of Renminbi unless otherwise stated)

36 Debt securities issued (Continued)

(b) The carrying value of the Bank's subordinated bonds issued as at 30 June/31 December:

	Notes	**30 June 2020**	31 December 2019
Subordinated fixed rate bonds maturing:			
— in May 2025	(i)	**—**	11,500
— in June 2027	(ii)	**19,986**	19,985
— in September 2028	(iii)	**29,994**	29,990
— in October 2028	(iv)	**19,996**	20,000
Total		**69,976**	81,475

Notes:

(i) The interest rate on the subordinated fixed rate bonds issued on 28 May 2010 is 4.30% per annum. The Bank redeemed the bonds on 28 May 2020.

(ii) The interest rate on the subordinated fixed rate bonds issued on 21 June 2012 is 5.15% per annum. The Bank has an option to redeem the bonds on 21 June 2022. If they are not redeemed, the interest rate of the bonds will remain at 5.15% per annum for the next five years.

(iii) The interest rate on the subordinated fixed rate bonds issued on 13 September 2018 is 4.96% per annum. The Bank has an option to redeem the bonds on 13 September 2023. If they are not redeemed, the interest rate of the bonds will remain 4.96% per annum for the next five years

(iv) The interest rate on the subordinated fixed rate bonds issued on 22 October 2018 is 4.80% per annum. The Bank has an option to redeem the bonds on 22 October 2023. If they are not redeemed, the interest rate of the bonds will remain 4.80% per annum for the next five years.

(c) The carrying value of CBI's subordinated bonds issued as at 30 June/31 December:

	Notes	**30 June 2020**	31 December 2019
Subordinated fixed rate notes maturing:			
— in June 2020	(i)	**—**	2,134
— in February 2029	(ii)	**3,515**	3,457
Total		**3,515**	5,591

Notes:

(i) CBI issued USD500 million subordinated notes at a coupon rate of 6.875% per annum on 24 June 2010. The notes are listed on the Singapore Exchange. Such subordinated notes expired on 24 June 2020.

(ii) CBI issued USD500 million subordinated notes at a coupon rate of 4.625% per annum on 28 February 2019. CBI has an option to redeem these notes on 28 February 2024. If CBI does not exercise the redemption option, the coupon rate per annum will be the 5-year US treasury bond rate on 28 February 2024, plus 2.25%. The notes are listed on the Hong Kong Stock Exchange.

(Amounts in millions of Renminbi unless otherwise stated)

36 Debt securities issued (Continued)

(d) These certificates of deposit were issued by CBI with interest rate ranging from 2.26% to 3.13% per annum.

(e) As at 30 June 2020, the Bank's outstanding large transferable certificates of interbank deposits amounted to RMB470,600 million (31 December 2019: RMB438,830 million), with reference yields ranging from 1.30% to 3.19% per annum (31 December 2019: 2.59% to 3.67%). Their original terms range from one months to one year.

(f) As approved by the relevant regulatory authorities in China, the Bank made a public offering of RMB40 billion A-share convertible corporate bonds on 4 March 2019. The convertible corporate bonds have a term of six years from 4 March 2019 to 3 March 2025, at coupon rates of 0.3% for the first year, 0.8% for the second year, 1.5% for the third year, 2.3% for the fourth year, 3.2% for the fifth year and 4.0% for the sixth year. The conversion of these convertible corporate bonds begins on the first trading day (11 September 2019) after six months upon the completion date of the offering (8 March 2019), until the maturity date.

In accordance with formulas set out in the prospectus of the convertible corporate bonds, the initial conversion price of the convertible corporate bonds is RMB7.45 per share, and the price of the convertible corporate bonds will be adjusted to reflect the dilutive impact of cash dividends and increase in paid-in capital under specified circumstances. As the cash dividend was paid on 15 July 2020, the conversion price of the convertible corporate bonds has been adjusted to RMB6.98 per share. During the conversion period (from 4 March 2019 to 3 March 2025), if the closing price of the Bank's A-shares is lower than 80% of the current conversion price for at least 15 trading days in any 30 consecutive trading days, the Board of Directors of the Bank has the right to propose to lower the conversion price and submit the proposal to the shareholders' meeting for deliberation.

These convertible corporate bonds are subject to conditional redemptions. During their conversion period, if the closing prices of the Bank's A-shares are no less than 130% (inclusive) of the current conversion price for at least 15 trading days in 30 consecutive trading days, the Bank has the right to redeem all or part of the outstanding convertible corporate bonds at their par value plus the current accrued interest, upon approval of the relevant regulatory authorities (if required). In addition, when the total amount of the outstanding convertible corporate bonds is less than RMB30 million, the Bank has the right to redeem all outstanding convertible corporate bonds at their par value plus the current accrued interest.

	Note	**Liability**	**Equity**	**Total**
Issued nominal value of convertible corporate bonds		36,859	3,141	40,000
Direct issuance expenses		(74)	(6)	(80)
Balance at the issuance date		36,785	3,135	39,920
Accumulated amortisation as at 1 January 2020		945	—	945
Accumulated conversion amount as at 1 January 2020		—	—	—
Balance as at 1 January 2020		37,730	3,135	40,865
Amotisation during this period		513	—	513
Conversion amount during this period	(i)	—	—	—
Balance as at 30 June 2020		38,243	3,135	41,378

Note:

(i) For the six months ended 30 June 2020, convertible corporate bonds of RMB79,000 was converted to 10,933 A-shares(As at 31 December 2019: RMB105,000, 14,533 A-shares).

(Amounts in millions of Renminbi unless otherwise stated)

37 Provisions

	30 June 2020	31 December 2019
Allowance for impairment losses on off balance sheet items	**5,693**	5,646
Litigation provisions	**488**	470
Total	**6,181**	6,116

The movement of off balance sheet allowances for impairment losses is included in the note 29.

Movement of provisions:

	Six months ended 30 June 2020	Year ended 31 December 2019
As at 1 January	**470**	470
Accruals	**19**	9
Reversal in the current year	**(1)**	(1)
Payments	**—**	(8)
As at 30 June/31 December	**488**	470

38 Other liabilities

	30 June 2020	31 December 2019
Dividends payable	**11,696**	—
Continuing involvement liability	**7,045**	6,915
Settlement and clearing accounts	**5,722**	6,896
Advances and deferred expenses	**5,336**	5,305
Payment and collection accounts	**3,455**	7,589
Leasing deposits	**1,240**	1,463
Accrued expenses	**178**	111
Precious metal contracts	**98**	—
Others	**5,528**	5,807
Total	**40,298**	34,086

(Amounts in millions of Renminbi unless otherwise stated)

39 Share capital

	30 June 2020 and 31 December 2019 Number of shares (millions)	Nominal Value
Ordinary shares		
Registered, issued and fully paid:		
A-Share	**34,053**	**34,053**
H-Share	**14,882**	**14,882**
Total	**48,935**	**48,935**

	Note	Six months ended 30 June 2020	Year ended 31 December 2019
As at 1 January		**48,935**	48,935
Convertible bond settlement	36(f)	**—**	—
As at 30 June/31 December		**48,935**	48,935

40 Other equity instruments

	30 June 2020	31 December 2019
Preference shares (Note (i))	**34,955**	34,955
Undated capital bonds (Note (ii))	**39,993**	39,993
Equity of convertible corporate bonds (Note 36(f))	**3,135**	3,135
Total	**78,083**	78,083

(i) Preference shares

Financial instruments in issue	Dividend rate	Issued price (RMB)	Issued number of shares (RMB millions)	Issued nominal value (RMB millions)	Maturity Date	Conversions
Preference shares	3.80% per annum for the first five years after issuance, and re-priced every five years	100	350	35,000	No maturity date	No conversion during the period

35,000 million preference shares of RMB100 each were issued in 2016, with a dividend rate of 3.80% per annum for the first five years from issuance, to no more than 200 qualified investors, pursuant to the approval by its ordinary shareholders' meeting and relevant regulatory authorities.

The carrying amount of preference shares, net of direct issuance expenses, was RMB34,955 millions. All the proceeds received is used to replenish Other Tier-One capital in order to increase the Bank's Tier-One capital adequacy ratio (Note 56). Dividends are non-cumulative and where payable are paid annually. Dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 1.30%.

40 Other equity instruments (Continued)

(i) Preference shares (Continued)

As authorised by the ordinary shareholders' Annual General Meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. The Bank shall not distribute any dividends to its ordinary shareholders before it declares such dividends to preference shareholders for the relevant period. The distribution of preference shares dividend is at the Bank's discretion and is non-cumulative. Preference shareholders are not entitled to participate in the distribution of retained profits except for the dividends stated above.

The Bank has redemption option when specified conditions as stipulated in the offering documents of preference shares are met, subject to regulatory approval, whereas preference shareholders have no right to require the Bank to redeem the preference shares.

Upon occurrence of the triggering events as stipulated in paragraph 2(3) of the Guidance of the China Banking Regulatory Commission on Commercial Banks' Innovation on Capital Instruments (CBRC No.56 [2012]) and subject to regulatory approval, preference shares shall be mandatorily converted into ordinary A shares of the Bank at the conversion price of RMB7.07 per share, partially or entirely. The conversion price of the preference shares will be adjusted where certain events occur including bonus issues, rights issue, capitalisation of reserves and new issuances of ordinary shares, subject to terms and formulae provided for in the offering documents, to maintain the relative interests between preference shareholders and ordinary shareholders.

These preference shares are classified as equity instruments, and presented as equity in the consolidated interim statement of financial position; and are qualified as Additional Tier-One capital Instruments in accordance with the CBIRC requirements.

(ii) Undated capital bonds

With the approvals by relevant regulatory authorities in China, the Bank issued RMB40 billion write-down undated capital bonds (the "Bonds") in the domestic interbank bond market on 9 December 2019, and completed the issuance on 11 December 2019. The denomination of the Bonds is RMB100 each, and the annual coupon rate of the Bonds for the first 5 years is 4.20%, resetting every 5 years.

The duration of the Bonds is the same as the continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may redeem the Bonds in whole or in part on each distribution payment date 5 years after the issuance date of the Bonds. Upon the occurrence of a trigger event for write-downs, with the consent of the CBIRC and without the consent of the bondholders, the Bank has the right to write down all or part of the above Bonds issued and existing at that time in accordance with the total par value. The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated creditors; and shall rank in priority to the claims of shareholders and will rank pari passu with the claims under any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

The Bonds are paid by non-cumulative interest. The Bank shall have the right to cancel distributions on the Bonds in whole or in part and such cancellation shall not constitute a default. The Bank may at its discretion utilize the proceeds from the cancelled distribution to meet other obligations of maturing debts. But the Bank shall not distribute profits to ordinary shareholders until the resumption of full interest payment.

These undated capital bonds are classified as equity instruments, and presented as equity in the consolidated statement of financial position; and are qualified as Additional Tier-One Capital Instruments in accordance with the CBIRC requirements.

(Amounts in millions of Renminbi unless otherwise stated)

40 Other equity instruments (Continued)

(ii) Undated capital bonds (Continued)

Interests attributable to equity instruments' holder:

	30 June 2020	31 December 2019
Total equity attribute to equity holders of the parent company	**530,877**	517,311
Equity attribute to ordinary equity holders of the parent company	**452,794**	439,228
Equity attribute to other equity instruments holders of the parent company	**78,083**	78,083
— Profit for the period/Dividend distribution for the period	**—**	1,330
Total equity attribute to non-controlling interests	**15,489**	15,213
Equity attribute to non-controlling interests of ordinary shares	**8,822**	8,546
Equity attribute to non-controlling interests of other equity instruments	**6,667**	6,667

During the six months ended 30 June 2020, no dividends payment was paid to the preference shareholders (As at or for the period ended 31 December 2019: RMB1,330 million).

41 Capital reserves

	30 June 2020	31 December 2019
Share premium	**58,896**	58,896
Other reserves	**81**	81
Total	**58,977**	58,977

42 Other comprehensive income

Other comprehensive income comprises items that will not be reclassified subsequently to profit or loss, such as net changes on the measurement of defined benefit plan (Note 34) and fair value changes on financial investments designated at fair value through other comprehensive income, and items that may be reclassified subsequently to profit or loss, such as fair value changes on financial assets at fair value through other comprehensive income, credit impairment allowance on financial assets at fair value through other comprehensive income and exchange differences on translation.

43 Surplus reserve

	Six months ended 30 June 2020	Year ended 31 December 2019
As at 1 January	**39,009**	34,450
Appropriations	**—**	4,559
As at 30 June/31 December	**39,009**	39,009

Under the relevant PRC Laws, the Bank and the Bank's subsidiaries in Mainland China are required to appropriate 10% of its profit for the year, as determined under regulations issued by the regulatory bodies of the PRC, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year to the discretionary surplus reserve upon approval by ordinary shareholders at the Annual General Meeting. The Bank makes its appropriation on an annual basis.

Subject to the approval of ordinary shareholders, statutory surplus reserves may be used for replenishing accumulated losses, if any, and may be converted into share capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before the process.

(Amounts in millions of Renminbi unless otherwise stated)

44 General reserve

	Six months ended 30 June 2020	Year ended 31 December 2019
As at 1 January	**81,535**	74,255
Appropriations	**—**	7,280
As at 30 June/31 December	**81,535**	81,535

Pursuant to relevant Ministry of Finance ("MOF") notices, the Bank and the Group's banking subsidiaries in Mainland China are required to set aside a general reserve to cover potential losses against their assets. The Bank and the Group make its appropriation on an annual basis.

45 Profit appropriations and retained earnings

(a) The proposal of cash dividend of RMB2.39 per ten ordinary shares related to 2019, amounting to RMB11,695 million in total was approved at the Annual General Meeting held on 20 May 2020 and paid on 15 July 2020.

(b) As at 30 June 2020, the retained earnings included the statutory surplus reserves of certain subsidiaries of RMB260 million (31 December 2019: RMB260 million). Such statutory surplus reserves cannot be distributed.

(c) On 27 August 2020, Board of Directors of the Bank concluded a resolution to distribute cash dividend of RMB3.80 per share to preferred shareholders on the basis of the agreed par dividend rate of 3.80%, amounting to about RMB1,330 million. The dividend distribution was accounted for as a non-adjustment event subsequent to the balance sheet date, and was not recognised in the liabilities for the period ended 30 June 2020.

46 Non-controlling interests

As at 30 June 2020, non-controlling interests included ordinary shareholders held by non-controlling interest in subsidiaries and other equity instrument holders' interests. Other equity instrument holders' interest amounted to RMB6,667million (31 December 2019: RMB6,667 million) representing other equity instruments issued by CBI on 11 October 2016 and 6 November 2018, an entity ultimately controlled by the Group. Such instruments are perpetual non-cumulative subordinated additional Tier-One capital securities (the "Capital Securities").

Financial instruments in issue	Issue Date	Nominal Value	First Call Date	Coupon Rate	Payment Frequency
Capital Security	11 October 2016	USD500 million	11 October 2021	4.25% per annum for the first five years after issuance, and re-priced every five years to a rate equivalent to the five year US Treasury rate plus 3.107% per annum	Semi-annually
Capital Security	6 November 2018	USD500 million	6 November 2023	7.10% per annum for the first five years after issuance, and re-priced every five years to a rate equivalent to the five year US Treasury rate plus 4.151% per annum	Semi-annually

CBI may, at its sole discretion, elect to cancel any payment of coupon, in whole or in part, or redeem Capital Securities in whole on the first call date and any subsequent coupon distribution date. These Capital Securities listed above are classified as other equity instruments.

A distribution payment of RMB199 million was paid to the holders of the Capital Security mentioned above during the six months ended 30 June 2020 (During the six months ended 30 June 2019: RMB271 million).

(Amounts in millions of Renminbi unless otherwise stated)

47 Notes to consolidated interim statement of cash flows

Cash and cash equivalents

	Six months ended 30 June	
	2020	2019
Cash	**6,127**	6,158
Cash equivalents		
— Surplus deposit reserve funds	**47,520**	48,656
— Deposits with banks and non-bank financial institutions due within three months when acquired	**38,136**	49,116
— Placements with and loans to banks and non-bank financial institutions due within three months when acquired	**141,999**	95,838
— Investment securities due within three months when acquired	**36,671**	37,265
Subtotal	**264,326**	230,875
Total	**270,453**	237,033

48 Commitments and contingent liabilities

(a) Credit commitments

The Group's credit commitments take the form of loan commitments, credit card commitments, financial guarantees, letters of credit and acceptances.

Loan commitments and credit card commitments represent the undrawn amount of approved loans with signed contracts and credit card limits. Financial guarantees and letters of credit represent guarantees provided by the Group to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects the majority acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by categories are set out below. The amounts disclosed in respect of loan commitments and credit card commitments assume that amounts are fully drawn down. The amounts of guarantees, letters of credit and acceptances represent the maximum potential loss that would be recognised at the reporting date if counterparties failed to perform as contracted.

	30 June 2020	31 December 2019
Contractual amount		
Loan commitments		
— with an original maturity within one year	**13,096**	6,789
— with an original maturity of one year or above	**29,510**	45,422
Subtotal	**42,606**	52,211
Credit card commitments	**572,334**	545,503
Bank acceptances	**465,181**	426,226
Guarantees	**125,699**	147,154
Letters of credit	**117,861**	103,981
Total	**1,323,681**	1,275,075

(Amounts in millions of Renminbi unless otherwise stated)

48 Commitments and contingent liabilities (Continued)

(b) Credit commitments analysed by credit risk weighted amount

	30 June 2020	31 December 2019
Credit risk weighted amount of credit commitments	**400,764**	398,617

The credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the CBIRC and depends on the status of counterparties and the maturity characteristics. The risk weighting used range from 0% to 150%.

(c) Capital commitments

The Group had the following authorised capital commitments in respect of property, plant and equipment at the reporting date:

	30 June 2020	31 December 2019
For the purchase of property and equipment		
Contracted for	**2,919**	3,457

(d) Outstanding contingencies including litigation and disputes

The Group has assessed and has made provisions for any probable outflow of economic benefits in relation to commitments and contingent liabilities at the reporting date in accordance with its accounting policies including litigation and disputes.

As at 30 June 2020, the Group was involved in certain potential and pending litigation as defendant with gross claims of RMB5,008 million (as at 31 December 2019: RMB2,436 million). Based on the opinion of internal and external legal counsels, the Group had made litigation provisions of RMB19.13 million for the period ended 30 June 2020 (Six months ended 30 June 2019: Nil) against these litigation (Note 37). Such contingencies, including litigation and disputes, will not have material impact on financial position and operations of the Bank.

(e) Bonds redemption obligations

As an underwriting agent of PRC treasury bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity dates is based on the nominal value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of treasury bonds underwritten and sold by the Group, but not yet matured at the reporting date:

	30 June 2020	31 December 2019
Redemption commitment for treasury bonds	**9,989**	11,272

The original maturities of these bonds vary from one to five years. Management of the Group expects the amount of redemption before maturity dates of these bonds will not be material. The MOF will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity.

(Amounts in millions of Renminbi unless otherwise stated)

48 Commitments and contingent liabilities (Continued)

(f) Underwriting obligations

As at 30 June 2020 and 31 December 2019, the Group did not have unfulfilled commitment in respect of securities underwriting business.

49 Collateral

(a) Assets pledged

(i) The carrying amount of financial assets pledged as collateral in the Group's ordinary course of businesses, including repurchase agreements and borrowings from central banks, are disclosed as below:

	30 June 2020	31 December 2019
Debt securities	**237,302**	367,616
Discounted bills	**73,474**	76,590
Others	**163**	181
Total	**310,939**	444,387

As at 30 June 2020 and 31 December 2019, the Group's liabilities related to the above collateral were due within 12 months from the effective dates of these agreements and title of these collateral was not transferred to counterparties.

(ii) In addition, as at 30 June 2020, the Group pledged deposits with banks and other financial institutions with carrying amount totalling RMB466 million (31 December 2019: RMB840 million) as collateral for derivative transactions and guarantee funds to exchanges. Title of these pledged assets was not transferred to counterparties.

(b) Collateral accepted

The Group received debt securities and bills as collateral for financial assets held under resale agreements as set out in Note 18. Under the terms of these agreements, the Group could not resell or re-pledge certain parts of these collateral unless in the event of default by the counterparties. As at 30 June 2020, the Group held no collateral that can be resold or re-pledged (31 December 2019: Nil). During the six months ended 30 June 2020, the Group did not resell or re-pledge any of these collateral (Six months ended 30 June 2019: Nil).

(Amounts in millions of Renminbi unless otherwise stated)

50 Transactions on behalf of customers

(a) Entrusted lending business

The Group provides entrusted lending business services to corporations and individuals, as well as entrusted provident housing fund mortgage business services. All entrusted loans are made under the instruction or at the direction of these corporations, individuals or provident housing fund centre and are funded by entrusted funds from them.

For entrusted assets and liabilities and entrusted provident housing fund mortgage business, the Group does not expose to credit risk in relation to these transactions, but acts as an agent to hold and manage these assets and liabilities at the instruction of the entrusting parties and receives fee income for the services provided.

Trust assets are not assets of the Group and are not recognised on the consolidated statement of financial position. Income received and receivable for providing these services is included in the consolidated statement of profit or loss as fee income.

At the reporting date, the entrusted assets and liabilities were as follows:

	30 June 2020	31 December 2019
Entrusted loans	**399,027**	441,142
Entrusted funds	**399,029**	441,143

(b) Wealth management services

The Group's wealth management services to customers mainly represent sale of wealth management products, including principal guaranteed (Note 56 (c)) and non-principal or interest guaranteed wealth management products (Note 56 (b)), to corporate and personal banking customers.

The funds raised by non-principal guaranteed wealth management products from investors are invested in various investments, including debt securities and money market instruments, credit assets and other debt instruments, equity instruments etc. Credit risk, liquidity risk and interest rate risk associated with these products are borne by the customers. The Group only earns commission which represents the charges on customers in relation to the provision of custodian, sale and management services. Income is recognised in the interim consolidated statement of profit or loss as commission income. The Group has entered into placements transactions at market interest rates with the wealth management products vehicles (Note 56 (b)).

As at 30 June 2020, the total investment of non-principal guaranteed wealth management products managed by the Group that was not included in the Group's consolidated financial statements was disclosed in Note 56 (b).

51 Segment reporting

Measurement of segment assets and liabilities, and segment income and expenses is based on the Group's accounting policies.

Internal charges and transfer pricing of transactions between segments are determined for management purpose and have been reflected in the performance of each segment. Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expenses". Interest income and expenses earned from third parties are referred to as "External net interest income/expenses".

Segment income, expense, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets and liabilities do not include deferred tax assets and liabilities. Segment income, expenses, assets, and liabilities are determined before intra-group balances, and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total costs incurred during the year to acquire assets (including both tangible assets and intangible assets) whose estimated useful lives are over one year.

(a) Business segments

The Group has the following main business segments for management purpose:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and non-financial institutions, as well as conducts investment banking businesses and international businesses. The products and services include corporate loans, deposit taking activities, agency services, remittance and settlement services and guarantee services.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers and small enterprises. The products and services comprise loans, deposit services, securities agency services, remittance and settlement services and guarantee services.

Treasury business

This segment conducts capital markets operations, inter-bank operations, which, specifically, includes inter-bank money market transactions, repurchase transactions, and investments and trading in debt instruments. Furthermore, treasury business segment also carries out derivatives and forex trading both for the Group and for customers.

(Amounts in millions of Renminbi unless otherwise stated)

51 Segment reporting (Continued)

(a) Business segments (Continued)

Others and unallocated

Others comprise components of the Group that are not attributable to any of the above segments, along with certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis. This segment also manages the Group's liquidity position.

	Six months ended 30 June 2020				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
External net interest income/ (expense)	25,102	37,943	13,830	(11,940)	64,935
Internal net interest income/ (expense)	13,591	(19,200)	(9,733)	15,342	—
Net interest income	38,693	18,743	4,097	3,402	64,935
Net fee and commission income	6,602	19,754	437	(1,437)	25,356
Other net income (Note (i))	1,576	275	9,975	83	11,909
Operating income	46,871	38,772	14,509	2,048	102,200
Operating expenses					
— depreciation and amortisation	(1,251)	(691)	(867)	(260)	(3,069)
— others	(7,977)	(11,311)	(217)	(1,101)	(20,606)
Credit impairment losses	(25,115)	(19,254)	(1,894)	(966)	(47,229)
Impairment losses on other assets	—	—	—	(496)	(496)
Revaluation gain on investment properties	—	—	—	(34)	(34)
Share of loss of associates and joint ventures	—	—	—	(20)	(20)
Profit before tax	12,528	7,516	11,531	(829)	30,746
Income tax					(4,782)
Profit for the period					25,964
Capital expenditure	244	189	171	274	878

	30 June 2020				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
Segment assets	2,348,272	1,266,170	1,699,402	1,720,278	7,034,122
Interest in associates and joint ventures	—	—	112	3,545	3,657
Deferred tax assets					42,837
Total asset					7,080,616
Segment liabilities	3,300,827	1,755,905	843,367	634,140	6,534,239
Deferred tax liabilities					11
Total liabilities					6,534,250
Off-balance sheet credit commitments	735,347	572,334	—	—	1,307,681

(Amounts in millions of Renminbi unless otherwise stated)

51 Segment reporting (Continued)

(a) Business segments (Continued)

Others and unallocated (Continued)

	Six months ended 30 June 2019				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
External net interest income/ (expense)	25,829	32,919	14,227	(11,463)	61,512
Internal net interest income/ (expense)	13,208	(18,092)	(10,226)	15,110	—
Net interest income	39,037	14,827	4,001	3,647	61,512
Net fee and commission income	6,965	18,593	298	(1,914)	23,942
Other net income (Note (i))	1,164	346	5,964	264	7,738
Operating income	47,166	33,766	10,263	1,997	93,192
Operating expenses					
— depreciation and amortisation	(1,210)	(666)	(833)	(250)	(2,959)
— others	(8,020)	(12,331)	(420)	(943)	(21,714)
Credit impairment losses	(22,059)	(10,411)	(65)	(1,421)	(33,956)
Impairment losses on other assets	—	—	—	(234)	(234)
Revaluation gain on investment properties	—	—	—	6	6
Share of loss of associates and joint ventures	—	—	—	107	107
Profit before tax	15,877	10,358	8,945	(738)	34,442
Income tax					(5,605)
Profit for the period					28,837
Capital expenditure	381	231	266	239	1,117

	31 December 2019				
	Corporate Banking	Personal Banking	Treasury Operations	Others and Unallocated	Total
Segment assets	2,305,553	1,315,035	1,763,646	1,330,432	6,714,666
Interest in associates and joint ventures	—	—	112	3,560	3,672
Deferred tax assets					32,095
Total asset					6,750,433
Segment liabilities	3,274,306	1,876,042	864,191	203,360	6,217,899
Deferred tax liabilities					10
Total liabilities					6,217,909
Off-balance sheet credit commitments	729,572	545,503	—	—	1,275,075

Note:

(i) Other net income consists of net trading gain, net gain from investment securities, net hedging gain and other operating income.

51 Segment reporting (Continued)

(b) Geographical segments

The Group operates principally in Mainland China with branches located in 31 provinces, autonomous regions and municipalities. The Bank's principal subsidiaries, CNCB Investment and CIFH are registered and operating in Hong Kong. The other subsidiaries, Lin'an Rural Bank and CFLL are registered in Mainland China.

In presenting information by geographical segments, operating income is allocated based on the location of the branches that generated the revenue. Segment assets and capital expenditure are allocated based on the geographical location of the underlying assets.

Geographical segments, as defined for management reporting purposes, are as follows:

— "Yangtze River Delta" refers to the following areas where Tier-One branches of the Group are located: Shanghai, Nanjing, Suzhou, Hangzhou and Ningbo, as well as Lin'an Rural Bank;

— "Pearl River Delta and West Strait" refers to the following areas where Tier-One branches of the Group are located: Guangzhou, Shenzhen, Dongguan, Fuzhou, Xiamen, and Haikou;

— "Bohai Rim" refers to the following areas where Tier-One branches of the Group are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang, Jinan and CFLL;

— "Central" region refers to the following areas where Tier-One branches of the Group are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang;

— "Western" region refers to the following areas where Tier-One branches of the Group are located: Chengdu, Chongqing, Xi'an, Kunming, Nanning, Hohhot, Urumqi, Guiyang, Lanzhou, Xining, Yinchuan and Lhasa;

— "Northeastern" region refers to the following areas where Tier-One branches of the Group is located: Shenyang, Changchun and Harbin;

— "Head Office" refers to the headquarter of the Bank and the Credit Card Center; and

— "Overseas" includes all the operations of London branch, CNCB Investment, CIFH and its subsidiaries.

(Amounts in millions of Renminbi unless otherwise stated)

51 Segment reporting (Continued)

(b) Geographical segments (Continued)

	Six months ended 30 June 2020									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
External net interest income	15,468	7,621	718	10,375	9,430	1,199	17,779	2,345	—	64,935
Internal net interest expense/(income)	(1,399)	379	9,426	(2,683)	(3,407)	(191)	(2,053)	(72)	—	—
Net interest income	14,069	8,000	10,144	7,692	6,023	1,008	15,726	2,273	—	64,935
Net fee and commission income	1,565	1,307	2,134	868	753	174	17,890	665	—	25,356
Other net income (Note (i))	459	130	212	139	97	28	10,014	830	—	11,909
Operating income	16,093	9,437	12,490	8,699	6,873	1,210	43,630	3,768	—	102,200
Operating expense										
— depreciation and amortisation	(466)	(383)	(443)	(336)	(400)	(108)	(653)	(280)	—	(3,069)
— others	(3,698)	(2,547)	(3,422)	(2,273)	(1,970)	(455)	(4,778)	(1,463)	—	(20,606)
Credit impairment losses	(5,954)	(3,630)	(6,551)	(4,204)	(9,334)	(1,041)	(16,049)	(466)	—	(47,229)
Impairment losses on other assets	(187)	—	(3)	(291)	(19)	—	—	4	—	(496)
Revaluation gain on investment properties	—	—	—	—	—	—	—	(34)	—	(34)
Share of loss of associates and joint ventures	—	—	—	—	—	—	71	(91)	—	(20)
Profit before tax	5,788	2,877	2,071	1,595	(4,850)	(394)	22,221	1,438	—	30,746
Income tax										(4,782)
Profit for the period										25,964
Capital expenditure	58	44	42	56	96	11	422	149	—	878

	30 June 2020									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
Segment assets	1,576,207	908,977	1,622,165	701,478	598,030	117,961	2,890,905	349,270	(1,730,871)	7,034,122
Interest in associates and joint ventures	—	—	—	—	—	—	3,096	561	—	3,657
Deferred tax assets										42,837
Total assets										7,080,616
Segment liabilities	1,388,920	845,330	1,531,164	642,593	542,294	112,610	2,885,304	294,595	(1,708,571)	6,534,239
Deferred tax liabilities										11
Total liabilities										6,534,250
Off-balance sheet credit commitments	216,006	133,770	114,862	157,461	88,933	9,862	565,018	21,769	—	1,307,681

(Amounts in millions of Renminbi unless otherwise stated)

51 Segment reporting (Continued)

(b) Geographical segments (Continued)

	Six months ended 30 June 2019									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
External net interest income	12,895	8,129	1,109	8,511	8,697	852	18,384	2,935	—	61,512
Internal net interest expense/(income)	(52)	600	8,952	(1,191)	(2,755)	60	(5,478)	(136)	—	—
Net interest income	12,843	8,729	10,061	7,320	5,942	912	12,906	2,799	—	61,512
Net fee and commission income	1,504	1,220	2,196	914	786	187	16,412	723	—	23,942
Other net income (Note (i))	294	95	180	51	65	20	6,298	735	—	7,738
Operating income	14,641	10,044	12,437	8,285	6,793	1,119	35,616	4,257	—	93,192
Operating expense										
— depreciation and amortisation	(463)	(369)	(453)	(349)	(416)	(113)	(537)	(259)	—	(2,959)
— others	(3,990)	(2,854)	(3,787)	(2,374)	(2,249)	(577)	(4,438)	(1,445)	—	(21,714)
Credit impairment losses	(5,634)	(5,350)	(7,320)	(3,645)	(4,368)	(1,072)	(6,078)	(489)	—	(33,956)
Impairment losses on other assets	(76)	—	(77)	(17)	—	—	—	(64)	—	(234)
Revaluation gain on investment properties	—	—	—	—	—	—	—	6	—	6
Share of loss of associates and joint ventures	—	—	—	—	—	—	100	7	—	107
Profit before tax	4,478	1,471	800	1,900	(240)	(643)	24,663	2,013	—	34,442
Income tax										(5,605)
Profit for the period										28,837
Capital expenditure	66	60	39	29	27	7	784	105	—	1,117

	31 December 2019									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
Segment assets	1,400,247	810,404	1,440,563	656,139	585,993	106,531	2,730,391	337,807	(1,353,409)	6,714,666
Interest in associates and joint ventures	—	—	—	—	—	—	3,027	645	—	3,672
Deferred tax assets										32,095
Total assets										6,750,433
Segment liabilities	1,021,511	624,170	1,212,606	554,658	457,021	94,420	3,312,559	272,066	(1,331,112)	6,217,899
Deferred tax liabilities										10
Total liabilities										6,217,909
Off-balance sheet credit commitments	204,838	149,346	118,966	151,951	82,348	10,047	538,324	19,255	—	1,275,075

Note:

(i) Other net income consists of net trading gain, net gain from investment securities, net hedging gain and other operating income.

52 Financial risk management

This section presents information about the Group's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments:

— **Credit risk** Credit risk represents the potential loss that may arise from the failure of a customer or counterparty to meet its contractual obligations or commitments to the Group.

— **Market risk** Market risk arises from unfavourable changes in market prices (interest rate, exchange rate, stock price or commodity price) that lead to a loss of on-balance sheet or off-balance sheet business in the Group.

— **Liquidity risk** Liquidity risk arises when the Group, in meeting the demand of liabilities due and other payment obligations as well as the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds.

— **Operational risk** Operational risk arises from inappropriate or problematic internal procedures, personnel, IT systems, or external events, such risk includes legal risk, but excluding strategic risk and reputational risk.

The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with relevant policies and procedures.

(a) Credit risk

Credit risk management

Credit risk refers to the risk of loss caused by default of debtor or counterparty. Credit risk also occurs when the Group makes unauthorised or inappropriate loans and advances to customers, financial commitments or investments. The credit risk exposure of the Group mainly arises from the Group's loan and advance to customers, treasury businesses and off-balance sheet items.

The Group has standardised management on the entire credit business process including loan application and its investigation, approval and granting of loan, and monitoring of non-performing loans. Through strictly standardising the credit business process, strengthening the whole process management of pre-loan investigation, credit rating and credit granting, examination and approval, loan review and post-loan monitoring, improving the risk of slow-release of collateral, accelerating the disposal of non-performing loans, and promoting the upgrading and transformation of credit management system, the credit risk management of the Group has been comprehensively improved.

The Group writes off the recoverable financial asset when it cannot reasonably expect to recover all or part of the asset. Signs indicating that the recoverable amount cannot be reasonably expected include: (1) the enforcement has been terminated, and (2) the Group's recovery method is to confiscate and dispose of the collateral, but the expected value of the collateral cannot cover the entire principal and interest.

In addition to the credit risk to the Group caused by credit assets, the Group manages the credit risk for treasury businesses through prudently selecting peers and other financial institutions with comparable credit levels as counterparties, balancing credit risk with returns on investment, comprehensively considering internal and external credit rating information, granting credit hierarchy, and using credit management system to review and adjust credit commitments on a timely basis, etc. In addition, the Group provides off-balance sheet commitment and guarantee businesses to customers, so it is possible for the Group to make payment on behalf of the customer in case of customer's default and bear risks similar to the loan. Therefore, the Group applies similar risk control procedures and policies to such business to reduce the credit risk.

52 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses

Since 1 January 2018, the Group adopts, the "expected credit loss model" on its debt instruments which are classified as financial assets of debt instruments and off balance sheet credit assets measured at amortised cost and at fair value through other comprehensive income in accordance with the provisions of IFRS 9.

For financial assets that are included in the measurement of expected credit losses, the Group evaluates whether the credit risks of related financial assets have increased significantly since the initial recognition. The "three-stage" impairment model is used to measure their allowances for impairment losses respectively to recognise expected credit losses and their movements:

Stage 1: Financial instruments with no significant increase in credit risk since initial recognition will be classified as "stage 1" and the Group continuously monitors their credit risk. The loss allowances of financial instruments in stage 1 is measured based on the expected credit losses in the next 12 months, which represents the proportion of the expected credit losses in the lifetime due to possible default events in the next 12 months.

Stage 2: If there is a significant increase in credit risk from initial recognition, the Group transfers the related financial instruments to stage 2, but it will not be considered as credit-impaired instruments. The expected credit losses of financial instruments in stage 2 is measured based on the lifetime expected credit losses.

Stage 3: If there is a significant impairment in financial instruments, it will be moved to stage 3. The expected credit losses of financial instruments in stage 3 is measured based on the lifetime expected credit losses.

Purchased or originated credit-impaired financial assets refers to financial assets that are credit-impaired at initial recognition. Allowance for impairment losses on these assets are the lifetime expected credit losses.

The Group measures the ECL for financial assets through testing models, which includes expected loss model and discounted cash flows model. The expected loss model method is applicable to assets related to personal client, assets related to corporate client in stage 1 and 2, interbank investments and off-balance sheet credit assets. Discounted cash flows model is applicable to assets related to corporate client in stage 3.

Adopt top-down development approach, the Group has established models including different key economic indicators is established with the new actual default rate of regression model, and use the prediction results and historic default information adjustment coefficient calculation, then realise the provisions for forward-looking adjustment.

Discounted cash flows model is calculated based on the estimation of future cash flows. At each measurement date, the Group projects the future cash inflows of relevant assets under different scenarios to estimate the probability weighted cash flow of each future period. The cash flows are discounted and aggregated to get the present value of the assets' future cash flows.

The Group estimate the ECL in accordance with the IFRS 9, the key judgments and assumptions adopted by the Group are as follows:

52 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (Continued)

(1) Significant increase in credit risk

On each balance sheet date, the Group evaluates whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition. When one or more on quantitative or qualitative threshold, or upper limit are triggered, the credit risk of financial instruments would be considered as increased significantly.

By setting quantitative and qualitative threshold, and upper limit, the Group determines whether the credit risk of financial instruments has increased significantly since initial recognition. The judgment mainly includes (1) credit risk of borrowers declining to Grade 15 or below since initial recognition; (2) adverse changes in business, financial or operating conditions of borrowers and in economic conditions; (3) significant increase in other credit risk. For the borrowers who are 30 days (exclusive) to 90 days (inclusive) past due on their contractual payments (including principal and interest), the Group considers that their credit risk has increased significantly and classifies them to stage 2.

After the outbreak of COVID-19, relevant precautionary and control measures have been and continued to be implemented across the country. The Group has formulated and specified relevant identification standards and relief measures for clients affected in accordance with the central and regulatory policies and the requirements regarding credit business management. For clients applying for loan extensions, the Group has evaluated their repayment ability, and allowed deferred interest repayment and adjustment of repayment schedule for those who meet the identification standards to ease their burdens. Moreover, the Group has assessed item by item to determine whether there is a significant increase in credit risk of these clients.

(2) Definition of credit-impaired assets

When credit impairment occurred, the Group defines that the financial asset is in default. In general, a financial asset that is overdue for more than 90 days is considered to be in default.

When one or more events that significant adversely affect the expected future cash flow of a financial asset occurs, the financial asset becomes a credit-impaired financial asset. Evidence of credit-impaired financial assets includes the following observable information:

- The issuer or borrower is in significant financial difficulties
- The borrower is in breach of financial covenant(s) such as default or overdue in repayment of interests or principal etc
- The creditor gives the debtor no concession under any other circumstances, for economic or contractual reasons relating to the debtor's financial difficulties
- It is becoming probably that the borrower will enter bankruptcy or other debt restructuring
- An active market for that financial asset has disappeared because of financial difficulties from issuer or borrower
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses

The Group's default definition has been consistently applied to the modeling of default probability, default risk exposure and default loss rate in the Group's ECL calculation process.

52 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (Continued)

(3) *Inputs for measurement of expected credit losses*

The expected credit loss is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred or whether an asset is considered to be credit-impaired. Related definitions are as follows

- The probability of default represents the likelihood of a borrower defaulting on its financial obligations, either over the next 12 months or over the remaining lifetime of the obligation.

- Loss given default ("LGD") represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim, and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default and is calculated on a 12-month or lifetime basis.

- Exposure at default ("EAD") is based on the amounts that the Group expects to be owned at the time of default, over the next 12 months or over the remaining lifetime of the obligation.

The Group regularly monitors and reviews the assumptions related to the calculation of ECL, including the PD and the change in the value of collateral over time.

The Group categorises exposures with similar risk characteristics and estimates the PD, LGD, EAD by the exposures respectively. The Group has obtained sufficient information to ensure its statistical reliability. ECL of the Group is measured based on the continuous assessment and follow-up of individuals and their financial status.

(4) *Forward-looking information*

The assessment of significant increase in credit risk and the calculation of expected credit losses both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each asset portfolio.

These economic variables and their associated impact on the probability of default vary by financial instruments. Expert judgment has also been applied in this process, forecasts of these economic variables are estimated by the experts of the Group on a quarterly basis, and the impact of these economic variables on the probability of default and the exposure at default was determined by statistical regression analysis.

In addition to the neutral economic scenario, the Group determine the possible scenarios and their weightings by a combination of statistical analysis and expert judgment. The Group measures expected credit losses as either a probability weighted 12 months expected credit losses (stage 1) or a probability weight lifetime expected credit losses (stage 2 and stage 3). These probability-weighted expected credit losses are determined by running each scenario through the relevant expected credit losses model and multiplying it by the appropriate scenario weighting.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (Continued)

(4) *Forward-looking information (Continued)*

Macroeconomic scenario and weighting information

The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio.The Group considers internal and external data, experts prediction, and the best estimation of future, to determine the weightings in positive, neutral and negative scenarios. Neutral is defined as the most likely to happen in the future, as compared to other scenarios. Optimistic scenario and pessimistic scenario represents the possible scenario that is better off or worse off scenario compared to neutral scenario respectively.

Due to COVID-19's impact on the macro economy, management reassessed and updated the key economic indicators affecting ECLs and their estimates during the reporting period based on the latest historical data. The economic indicators currently applied in the neutral scenario, including gross profit of industrial enterprises and completed fixed-asset investment, are basically consistent with the forecast of research institutions.

Currently, the weighting of neutral scenario is equal to the sum of the weightings of other scenarios. Following this assessment, the Group measures ECL as a weighted average probability of ECL in the next 12-month under the three scenarios for Stage 1 financial instruments; and a weighted average probability of lifetime ECL for Stage 2 and 3 financial instruments.

Considering the portfolios that cannot be modeled by regression, such as those with extremely low default rate or without appropriate internal rating data, the group mainly adopts the expected loss ratio of similar portfolios with established regression models, in order to expand the coverage of the existing ECL model.

(5) *Sensitivity information and management overlay*

The change of the inputs for measurement of ECL and forward-looking information impact the assessment of significant increase in credit risk and measurement of credit loss.

As at 30 June 2020, assuming a 10% increase in the weighting of the optimistic scenario and a 10% decrease in the weighting of the neutral scenario, the group's credit impairment losses will be reduced by no more than 10% of the current credit impairment losses; assuming a 10% increase in the weighting of the optimistic scenario and a 10% decrease in the weighting of the neutral scenario, the group's credit impairment losses will increase by no more than 10% of the current credit impairment losses.

For latest changes in the external economic situation that are not reflected in the model, the Group has also considered and accordingly increased the loss provision to further enhance the capability to manage and mitigate risk. During the reporting period, adjustment was made by the management based on management overlay in response to COVID-19, which had insignificant effects on ECLs.

Allowance for impairment losses of performing loans and advances to customers consists of ECL from Stage 1 and Stage 2 which is measured based on 12 months ECL and lifetime ECL respectively. Loans and advances to customers in Stage 1 transfer to Stage 2 when there is a significant increase in credit risk. The following table presents the estimated impact as if the ECL of all performing loans and advances to customers are measured based on 12 months ECL, holding all other risk profile constant.

	30 June 2020	31 December 2019
Performing loans and advances to customers		
Allowance of impairment losses assuming performing loans and advances to customers are in Stage 1	**70,184**	59,919
Impact of stage transfers	**5,936**	2,098
Current allowance for impairment losses	**76,120**	62,017

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(i) *Maximum credit risk exposure*

The maximum exposure to credit risk at the reporting date without taking into consideration of any collateral held or other credit enhancement is represented by the net balance of each type of financial assets in the consolidated interim statement of financial position after deducting any allowance for impairment losses. A summary of the maximum exposure is as follows:

	30 June 2020				
	Stage 1	Stage 2	Stage 3	Not applicable	Total
Balances with central banks	418,250	—	—	—	418,250
Deposits with bank and non-bank financial institutions	111,131	—	—	—	111,131
Placements with and loans to banks and non-bank financial institutions	220,414	—	—	—	220,414
Derivative financial assets	—	—	—	25,050	25,050
Financial assets held under resale agreements	38,061	—	—	—	38,061
Loans and advances to customers (Note (i))	3,975,664	82,272	25,688	7,045	4,090,669
Financial investments					
— at fair value through profit or loss	—	—	—	303,654	303,654
— at amortised cost	931,339	2,371	10,769	—	944,479
— at fair value through other comprehensive income	739,736	130	15	—	739,881
— designated at fair value through other comprehensive income	—	—	—	3,651	3,651
Other financial assets	29,709	83,157	826	—	113,692
Subtotal	6,464,304	167,930	37,298	339,400	7,008,932
Credit commitments	1,322,456	1,132	93	—	1,323,681
Maximum credit risk exposure	7,786,760	169,062	37,391	339,400	8,332,613

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(i) Maximum credit risk exposure (Continued)

	31 December 2019				
	Stage 1	Stage 2	Stage 3	Not applicable	Total
Balances with central banks	456,813	—	—	—	456,813
Deposits with bank and non-bank financial institutions	121,297	—	—	—	121,297
Placements with and loans to banks and non-bank financial institutions	204,547	—	—	—	204,547
Derivative financial assets	—	—	—	17,117	17,117
Financial assets held under resale agreements	9,954	—	—	—	9,954
Loans and advances to customers	3,798,800	71,130	15,757	6,915	3,892,602
Financial investments					
— at fair value through profit or loss	—	—	—	317,546	317,546
— at amortised cost	907,906	10,458	5,870	—	924,234
— at fair value through other comprehensive income	628,457	123	200	—	628,780
— designated at fair value through other comprehensive income	—	—	—	3,036	3,036
Other financial assets	31,138	2,118	728	—	33,984
Subtotal	6,158,912	83,829	22,555	344,614	6,609,910
Credit commitments	1,266,571	8,316	188	—	1,275,075
Maximum credit risk exposure	7,425,483	92,145	22,743	344,614	7,884,985

According to the quality of assets, the Group classified the credit rating of the financial assets as risk level 1, risk level 2, risk level 3 and default. "Risk level 1" refers to customers who have competitive advantages among local peers with good foundations, outstanding operation results, strong operational and financial strength, and/or good corporate governance structure. "Risk level 2" refers to customers who are in the middle tier among local peers with fair foundations, fair operation results, fair operational and financial strength, and/or fair corporate governance structure. "Risk level 3" refers to customers who are in the lower-tier among local peers, with weak foundations, poor operation results, poor operational and financial strength, and/or deficiency in corporate governance structure. The definition of "Default" is same as the definition of credit-impaired. The credit rating is used for internal risk management.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(i) Maximum credit risk exposure (Continued)

The following table provides an analysis of loans and advances to customers and financial investments that are included in the ECL assessment according to the credit risk level. The book value of the following financial assets is the Group's maximum exposure to credit risk for these assets.

	30 June 2020						
	Risk level 1	**Risk level 2**	**Risk level 3**	**Default**	**Subtotal**	**Allowance for impairment losses**	**Net balance**
Loans and advances to customers (Note(i))							
Stage 1	**3,257,681**	**698,121**	**58,975**	**—**	**4,014,777**	**(39,113)**	**3,975,664**
Stage 2	**1,989**	**27,701**	**89,317**	**—**	**119,007**	**(36,735)**	**82,272**
Stage 3	**—**	**—**	**—**	**85,356**	**85,356**	**(59,668)**	**25,688**
Financial investments at amortised cost							
Stage 1	**853,297**	**82,939**	**—**	**—**	**936,236**	**(4,897)**	**931,339**
Stage 2	**—**	**2,710**	**—**	**—**	**2,710**	**(339)**	**2,371**
Stage 3 (Note(ii))	**—**	**—**	**—**	**18,449**	**18,449**	**(7,680)**	**10,769**
Financial investments at fair value through other comprehensive income							
Stage 1	**681,601**	**58,135**	**—**	**—**	**739,736**	**(1,863)**	**739,736**
Stage 2	**130**	**—**	**—**	**—**	**130**	**(3)**	**130**
Stage 3	**—**	**—**	**—**	**15**	**15**	**(336)**	**15**
Maximum credit risk exposure	**4,794,698**	**869,606**	**148,292**	**103,820**	**5,916,416**	**(150,634)**	**5,767,984**

	31 December 2019						
	Risk level 1	Risk level 2	Risk level 3	Default	Subtotal	Allowance for impairment	Net balance
Loans and advances to customers (Note(i))							
Stage 1	3,143,219	621,373	69,770	—	3,834,362	(35,562)	3,798,800
Stage 2	2,154	11,153	83,911	—	97,218	(26,088)	71,130
Stage 3	—	—	—	69,596	69,596	(53,839)	15,757
Financial investments at amortised cost							
Stage 1	830,071	80,948	501	—	911,520	(3,614)	907,906
Stage 2	—	10,792	—	—	10,792	(334)	10,458
Stage 3 (Note(ii))	—	—	—	8,698	8,698	(2,828)	5,870
Financial investments at fair value through other comprehensive income							
Stage 1	577,688	50,769	—	—	628,457	(1,331)	628,457
Stage 2	—	123	—	—	123	(3)	123
Stage 3	—	—	—	200	200	(297)	200
Maximum credit risk exposure	4,553,132	775,158	154,182	78,494	5,560,966	(123,896)	5,438,701

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(i) Maximum credit risk exposure (Continued)

Note:

(i) Loans and advances to customers include loans and advances to customers measured at fair value through other comprehensive income, and its corresponding impairment are not included include in the "Allowance for impairment losses" as shown in the table.

(ii) Claims in Stage 3 mainly represent investment management products and trust investment plans (Note 50(a)(viii)).

(ii) Measurement of expected credit losses

The following table shows the movement in carrying value of loans and advances to customers in current reporting period:

	Six months ended 30 June 2020		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2020	**3,834,362**	**97,218**	**69,596**
Movements			
Net transfers out from Stage 1	**(73,320)**		
Net transfers in to Stage 2		**28,410**	
Net transfers in to Stage 3			**44,910**
Net increase/(decrease) (Note(i))	**247,949**	**(6,681)**	**(5,618)**
Write-off	**—**	**—**	**(23,530)**
Others (Note(ii))	**5,786**	**60**	**(2)**
As at 30 June 2020	**4,014,777**	**119,007**	**85,356**

	Year ended 31 December 2019		
	Stage 1	Stage 2	Stage 3
As at 1 January 2019	3,457,641	93,676	65,433
Movements			
Net transfers out from Stage 1	(113,799)	—	—
Net transfers in to Stage 2	—	42,217	—
Net transfers in to Stage 3	—	—	71,582
Net increase/(decrease) (Note(i))	486,777	(38,913)	(6,733)
Write-off	—	—	(60,686)
Others (Note(ii))	3,743	238	—
As at 31 December 2019	3,834,362	97,218	69,596

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Measurement of expected credit losses (Continued)

The following table shows the movement in carrying value of financial investment in current reporting period:

	Six months ended 30 June 2020		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2020	**1,539,977**	**10,915**	**8,898**
Movements			
Net transfers out from Stage 1	**(1,809)**	**—**	**—**
Net transfers out to Stage 2	**—**	**(8,010)**	**—**
Net transfers in to Stage 3	**—**	**—**	**9,819**
Net increase/(decrease) (Note(i))	**132,780**	**(90)**	**(251)**
Write-off	**—**	**—**	**—**
Others (Note(ii))	**5,024**	**25**	**(2)**
As at 30 June 2020	**1,675,972**	**2,840**	**18,464**

	Year ended 31 December 2019		
	Stage 1	Stage 2	Stage 3
As at 1 January 2019	1,286,574	3,995	1,385
Movements			
Net transfers out from Stage 1	(11,260)	—	—
Net transfers in to Stage 2	—	10,368	—
Net transfers in to Stage 3	—	—	892
Net increase/(decrease) (Note(i))	253,869	(3,516)	6,810
Write-off	—	—	(186)
Others (Note(ii))	10,794	68	(3)
As at 31 December 2019	1,539,977	10,915	8,898

Notes:

(i) Net increase/(decrease) mainly includes changes in carrying amount due to newly originated, purchased or de-recognition excepting for write-off.

(ii) Others include movement of accrued interest, and effect of exchange differences.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Measurement of expected credit losses (Continued)

The following table shows the movement in allowance for impairment of loans and advances to customers in current reporting period:

	Six months ended 30 June 2020		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2020	**36,015**	**26,088**	**53,853**
Movements (Note(i))			
Net transfers out from Stage 1	**(2,769)**	—	—
Net transfers in to Stage 2	—	**5,423**	—
Net transfers in to Stage 3	—	—	**31,446**
Net increase/(decrease) (Note(ii))	**3,623**	**(1,690)**	**(2,987)**
Changes in parameters for the period (Note(iii))	**1,362**	**6,894**	**(3,049)**
Write-off	—	—	**(23,530)**
Others (Notes(iv))	**1,313**	**20**	**3,955**
As at 30 June 2020	**39,544**	**36,735**	**59,688**

The following table shows the movement in allowance for impairment of loans and advances to customers in previous reporting period:

	Year ended 31 December 2019		
	Stage 1	Stage 2	Stage 3
As at 1 January 2019	32,072	22,788	46,372
Movements (Note(i))			
Net transfers out from Stage 1	(2,328)	—	—
Net transfers in to Stage 2	—	6,134	—
Net transfers in to Stage 3	—	—	42,339
Net increase/(decrease) (Note(ii))	5,769	(8,610)	(1,738)
Changes in parameters for the year (Note(iii))	327	5,747	21,153
Write-off	—	—	(60,686)
Others (Note (iv))	175	29	6,413
As at 31 December 2019	36,015	26,088	53,853

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Measurement of expected credit losses (Continued)

The following table shows the movement in allowance for impairment of financial investment in current reporting period:

	Six months ended 30 June 2020		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2020	**4,945**	**337**	**3,125**
Movements (Note(i))			
Net transfers out from Stage 1	**(24)**	**—**	**—**
Net transfers out to Stage 2	**—**	**(215)**	**—**
Net transfers in to Stage 3	**—**	**—**	**3,712**
Net increase/(decrease) (Note(ii))	**421**	**—**	**—**
Changes in parameters for the period (Note(iii))	**1,387**	**220**	**1,178**
Write-off	**—**	**—**	**—**
Others (Notes(iv))	**31**	**—**	**1**
As at 30 June 2020	**6,760**	**342**	**8,016**

	Year ended 31 December 2019		
	Stage 1	Stage 2	Stage 3
As at 1 January 2019	3,407	154	848
Movements (Note(i))			
Net transfers out from Stage 1	(56)	—	—
Net transfers in to Stage 2	—	195	—
Net transfers in to Stage 3	—	—	138
Net increase/(decrease) (Note(ii))	1,610	(12)	2,135
Changes in parameters for the year (Note(iii))	(23)	—	190
Write-off	—	—	(186)
Others (Note (iv))	7	—	—
As at 31 December 2019	4,945	337	3,125

Notes:

(i) Movements in allowance for impairment during the period/year mainly include the impact of stage changes on the measurement of ECLs.

(ii) Net increase/(decrease) mainly includes changes in allowance for impairment due to financial assets newly originated, purchased or derecognised (excluding write-offs).

(iii) Changes in parameters mainly include changes in risk exposures and impacts on ECLs due to changes in PDs and LGDs following regular updates on modelling parameters rather than stages movements.

(iv) Others include allowance changes of accrued interest, recovery of financial assets written off and the effect of exchange rate changes.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(iii) Loans and advances to customers analysed by industry sector:

	30 June 2020			31 December 2019		
	Gross balance	**%**	**Loans and advances secured by collateral**	Gross balance	%	Loans and advances secured by collateral
Corporate loans						
— rental and business services	**396,698**	**9.4**	**198,195**	352,732	8.8	190,879
— water, environment and public utility management	**329,375**	**7.8**	**149,408**	268,942	6.7	124,285
— manufacturing	**300,467**	**7.1**	**154,477**	257,675	6.4	114,547
— real estate	**292,052**	**6.9**	**257,371**	288,975	7.2	256,672
— wholesale and retail	**156,139**	**3.7**	**101,452**	146,883	3.7	87,346
— transportation, storage and postal services	**144,334**	**3.4**	**67,796**	152,127	3.8	70,036
— construction	**97,593**	**2.3**	**54,400**	94,701	2.4	44,461
— production and supply of electric power, gas and water	**73,683**	**1.7**	**38,557**	66,215	1.7	47,132
— public management and social organisations	**10,926**	**0.3**	**805**	12,743	0.3	6,733
— others	**287,750**	**6.8**	**123,299**	314,526	7.8	135,663
Subtotal	**2,089,017**	**49.4**	**1,145,760**	1,955,519	48.8	1,077,754
Personal loans	**1,752,078**	**41.5**	**1,191,524**	1,730,814	43.2	1,142,987
Discounted bills	**373,428**	**8.8**	**—**	311,654	7.7	—
Accrued interest	**11,662**	**0.3**	**—**	10,104	0.3	—
Gross loans and advances to customers	**4,226,185**	**100.0**	**2,337,284**	4,008,091	100.0	2,220,741

As at 30 June 2020, the balance of loans for industries greatly affected by the epidemic (transportation, accommodation, catering, culture and tourism industries) accounted for a small proportion of the Bank's total balance of corporate loans.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(iv) Loans and advances to customers analysed by geographical sector:

	30 June 2020			31 December 2019		
	Gross balance	**%**	**Loans and advances secured by collateral**	Gross balance	%	Loans and advances secured by collateral
Bohai Rim (including Head Office)	**1,169,765**	**27.6**	**410,729**	1,224,035	30.5	420,248
Yangtze River Delta	**1,047,791**	**24.8**	**654,236**	920,846	23.0	592,602
Pearl River Delta and West Strait	**649,016**	**15.4**	**486,896**	598,313	14.9	472,112
Central	**590,414**	**14.0**	**342,644**	534,366	13.3	329,238
Western	**496,102**	**11.7**	**298,768**	474,109	11.8	275,498
Northeastern	**85,045**	**2.0**	**57,718**	77,694	1.9	55,767
Outside Mainland China	**176,390**	**4.2**	**86,293**	168,624	4.3	75,276
Accrued interest	**11,662**	**0.3**	**—**	10,104	0.3	—
Total	**4,226,185**	**100.0**	**2,337,284**	4,008,091	100.0	2,220,741

(v) Loans and advances to customers analysed by type of security

	30 June 2020	31 December 2019
Unsecured loans	**1,014,238**	976,047
Guaranteed loans	**489,573**	489,545
Secured loans	**2,337,284**	2,220,741
— loans secured by collateral	**1,896,898**	1,822,815
— pledged loans	**440,386**	397,926
Subtotal	**3,841,095**	3,686,333
Discounted bills	**373,428**	311,654
Accrued interest	**11,662**	10,104
Gross loans and advances to customers	**4,226,185**	4,008,091

(vi) Rescheduled loans and advances to customers

	30 June 2020		31 December 2019	
	Gross balance	**% of total loans and advances**	Gross balance	% of total loans and advances
Rescheduled loans and advances	**30,228**	**0.72%**	22,792	0.57%
— rescheduled loans and advances overdue more than 3 months	**18,328**	**0.43%**	10,800	0.27%

Rescheduled loans and advances are those loans and advances to customers which have been restructured or renegotiated after their credit condition declined. And for the purpose of management, the group reorganises the loans that have been classified as bad under the premise of satisfying credit enhancement, aiming at the deterioration of the borrower's financial position before the loan matures.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(vii) Debt securities analysed by credit rating

The Group adopts a credit rating approach to manage credit risk of its debt instruments portfolio. The ratings are obtained from major rating agencies where the debt instruments are issued. As at 30 June 2020 and 31 December 2019, debt instruments investments analysed by rating are as follows:

	30 June 2020					
	Unrated (Note (i))	**AAA**	**AA**	**A**	**Below A**	**Total**
Debt securities issued by:						
— governments	**514,349**	**249,794**	**13,193**	**2,134**	**11**	**779,481**
— policy banks	**90,572**	**—**	**—**	**6,354**	**—**	**96,926**
— public entities	**25**	**243**	**988**	**4**	**19**	**1,279**
— banks and non-bank financial institutions	**47,327**	**301,655**	**6,234**	**28,089**	**8,325**	**391,630**
— corporates	**55,373**	**27,798**	**8,249**	**10,396**	**9,378**	**111,194**
Investment management products managed by securities companies	**233,302**	**—**	**—**	**—**	**—**	**233,302**
Trust investment plans	**154,892**	**—**	**—**	**—**	**—**	**154,892**
Total	**1,095,840**	**579,490**	**28,664**	**46,977**	**17,733**	**1,768,704**

	31 December 2019					
	Unrated (Note (i))	AAA	AA	A	Below A	Total
Debt securities issued by:						
— governments	490,734	175,718	14,895	1,786	—	683,133
— policy banks	94,455	—	—	6,062	—	100,517
— public entities	—	102	346	—	—	448
— banks and non-bank financial institutions	35,558	321,254	6,151	25,349	9,531	397,843
— corporates	44,596	36,881	11,023	15,593	9,188	117,281
Investment management products managed by securities companies	185,854	—	406	—	17	186,277
Trust investment plans	157,194	—	—	—	—	157,194
Total	1,008,391	533,955	32,821	48,790	18,736	1,642,693

Note:

(i) Unrated debt securities held by the Group are investment management products managed by securities companies, trust investment plans, bonds issued primarily by the Chinese government, policy banks, banks and non-bank financial institutions.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(viii) Investment management products managed by securities companies and trust investment plans analysed by type of underlying assets

	30 June 2020	31 December 2019
Investment management products managed by securities companies and trust investment plans		
— credit assets	**244,389**	265,969
— rediscounted bills	**153,363**	80,513
Total	**397,752**	346,482

The Group divides investment management products managed by securities companies and trust investment plans into comprehensive credit management system, to manage its credit risk exposure in a holistic manner. The type of collateral of credit assets includes guarantee, security by collateral, and pledge.

(b) Market risk

Market risk refers to risks that may cause a loss of on-balance sheet and off-balance sheet businesses for the Group due to the adverse movement of market prices, including interest rates, foreign exchange rates, stock prices and commodity prices. The Group has established a market risk management system that formulates procedures to identify, measure, supervision and control market risks. This system aims to limit market risk to an acceptable level through examining and approving new products and limit management.

Risk and Internal Control Committee of the Group is responsible for approving market risk management policies, establishing appropriate organisational structure and information systems to effectively identify, measure, monitor and control market risks, and ensuring adequate resources to reinforce the market risk management. The Risk Management Department is responsible for independently managing and controlling market risks of the Group, including developing market risk management policies and authorisation limits, providing independent report of market risk to identify, measure and monitor the Group's market risk. Business departments are responsible for the day-to-day management of market risks, including effectively identifying, measuring, controlling market risk factors associated with the relevant operations, so as to ensure the dynamic balance between business development and risk undertaking.

The Group uses sensitivity analysis, foreign exchange exposure and interest rate re-pricing gap analysis as the primary instruments to monitor market risk.

Interest rate risk and currency risk are the major market risks that the Group is exposed to.

Interest rate risk

The Group's interest rate exposures mainly arise from the mismatching of assets and liabilities' re-pricing dates, as well as the effect of interest rate volatility on trading positions.

The Group primarily uses gap analysis to assess and monitor its re-pricing risk and adjust the ratio of floating and fixed rate exposures, the loan re-pricing cycle, as well as optimise the term structure of its deposits accordingly.

The Group implements various methods, such as duration analysis, sensitivity analysis, stress testing and scenario simulation, to measure, manage and report the interest rate risk on a regular basis.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

The following tables summaries the average interest rates, and the next re-pricing dates or contractual maturity date whichever is earlier for the assets and liabilities as at the end of each reporting date.

	30 June 2020						
	Average interest rate (Note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central banks	1.48%	424,377	17,458	406,919	—	—	—
Deposits with banks and non-bank financial institutions	2.52%	111,131	2,044	79,421	29,666	—	—
Placements with and loans to banks and non-bank financial institutions	2.05%	220,414	884	160,069	50,161	9,300	—
Financial assets held under resale agreements	1.48%	38,061	2	38,059	—	—	—
Loans and advances to customers (Note (ii))	5.02%	4,090,669	11,825	1,287,528	2,601,648	187,279	2,389
Financial investments							
— at fair value through profit or loss		303,654	206,379	23,016	46,085	20,062	8,112
— at amortised cost	4.00%	944,479	77	51,727	115,083	468,870	308,722
— at fair value through other comprehensive income	3.43%	739,881	399	95,256	196,954	366,185	81,087
— designated at fair value through other comprehensive income		3,651	3,651	—	—	—	—
Others		204,299	204,299	—	—	—	—
Total assets		7,080,616	447,018	2,141,995	3,039,597	1,051,696	400,310
Liabilities							
Borrowings from central banks	3.34%	126,229	3,009	71,100	52,120	—	—
Deposits from banks and non-bank financial institutions	2.54%	995,685	4,312	792,665	198,708	—	—
Placements from banks and non-bank financial institutions	2.37%	71,980	485	43,620	23,659	4,216	—
Financial liabilities at fair value through profit or loss		5,582	161	743	4,496	112	70
Financial assets sold under repurchase agreements	2.14%	104,942	5	65,177	39,760	—	—
Deposits from customers	2.17%	4,484,465	62,013	3,108,393	581,145	732,886	28
Debt securities issued	3.29%	635,713	2,487	147,306	338,537	77,407	69,976
Lease liability	4.49%	10,490	761	770	2,074	5,717	1,168
Others		99,164	99,164	—	—	—	—
Total liabilities		6,534,250	172,397	4,229,774	1,240,499	820,338	71,242
Interest rate gap		546,366	274,621	(2,087,779)	1,799,098	231,358	329,068

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

	31 December 2019						
	Average interest rate (Note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central banks	1.55%	463,158	17,743	445,415	—	—	—
Deposits with banks and non-bank financial institutions	2.00%	121,297	1,349	53,285	66,663	—	—
Placements with and loans to banks and non-bank financial institutions	2.82%	204,547	1,218	149,333	39,546	14,450	—
Financial assets held under resale agreements	2.13%	9,954	—	9,954	—	—	—
Loans and advances to customers (Note (ii))	5.08%	3,892,602	9,958	1,629,459	2,073,626	166,427	13,132
Financial investments							
— at fair value through profit or loss		317,546	219,536	49,923	26,845	15,508	5,734
— at amortised cost	4.39%	924,234	112	362,026	78,763	367,340	115,993
— at fair value through other comprehensive income	3.66%	628,780	427	44,913	92,694	348,325	142,421
— designated at fair value through other comprehensive income		3,036	3,036	—	—	—	—
Others		185,279	185,279	—	—	—	—
Total assets		6,750,433	438,658	2,744,308	2,378,137	912,050	277,280
Liabilities							
Borrowing from central banks	3.34%	240,298	—	11,358	228,940	—	—
Deposits from banks and non-bank financial institutions	2.79%	951,122	2,710	702,939	245,473	—	—
Placements from banks and non-bank financial institutions	2.84%	92,539	484	57,432	31,714	2,909	—
Financial liabilities at fair value through profit or loss		847	716	131	—	—	—
Financial assets sold under repurchase agreements	2.39%	111,838	23	80,155	31,660	—	—
Deposits from customers	2.08%	4,073,258	50,932	2,782,857	645,144	593,397	928
Debt securities issued	3.80%	650,274	3,512	71,769	458,267	9,022	107,704
Lease liabilities	4.68%	10,896	790	11	108	5,303	4,684
Others		86,837	86,837	—	—	—	—
Total liabilities		6,217,909	146,004	3,706,652	1,641,306	610,631	113,316
Interest rate gap		532,524	292,654	(962,344)	736,831	301,419	163,964

Notes:

(i) Average interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities during the year.

(ii) For loans and advances to customers, the "Less than three months" category includes overdue amounts (net of allowance for impairment losses) of RMB40,613 million as at 30 June 2020 (as at 31 December 2019: RMB43,791 million).

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income. The following table sets forth the results of the Group's interest rate sensitivity analysis as at 30 June 2020 and 31 December 2019.

	30 June 2020		31 December 2019	
	Net interest Income	**Other comprehensive income**	Net interest income	Other comprehensive income
+100 basis points	**(7,385)**	**(4,053)**	(4,097)	(3,407)
-100 basis points	**7,385**	**4,053**	4,097	3,407

This sensitivity analysis is based on a static interest rate risk profile of the Group's non-derivative assets and liabilities and certain assumptions as discussed below. The analysis measures only the impact of changes in interest rates within one year, showing how annualised interest income would have been affected by repricing of the Group's non-derivative assets and liabilities within the one-year period. The analysis is based on the following assumptions: (i) all assets and liabilities that reprice or mature within the three months bracket, and the after three months but within one year bracket are both reprice or mature at the beginning of the respective periods, (ii) it does not reflect the potential impact of unparalleled yield curve movements, and (iii) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's net interest income and other comprehensive income resulted from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

Currency risk

Currency risk arises from the potential change of exchange rates that cause a loss to the on-balance sheet and off-balance sheet business of the Group. The Group measures its currency risk with foreign currency exposures, and manages its currency risk by spot and forward foreign exchange transactions and matching its foreign currency denominated assets with corresponding liabilities in the same currency, as well as using derivative financial instruments, mainly foreign exchange swaps, to manage its exposure.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(b) Market risk (Continued)

Currency risk (Continued)

The exposures at the reporting date were as follows:

	30 June 2020				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and balances with central banks	413,342	10,245	557	233	424,377
Deposits with banks and non-bank financial institutions	88,981	14,726	3,173	4,251	111,131
Placements with and loans to banks and non-bank financial institutions	112,216	94,315	12,613	1,270	220,414
Financial assets held under resale agreements	37,996	65	—	—	38,061
Loans and advances to customers	3,844,906	124,842	108,196	12,725	4,090,669
Financial investments					
— at fair value through profit or loss	290,554	9,748	3,352	—	303,654
— at amortised cost	942,914	1,515	—	50	944,479
— at fair value through other comprehensive income	639,174	74,772	16,895	9,040	739,881
— designated at fair value through other comprehensive income	3,210	176	265	—	3,651
Others	194,638	4,924	4,736	1	204,299
Total assets	6,567,931	335,328	149,787	27,570	7,080,616
Liabilities					
Borrowings from central banks	126,229	—	—	—	126,229
Deposits from banks and non-bank financial institutions	976,907	15,915	2,688	175	995,685
Placements from banks and non-bank financial institutions	49,332	21,682	311	655	71,980
Financial liabilities at fair value through profit or loss	5,389	192	1	—	5,582
Financial assets sold under repurchase agreements	104,942	—	—	—	104,942
Deposits from customers	4,125,822	191,788	147,118	19,737	4,484,465
Debt securities issued	619,239	16,474	—	—	635,713
Lease liability	9,766	20	568	136	10,490
Others	83,040	7,725	7,483	916	99,164
Total liabilities	6,100,666	253,796	158,169	21,619	6,534,250
Net on-balance sheet position	467,265	81,532	(8,382)	5,951	546,366
Credit commitments	1,226,528	76,454	12,546	8,153	1,323,681
Derivatives (Note (i))	3,661	(38,621)	48,341	(5,870)	7,511

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(b) Market risk (Continued)

Currency risk (Continued)

	31 December 2019				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and balances with central banks	445,569	16,679	694	216	463,158
Deposits with banks and non-bank financial institutions	96,334	16,579	2,598	5,786	121,297
Placements with and loans to banks and non-bank financial institutions	123,725	55,649	20,516	4,657	204,547
Financial assets held under resale agreements	9,954	—	—	—	9,954
Loans and advances to customers	3,655,998	112,700	105,842	18,062	3,892,602
Financial investments					
— at fair value through profit or loss	293,217	20,862	3,467	—	317,546
— at amortised cost	922,228	2,006	—	—	924,234
— at fair value through other comprehensive income	538,355	64,153	17,903	8,369	628,780
— designated at fair value through other comprehensive income	2,557	178	301	—	3,036
Others	175,304	4,679	4,550	746	185,279
Total assets	6,263,241	293,485	155,871	37,836	6,750,433
Liabilities					
Borrowings from central banks	240,298	—	—	—	240,298
Deposits from banks and non-bank financial institutions	942,867	7,842	331	82	951,122
Placements from banks and non-bank financial institutions	75,315	16,858	216	150	92,539
Financial liabilities at fair value through profit or loss	715	132	—	—	847
Financial assets sold under repurchase agreements	111,838	—	—	—	111,838
Deposits from customers	3,700,005	200,762	154,291	18,200	4,073,258
Debt securities issued	628,885	21,389	—	—	650,274
Lease liabilities	10,183	4	559	150	10,896
Others	80,992	1,724	3,855	266	86,837
Total liabilities	5,791,098	248,711	159,252	18,848	6,217,909
Net on-balance sheet position	472,143	44,774	(3,381)	18,988	532,524
Credit commitments	1,169,606	84,385	13,294	7,790	1,275,075
Derivatives (Note (i))	(9,194)	(27,398)	45,836	(7,770)	1,474

Note:

(i) Derivatives represent the net notional amount of currency derivatives, including undelivered foreign exchange spot, foreign exchange forward, foreign exchange swap and currency option.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(b) Market risk (Continued)

Currency risk (Continued)

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's profit or loss and other comprehensive income. The following table sets forth, as at 30 June 2020 and 31 December 2019, the results of the Group's foreign exchange rate sensitivity analysis.

	30 June 2020		31 December 2019	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
5% appreciation	**4,122**	**26**	3,529	23
5% depreciation	**(4,122)**	**(26)**	(3,529)	(23)

This sensitivity analysis is based on a static foreign exchange exposure profile of assets and liabilities and certain assumptions as follows: (i) the foreign exchange sensitivity is the gain and loss recognised as a result of 500 basis point fluctuation in the foreign currency exchange rates against RMB at the reporting date, (ii) the exchange rates against RMB for all foreign currencies change in the same direction simultaneously and does not take into account the correlation effect of changes in different foreign currencies, and (iii) the foreign exchange exposures calculated include both spot foreign exchange exposures, foreign exchange derivative instruments, and; all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's profit and other comprehensive income resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis. Precious metal is included in foreign currency for the purpose of this sensitivity analysis.

(c) Liquidity risk

Liquidity risk arises when the Group, in meeting the demand of liabilities due and other payment obligations as well as the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds. The Group's liquidity risk arises mainly from the mismatch of assets to liabilities and customers may concentrate their withdrawals.

The Group has implemented overall liquidity risk management on the entity level. The headquarters has the responsibility for developing the entire Group's liquidity risk policies, strategies, and implements centralised management of liquidity risk on the entity level. The domestic and foreign affiliates develop their own liquidity policies and procedures within the Group's liquidity strategy management framework, based on the requirements of relevant regulatory bodies.

The Group manages liquidity risk by setting various indicators and operational limits according to the overall position of the Group's assets and liabilities, with referencing to market condition. The Group holds assets with high liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The tools that the Group uses to measure and monitor liquidity risk mainly include:

— Liquidity gap analysis

— Liquidity indicators (including but not limited to regulated and internal managed indicators, such as liquidity coverage ratio, loan-to-deposit ratio, liquidity ratio, liquidity gap rate, excess reserves rate) monitoring

— Scenario analysis

— Stress testing

On this basis, the Group establishes regular reporting mechanisms for liquidity risk to report the latest situation of liquidity risk to the senior management on a timely basis.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(c) Liquidity risk (Continued)

Analysis of the remaining contractual maturity of assets and liabilities

	30 June 2020						
	Repayable on demand	Within 3 months	Between three months and one year	Between one and five years	More than five years	Undated (Note(i))	Total
Assets							
Cash and balances with central banks	53,795	964	2,380	—	—	367,238	424,377
Deposits with banks and non-bank financial institutions	33,602	47,489	30,040	—	—	—	111,131
Placements with and loans to banks and non-bank financial institutions	—	161,417	49,489	9,508	—	—	220,414
Financial assets held under resale agreements	—	38,061	—	—	—	—	38,061
Loans and advances to customers (Note (ii))	37,927	592,291	1,117,073	697,085	1,570,863	75,430	4,090,669
Financial investments							
— at fair value through profit or loss	67	22,965	46,153	20,545	8,297	205,627	303,654
— at amortised cost	—	49,639	113,489	467,922	307,940	5,489	944,479
— at fair value through other comprehensive income	—	81,145	200,998	376,647	81,091	—	739,881
— designated at fair value through other comprehensive income	311	—	—	—	—	3,340	3,651
Others	73,634	10,508	15,678	51,299	65	53,115	204,299
Total assets	199,336	1,004,479	1,575,300	1,623,006	1,968,256	710,239	7,080,616
Liabilities							
Borrowings from central banks	—	74,109	52,120	—	—	—	126,229
Deposits from banks and non-bank financial institutions	533,914	262,155	199,616	—	—	—	995,685
Placements from banks and non-bank financial institutions	—	44,105	24,041	3,110	724	—	71,980
Financial liabilities at fair value through profit or loss	161	743	4,496	112	70	—	5,582
Financial assets sold under repurchase agreements	—	65,182	39,760	—	—	—	104,942
Deposits from customers	2,175,890	994,347	581,308	732,892	28	—	4,484,465
Debt securities issued	—	147,306	338,722	77,812	71,873	—	635,713
Lease liability	100	831	2,250	6,146	1,163	—	10,490
Others	61,470	7,768	7,137	12,557	977	9,255	99,164
Total liabilities	2,771,535	1,596,546	1,249,450	832,629	74,835	9,255	6,534,250
(Short)/long position	(2,572,199)	(592,067)	325,850	790,377	1,893,421	700,984	546,366

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(c) Liquidity risk (Continued)

Analysis of the remaining contractual maturity of assets and liabilities (Continued)

	31 December 2019						
	Repayable on demand	Within 3 months	Between three months and one year	Between one and five years	More than five years	Undated (Note(i))	Total
Assets							
Cash and balances with central banks	104,114	—	3,080	—	—	355,964	463,158
Deposits with banks and non-bank financial institutions	39,476	14,100	67,721	—	—	—	121,297
Placements with and loans to banks and non-bank financial institutions	—	150,131	39,858	14,558	—	—	204,547
Financial assets held under resale agreements	—	9,954	—	—	—	—	9,954
Loans and advances to customers (Note (ii))	27,210	695,697	928,062	691,475	1,478,383	71,775	3,892,602
Financial investments							
— at fair value through profit or loss	819	49,394	27,738	15,979	5,754	217,862	317,546
— at amortised cost	8,714	69,541	160,329	470,798	214,740	112	924,234
— at fair value through other comprehensive income	134	34,824	94,189	357,203	142,426	4	628,780
— designated at fair value through other comprehensive income	—	—	—	—	—	3,036	3,036
Others	74,094	11,457	10,812	36,027	84	52,805	185,279
Total assets	254,561	1,035,098	1,331,789	1,586,040	1,841,387	701,558	6,750,433
Liabilities							
Borrowings from central banks	—	11,358	228,940	—	—	—	240,298
Deposits from banks and non-bank financial institutions	402,889	302,059	246,174	—	—	—	951,122
Placements from banks and non-bank financial institutions	—	57,594	32,010	2,935	—	—	92,539
Financial liabilities at fair value through profit or loss	715	—	—	—	—	132	847
Financial assets sold under repurchase agreements	—	80,177	31,661	—	—	—	111,838
Deposits from customers	2,010,162	828,467	639,909	593,583	1,137	—	4,073,258
Debt securities issued	—	71,846	460,610	9,071	108,747	—	650,274
Lease liabilities	168	784	2,225	6,562	1,157	—	10,896
Others	43,902	6,785	6,893	13,493	6,927	8,837	86,837
Total liabilities	2,457,836	1,359,070	1,648,422	625,644	117,968	8,969	6,217,909
(Short)/long position	(2,203,275)	(323,972)	(316,633)	960,396	1,723,419	692,589	532,524

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The tables below present the cash flows of the Group of financial assets and financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flow.

	30 June 2020						
	Repayable on demand	Within 3 months	Three months and one year	One and five years	More than five years	Undated (Note(i))	Total
Non-derivative cash flow							
Assets							
Cash and balances with central banks	53,795	2,317	6,641	—	—	367,238	429,991
Deposits with banks and non-bank financial institutions	33,602	49,947	33,876	—	—	—	117,425
Placements with and loans to banks and non-bank financial institutions	—	162,021	52,756	10,021	—	—	224,798
Financial assets held under resale agreements	—	38,063	—	—	—	—	38,063
Loans and advances to customers (Note (ii))	37,927	636,373	1,212,310	996,536	2,168,894	80,582	5,132,622
Financial investments							
— at fair value through profit or loss	67	23,862	48,919	23,714	17,149	206,130	319,841
— at amortised cost	—	61,249	138,075	556,964	380,037	8,826	1,145,151
— at fair value through other comprehensive income	—	86,501	214,680	415,206	95,219	2	811,608
— designated at fair value through other comprehensive income	311	—	—	—	—	3,342	3,653
Others	73,634	10,508	15,678	51,299	65	53,115	204,299
Total assets	199,336	1,070,841	1,722,935	2,053,740	2,661,364	719,235	8,427,451
Liabilities							
Borrowings from central banks	—	74,109	56,185	—	—	—	130,294
Deposits from banks and non-bank financial institutions	533,914	263,895	209,414	—	—	—	1,007,223
Placements from banks and non-bank financial institutions	—	44,108	24,041	3,110	724	—	71,983
Financial liabilities at fair value through profit or loss	161	743	4,496	112	70	—	5,582
Financial assets sold under repurchase agreements	—	65,182	40,552	—	—	—	105,734
Deposits from customers	2,175,890	1,023,927	615,199	821,578	34	—	4,636,628
Debt securities issued	—	147,306	361,164	96,177	81,852	—	686,499
Lease liability	100	924	2,531	6,646	1,276	—	11,477
Others	61,470	7,768	7,137	12,557	977	9,255	99,164
Total liabilities	2,771,535	1,627,962	1,320,719	940,180	84,933	9,255	6,754,584
(Short)/long position	(2,572,199)	(557,121)	402,216	1,113,560	2,576,431	709,980	1,672,867
Derivative cash flow							
Derivative financial instrument settled on a net basis	—	23	76	117	1	—	217
Derivative financial instruments settled on a gross basis							
— cash inflow	—	482,910	495,797	38,865	2	—	1,017,574
— cash outflow	—	(476,256)	(490,206)	(38,851)	(2)	—	(1,005,315)

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The tables below present the cash flows of the Group of financial assets and financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flow (Continued).

	31 December 2019						
	Repayable on demand	Within 3 months	Between three months and one year	Between one and five years	More than five years	Undated (Note(i))	Total
Non-derivative cash flow							
Assets							
Cash and balances with central banks	104,114	1,407	7,624	—	—	355,964	469,109
Deposits with banks and non-bank financial institutions	39,476	14,168	69,201	—	—	—	122,845
Placements with and loans to banks and non-bank financial institutions	—	155,306	40,902	15,580	—	—	211,788
Financial assets held under resale agreements	—	10,002	—	—	—	—	10,002
Loans and advances to customers (Notes(ii))	27,210	735,040	1,025,345	1,000,430	2,084,351	77,504	4,949,880
Financial investments							
— at fair value through profit or loss	819	60,220	28,771	16,380	5,754	217,862	329,806
— at amortised cost	8,714	78,104	191,311	563,757	224,657	118	1,066,661
— at fair value through other comprehensive income	134	38,162	109,737	395,348	156,066	4	699,451
— designated at fair value through other comprehensive income	—	—	—	—	—	3,036	3,036
Others	74,094	11,457	10,812	36,027	84	52,805	185,279
Total assets	254,561	1,103,866	1,483,703	2,027,522	2,470,912	707,293	8,047,857
Liabilities							
Borrowings from central banks	—	11,358	236,569	—	—	—	247,927
Deposits from banks and non-bank financial institutions	402,889	487,768	324,097	84,721	—	—	1,299,475
Placements from banks and non-bank financial institutions	—	57,594	32,039	2,935	—	—	92,568
Financial liabilities at fair value through profit or loss	715	—	—	—	—	132	847
Financial assets sold under repurchase agreements	—	80,728	32,077	—	—	—	112,805
Deposits from customers	2,010,162	842,424	673,137	668,153	1,336	—	4,195,212
Debt securities issued	—	78,869	472,403	119,387	108,747	—	779,406
Lease liabilities	168	787	2,285	7,341	1,603	—	12,184
Others	43,902	6,785	6,895	13,493	6,927	8,837	86,839
Total liabilities	2,457,836	1,566,313	1,779,502	896,030	118,613	8,969	6,827,263
(Short)/long position	(2,203,275)	(462,447)	(295,799)	1,131,492	2,352,299	698,324	1,220,594
Derivative cash flow							
Derivative financial instrument settled on a net basis	—	32	146	77	(12)	—	243
Derivative financial instruments settled on a gross basis							
— cash inflow	—	748,197	568,296	58,470	—	73	1,375,036
— cash outflow	—	(395,774)	(563,552)	(58,322)	—	—	(1,017,648)

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(c) Liquidity risk (Continued)

Credit Commitments include bank acceptances, credit card commitments, guarantees, loan commitments and letters of credit. The tables below summarise the amounts of credit commitments by remaining contractual maturity.

	30 June 2020			
	Less than 1 year	**1-5 years**	**Over 5 years**	**Total**
Bank Acceptances	**465,181**	**—**	**—**	**465,181**
Credit Card Commitments	**565,755**	**6,544**	**35**	**572,334**
Guarantees	**74,890**	**49,602**	**1,207**	**125,699**
Loan Commitments	**16,362**	**14,523**	**11,721**	**42,606**
Letters of Credit	**117,506**	**355**	**—**	**117,861**
Total	**1,239,694**	**71,024**	**12,963**	**1,323,681**

	31 December 2019			
	Less than 1 year	1-5 years	Over 5 years	Total
Bank Acceptances	426,226	—	—	426,226
Credit Card Commitments	538,861	6,387	255	545,503
Guarantees	96,576	49,086	1,492	147,154
Loan Commitments	16,448	18,779	16,984	52,211
Letters of Credit	101,948	2,033	—	103,981
Total	1,180,059	76,285	18,731	1,275,075

Notes:

(i) For cash and balances with central banks, the undated period amount represented statutory deposit reserve funds and fiscal deposits maintained with the PBOC. For loans and advances to customers and investments, the undated period amount represented the balances being credit-impaired or overdue for more than one month. Equity investments were also reported under undated period.

(ii) The balances of loans and advances to customers which were overdue within one month but not impaired are included in repayable on demand.

52 Financial risk management (Continued)

(d) Operational risk

Operational risk refers to the risk of loss arising from inappropriate or problematic internal procedures, personnel, IT systems, or external events, including legal risk, but excluding strategy risk and reputational risk.

The Group manages operational risk through a control-based environment by establishing a sound mechanism of operational risk management in order to identify, assess, monitor, control, mitigate and report operational risks. The framework covers all business functions ranging from finance, credit, accounting, settlement, savings, treasury, intermediary business, computer applications and management, special assets resolution and legal affairs. Key controls include:

— by establishing a matrix authorisation management system of the whole group, carrying out the annual unified authorisation work, and strictly restricting the institutions and personnel at all levels to carry out business activities within the scope of authority granted, the management requirements of prohibiting the overstepping of authority to engage in business activities were further clarified at the institutional level;

— through consistent legal responsibility framework, taking strict disciplinary actions against non-compliance in order to ensure accountability;

— promoting operational risk management culture throughout the organisation; building a team of operational risk management professionals. Through formal training and performance appraisal system in raising risk management awareness;

— strengthening cash and account management in accordance with the relevant policies and procedures, intensifying the monitoring of suspicious transactions. Ensure our staff are well-equipped with the necessary knowledge and basic skills on anti-money laundering through continuous training;

— backup systems and disaster recovery plans covering all the major activities, especially backoffice operations in order to minimise any unforeseen interruption. Insurance cover is arranged to mitigate potential losses associated with certain disruptive events.

In addition to the above, the Group improves its operational risk management information systems on an ongoing basis to efficiently identify, evaluate, monitor, control and report its level of operational risk. The Group's management information system has the functionalities of recording and capturing lost data and events of operational risk to further support operational risk control and self-assessment, as well as monitoring of key risk indicators.

53 Capital Adequacy Ratio

Capital adequacy ratio reflects the Group's operational and risk management capability and it is the core of capital management. The Group's capital management objectives are to meet the legal and regulatory requirements, and to prudently determine the capital adequacy ratio under realistic exposures with reference to the capital adequacy ratio levels of leading global banks and the Group's operating situations.

The Group considers its strategic development plans, business expansion plans and risk variables in conducting its scenario analysis, stress testing and other measures to forecast, plan and manage capital adequacy ratio.

The Group's management monitors its capital adequacy ratio regularly based on regulations promulgated by the CBIRC. The Group and the Bank respectively submit the required information to the CBIRC semi-annually and quarterly.

Since 1 January 2013, the Group has calculated its capital adequacy ratio in accordance with the requirements of the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation) issued by the CBIRC in 2012 and other relevant regulations. Since 1 January 2019, the Group has calculated default risk assets of counterparties in the trading of derivatives based on the Rules for the Measurement of Default Risk Assets of Counterparties in the Trading of Derivatives issued by the CBIRC in 2018. These calculation bases may be different from those adopted internationally and by other countries.

Under the "Regulation Governing Capital of Commercial Banks (provisional)", The Systematic important bank is required to meet the minimum core Tier-One capital adequacy ratio, Tier-One capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50%and 11.50%, respectively, by the end of 2018. The Non-systematic important bank is required to meet the minimum core Tier-One capital adequacy ratio, Tier-One capital adequacy ratio and capital adequacy ratio of 7.50%, 8.50% and 10.50%, respectively, by the end of 2018. In addition, overseas subsidiaries and branches are directly regulated by the respective local banking regulators and the requirements of capital adequacy ratios differ by country. During the period, the Group has complied in full with all its externally imposed capital requirements.

The capital adequacy ratios calculated in accordance with "Regulation Governing Capital of Commercial Banks (provisional)". According to the requirements, for credit risk, the capital requirement was measured using the weighting method. The market risk was measured by adopting the standardised approach and the operational risk was measured by using the basic indicator approach.

(Amounts in millions of Renminbi unless otherwise stated)

53 Capital Adequacy Ratio (Continued)

Relevant requirements promulgated by the CBIRC are listed as below.

	30 June 2020	31 December 2019
Core Tier-One capital adequacy ratio	**8.80%**	8.69%
Tier-One capital adequacy ratio	**10.29%**	10.20%
Capital adequacy ratio	**12.57%**	12.44%
Components of capital base		
Core Tier-One capital:		
Share capital	**48,935**	48,935
Capital reserve	**58,977**	58,977
Other comprehensive income and qualified portion of other equity instruments	**10,216**	10,496
Surplus reserve	**39,009**	39,009
General reserve	**81,535**	81,535
Retained earnings	**217,257**	203,411
Qualified portion of non-controlling interests	**5,167**	4,627
Total core Tier-One capital	**461,096**	446,990
Core Tier-One capital deductions:		
Goodwill (net of related deferred tax liability)	**(931)**	(912)
Other intangible assets other than land use right (net of related deferred tax liability)	**(1,799)**	(1,875)
Core Tier-One Capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope	**—**	—
Net core Tier-One capital	**458,366**	444,203
Other Tier-One capital (Note (i))	**77,783**	77,555
Tier-One capital	**536,149**	521,758
Tier-Two capital:		
Qualified portion of Tier-Two capital instruments issued and share premium	**58,764**	63,151
Surplus allowance for loan impairment	**58,520**	49,753
Qualified portion of non-controlling interests	**1,348**	1,235
Net capital base	**654,781**	635,897
Total risk-weighted assets	**5,208,268**	5,113,585

Note:

(i) As at 30 June 2020, the Group's other Tier-One capital included other equity instruments issued by the Bank (Note 40) and non-controlling interests (Note 46).

54 Fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity instruments and debt instruments on exchanges and exchange-traded derivatives.

Level 2: Inputs other than quoted prices included within Level 1 are observable for assets or liabilities, either directly or indirectly. A majority of the debt securities classified as level 2 are Renminbi bonds. The fair values of these bonds are determined based on the evaluation results provided by China Central Depository & Clearing Corporate Limited. This level also includes partial bills rediscounting and forfeiting in loans and advances, partial Investment management products managed by securities companies and Trust investment plans, as well as a majority of over-the-counter derivative contracts. Foreign exchange forward and swaps, Interest rate swap, and foreign exchange options use discount cash flow evaluation method and the evaluation model of which includes Forward Pricing Model, Swap Model and Option Pricing Model. Bills rediscounting, forfeiting, Investment management products managed by securities companies and Trust investment plans use discount cash flow evaluation method to estimate fair value. Input parameters are sourced from the Open market such as Bloomberg and Reuters.

Level 3: Inputs for assets or liabilities are based on unobservable parameters. This level includes equity instruments and debt instruments with one or more than one significant unobservable parameters. Management determine the fair value through inquiring from counterparties or using the valuation techniques. The model incorporate unobservable parameters such as discount rate and market price volatilities.

The fair value of the Group's financial assets and financial liabilities are determined as follows:

— If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

— If not traded in active markets, fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. If there were no available observable current market transactions prices for similar instruments, quoted prices from counterparty is used for the valuation, and management performs analysis on these prices. Discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for derivatives other than options, and option pricing models are used for option derivatives.

The Group has established an independent valuation process for financial assets and financial liabilities. The Financial Market Department, the Financial Institution Department, and the Investment Bank Department are responsible for the fair valuation of financial assets and financial liabilities. The Risk Management Department performs an independent review of the valuation methodologies, inputs, assumptions and valuation results. The Operations Department records the accounting for these items according to the result generated from the valuation process and accounting policies. The Finance and Accounting Department prepares the disclosure of the financial assets and financial liabilities, based on the independently reviewed valuation.

The Group's valuation policies and procedures for different types of financial instruments are approved by the Risk Management Committee. Any change to the valuation policies, or the related procedures, must be reported to the Risk Management Committee for approval before they are implemented.

For the period ended 30 June 2020, there was no significant change in the valuation techniques or inputs used to determine fair value measurements.

(Amounts in millions of Renminbi unless otherwise stated)

54 Fair value (Continued)

(a) Financial assets and financial liabilities not measured at fair value

Financial assets and liabilities not carried at fair value of the Group include Cash and balances with central banks, Deposits with banks and non-bank financial institutions, Placements with and loans to banks and non-bank financial institutions, Financial assets held under resale agreements, Loans and advances to customers at amortised cost, Financial investments at amortised cost, Held-to-maturity investments, Investments classified as receivables, Borrowings from central banks, Deposits from banks and non-bank financial institutions, Placements from banks and non-bank financial institutions, Financial assets sold under repurchase agreements, Deposits from customers and Debt securities issued.

Except for the items shown in the tables below, the maturity dates of aforesaid financial assets and liabilities are within a year or are mainly floating interest rates, as a result, their carrying amounts are approximately equal to their fair value.

	Carrying values		Fair values	
	30 June 2020	31 December 2019	**30 June 2020**	31 December 2019
Financial assets:				
Financial investments at amortised cost				
— at amortised cost	**944,479**	924,234	**945,577**	938,830
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	**177**	2,863	**177**	2,789
— debt securities issued	**51,142**	81,196	**50,931**	80,619
— subordinated bonds issued	**75,444**	89,555	**77,287**	89,937
— certificates of interbank deposit issued	**470,600**	438,830	**464,144**	431,706
— convertible corporate bonds issued	**38,350**	37,830	**38,243**	37,730

(Amounts in millions of Renminbi unless otherwise stated)

54 Fair value (Continued)

(a) Financial assets and financial liabilities not measured at fair value (Continued)

Fair value of financial assets and liabilities above at fair value hierarchy is as follows:

	30 June 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial investments				
— at amortised cost	**1,423**	**695,531**	**248,623**	**945,577**
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	**—**	**—**	**177**	**177**
— debt securities issued	**—**	**50,931**	**—**	**50,931**
— subordinated bonds issued	**3,735**	**73,552**	**—**	**77,287**
— certificates of interbank deposit issued	**—**	**464,144**	**—**	**464,144**
— convertible corporate bonds issued	**—**	**38,243**	**—**	**38,243**

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial investment				
— at amortised cost	2,063	663,508	273,259	938,830
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	—	2,789	—	2,789
— debt securities issued	—	80,619	—	80,619
— subordinated bonds issued	5,789	84,148	—	89,937
— certificates of interbank deposit issued	—	431,706	—	431,706
— convertible corporate bonds	—	37,730	—	37,730

(Amounts in millions of Renminbi unless otherwise stated)

54 Fair value (Continued)

(b) Financial assets and financial liabilities measured at fair value

	Level 1 (Note (i))	Level 2 (Note (i))	Level 3 (Note (ii))	Total
As at 30 June 2020				
Recurring fair value measurements				
Assets				
Loans and advances to customers at fair value through other comprehensive income				
— loans	—	3,288	—	3,288
— discounted bills	—	371,524	—	371,524
Loans and advances to customers at fair value through current profit or loss				
— personal loans	—	—	7,045	7,045
Financial investments at fair value through profit or loss				
— debt securities	4,388	44,033	3,394	51,815
— investment funds	30	192,366	11,327	203,723
— certificates of deposit	—	32,511	—	32,511
— wealth management products	—	5,216	663	5,879
— equity instruments	1,866	—	7,842	9,708
— trust investment plans	—	—	18	18
Financial investments at fair value through other comprehensive income				
— debt securities	90,463	506,260	12,617	609,340
— certificates of deposit	470	3,796	—	4,266
— investments management products managed by securities companies	—	119,742	—	119,742
Financial investments designated at fair value through other comprehensive income				
— equity instruments	127	311	3,213	3,651
Derivative financial assets				
— interest rate derivatives	—	14,206	—	14,206
— currency derivatives	11	10,141	—	10,152
— precious metals derivatives	—	691	—	691
— credit derivatives	1	—	—	1
Total financial assets measured at fair value	97,356	1,304,085	46,119	1,447,560
Liabilities				
Financial liabilities at fair value through profit or loss				
— short position in debt securities	337	14	—	351
— structured products	—	—	5,231	5,231
Derivative financial liabilities				
— interest rate derivatives	2	13,927	—	13,929
— currency derivatives	25	9,663	—	9,688
— precious metals derivatives	—	1,016	—	1,016
Total financial liabilities measured at fair value	364	24,620	5,231	30,215

(Amounts in millions of Renminbi unless otherwise stated)

54 Fair value (Continued)

(b) Financial assets and financial liabilities measured at fair value (Continued)

	Level 1 (Note (i))	Level 2 (Note (i))	Level 3 (Note (ii))	Total
As at 31 December 2019				
Recurring fair value measurements				
Assets				
Loans and advances to customers at fair value through other comprehensive income				
— loans	—	922	—	922
— discounted bills	—	307,867	—	307,867
Loans and advances to customers at fair value through current profit or loss				
— personal loans	—	—	6,915	6,915
Financial investments at fair value through profit or loss				
— debt securities	2,086	30,417	10,367	42,870
— investment funds	9,962	196,224	12,305	218,491
— certificates of deposit	—	46,792	—	46,792
— wealth management products	—	133	819	952
— equity instruments	1,185	—	7,239	8,424
— trust investment plans	17	—	—	17
Financial investments at fair value through other comprehensive income				
— debt securities	86,557	516,989	13,248	616,794
— certificates of deposit	361	4,505	—	4,866
Financial investments designated at fair value through other comprehensive income				
— equity instruments	205	123	2,708	3,036
Derivative financial assets				
— interest rate derivatives	2	5,201	—	5,203
— currency derivatives	—	11,700	—	11,700
— precious metals derivatives	—	214	—	214
Total financial assets measured at fair value	100,375	1,121,087	53,601	1,275,063
Liabilities				
Financial liabilities at fair value through profit or loss				
— short position in debt securities	132	—	—	132
— structured products	—	—	715	715
Derivative financial liabilities				
— interest rate derivatives	—	5,176	—	5,176
— currency derivatives	29	10,899	—	10,928
— precious metals derivatives	—	732	—	732
Total financial liabilities measured at fair value	161	16,807	715	17,683

(Amounts in millions of Renminbi unless otherwise stated)

54 Fair value (Continued)

(b) Financial assets and financial liabilities measured at fair value (Continued)

Notes:

(i) During the current year, there were no significant transfers amongst Level 1, Level 2 and Level 3 of the fair value hierarchy.

(ii) The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in the Level 3 fair value hierarchy:

	Assets					Liabilities		
	Financial assets at fair value through profit or loss	**Financial assets at fair value through other comprehensive income**	**Financial assets designated at fair value through other comprehensive income**	**Derivative financial assets**	**Total**	**Financial liabilities at fair value through profit or loss**	**Derivative financial liabilities**	**Total**
As at 1 January 2020	**30,730**	**13,248**	**2,709**	**—**	**46,687**	**(715)**	**—**	**(715)**
Total gains or losses								
— in profit or loss	**572**	**(400)**	**—**	**—**	**172**	**—**	**—**	**—**
— in comprehensive income	**—**	**302**	**(1,089)**	**—**	**(787)**	**—**	**—**	**—**
Purchase	**2,985**	**2,103**	**153**	**—**	**5,241**	**—**	**—**	**—**
Settlements	**(11,039)**	**(2,674)**	**1,440**	**—**	**(12,273)**	**(4,516)**	**—**	**(4,516)**
Transfer in/out	**—**	**37**	**—**	**—**	**37**	**—**	**—**	**—**
Exchange effect	**(4)**	**1**	**—**	**—**	**(3)**	**—**	**—**	**—**
As at 30 June 2020	**23,244**	**12,617**	**3,213**	**—**	**39,074**	**(5,231)**	**—**	**(5,231)**

	Assets					Liabilities		
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets designated at fair value through other comprehensive income	Derivative financial assets	Total	Financial liabilities at fair value through profit or loss	Derivative financial liabilities	Total
As at 1 January 2019	43,155	4,726	2,412	1	50,294	—	(1)	(1)
Total gains or losses								
— in profit or loss	924	(226)	(17)	—	681	—	—	—
— in comprehensive income	—	145	14	—	159	—	—	—
Purchase	17,819	12,159	785	—	30,763	(715)	—	(715)
Settlements	(31,095)	(3,557)	(486)	(1)	(35,139)	—	1	1
Transfer in/out	(68)	—	—	—	(68)	—	—	—
Exchange effect	(5)	1	—	—	(4)	—	—	—
As at 31 December 2019	30,730	13,248	2,708	—	46,686	(715)	—	(715)

55 Related parties

(a) Relationship of related parties

(i) The Group is controlled by CITIC Corporation Limited (incorporated in Mainland China), which owns 65.37% of the Bank's shares. The ultimate parent of the Group is CITIC Group (incorporated in Mainland China).

(ii) Related parties of the Group include subsidiaries, joint ventures and associates of CITIC Corporation Limited and CITIC Group. The Bank entered into banking transactions with its subsidiaries at arm's length in the ordinary course of business. These transactions are eliminated on consolidation.

(Amounts in millions of Renminbi unless otherwise stated)

55 Related parties (Continued)

(a) Relationship of related parties (Continued)

The Bank issued 2,147,469,539 shares to CNTC through private placement on 31 December 2015, representing 4.39% shares of the Bank. A non-executive director designated by CNTC was appointed on 17 March 2016, and the appointment was approved by the CBIRC on 24 June 2016. CNTC is thereafter regarded as the Group's related party as it has significant influence upon the Bank.

In February 2015, Xinhu Zhongbao Co., Ltd. acquired 2,292,579,000 H shares of the Bank through its wholly owned subsidiary, representing 4.68% shares of the Bank. A non-executive director designated by Xinhu Zhongbao Co., Ltd. was appointed on 17 March 2016, and the appointment was approved by the CBIRC on 16 November 2016. Xinhu Zhongbao Co., Ltd. is thereafter regarded as the Group's related party, as it has significant influence upon the Bank. On 29 November 2016, Xinhu Zhongbao Co., Ltd., increased its shareholding to 2,320,177,000 H shares of the Bank through its wholly owned subsidiary, representing 4.74% shares of the Bank. In October 2017, Xinhu Zhongbao Co., Ltd. increased its shareholding to 2,446,265,000 H shares of the Bank through its wholly owned subsidiary, representing 4.999% shares of the Bank.

Poly Group acquired 27,216,400 A shares of the Bank through the secondary market, representing 0.06% shares of the Bank. A non-executive director designated by Poly Group was appointed on 25 May 2018. Poly Group is thereafter regarded as the Group's related party as it has significant influence upon the Bank.

(b) Related party transactions

During the relevant years, the Group entered into transactions with related parties in the ordinary course of its banking businesses including lending, assets transfer (i.e. issuance of asset-backed securities in the form of public placement), wealth management, investment, deposit, settlement and clearing, off-balance sheet transactions, and purchase, sale and leases of property. These banking transactions were conducted under normal commercial terms and conditions and priced at the relevant market rates prevailing at the time of each transaction.

In addition, transactions during the relevant year and the corresponding balances outstanding at the reporting dates are as follows:

	Six months ended 30 June 2020		
	Ultimate holding company and affiliates	**Other major equity holders and subsidiaries**	**Associates and joint ventures**
Profit and loss			
Interest income	**647**	**690**	**187**
Fee and commission income and other operating income/expense	**730**	**35**	**—**
Interest expense	**(438)**	**(663)**	**—**
Net trading (losses)/gains	**(110)**	**1**	**—**
Other service fees	**(766)**	**(1)**	**(1)**

	Six months ended 30 June 2019		
	Ultimate holding company and affiliates	Other major equity holders and subsidiaries	Associates
Profit and loss			
Interest income	694	381	8
Fee and commission income and other operating income/expense	841	17	—
Interest expense	(347)	(424)	(21)
Net trading gain	50	—	—
Other service fees	(689)	—	—

(Amounts in millions of Renminbi unless otherwise stated)

55 Related parties (Continued)

(b) Related party transactions (Continued)

	30 June 2020 Ultimate holding company and affiliates	Other major equity holders and subsidiaries	Associates and joint ventures
Assets			
Gross loans and advances to customers	**26,805**	**33,228**	**—**
Less: allowance for impairment losses on loans and advances	**(482)**	**(446)**	**—**
Loans and advances to customers (net)	**26,323**	**32,782**	**—**
Deposits with banks and non-bank financial institutions	**—**	**—**	**18,616**
Placements with and loans to banks and non-bank financial institutions	**1,769**	**—**	**—**
Derivative financial assets	**399**	**—**	**—**
Financial assets held under resale agreements	**6,298**	**—**	**—**
Financial investments			
— at fair value through profit or loss	**916**	**901**	**—**
— at amortised cost	**1,529**	**2,318**	**—**
— at fair value through other comprehensive income	**3,814**	**1,035**	**—**
— designated at fair value through other comprehensive income	**107**	**—**	**—**
Investments in associates and joint ventures	**—**	**—**	**3,657**
Right-of-use assets	**194**	**7**	**—**
Other assets	**11,312**	**—**	**—**
Liabilities			
Deposits from banks and non-bank financial institutions	**35,856**	**178**	**249**
Placements from banks and non-bank financial institutions	**969**	**—**	**—**
Derivative financial liabilities	**581**	**—**	**—**
Deposits from customers	**62,602**	**68,268**	**74**
Accrued staff costs	**—**	**—**	**—**
Lease liabilities	**122**	**7**	**—**
Other liabilities	**1,181**	**80**	**—**
Off-balance sheet items			
Guarantees and letters of credit	**190**	**980**	**—**
Acceptances	**2,000**	**88**	**—**
Entrusted funds	**32,379**	**2,048**	**—**
Entrusted loans	**35,016**	**6,482**	**—**
Funds raised from investors of non-principal guaranteed wealth management products	**3,060**	**4,500**	**—**
Guarantees received	**15,958**	**17,198**	**—**
Nominal amount of derivative financial instruments	**75,570**	**—**	**—**

(Amounts in millions of Renminbi unless otherwise stated)

55 Related parties (Continued)

(b) Related party transactions (Continued)

	31 December 2019		
	Ultimate holding company and affiliates	Other major equity holders	Associates and joint ventures
Assets			
Gross loans and advances to customers	31,742	23,372	—
Less: allowance for impairment losses on loans and advances	(527)	(572)	—
Loans and advances to customers (net)	31,215	22,800	—
Deposits with banks and non-bank financial institutions	51	—	21,056
Placements with and loans to banks and non-bank financial institutions	2,879	—	—
Derivative financial assets	207	—	—
Investment in financial assets			
— at fair value through profit or loss	901	—	—
— at amortised cost	1,722	3,500	—
— at fair value through other comprehensive income	226	1,237	—
— designated at fair value through other comprehensive income	107	—	—
Investments in associates and joint ventures	—	—	3,672
Right-of-use assets	74	5	—
Other assets	11,183	150	—
Liabilities			
Deposits from banks and non-bank financial institutions	30,219	2,340	1,511
Placements from banks and non-bank financial institutions	649	—	—
Derivative financial liabilities	342	—	—
Deposits from customers	63,050	59,006	51
Employee benefits payable	12	—	—
Lease liability	70	4	—
Other liabilities	1,622	—	—
Off-balance sheet items			
Guarantees and letters of credit	9	935	—
Acceptances	2,336	258	—
Entrusted funds	35,284	3,048	—
Entrusted loans	11,989	8,117	—
Funds raised from investors of non-principal guaranteed wealth management products	2,933	—	—
Guarantees received	58,903	36,951	—
Nominal amount of derivatives	55,574	—	—

Note:

(i) Other holding companies include China National Tobacco Corporation, Xinhu Zhongbao and China Poly Group.

55 Related parties (Continued)

(b) Related party transactions (Continued)

Note: (Continued)

The related party transactions and balances between the Group and China National Tobacco Corporation, Xinhu Zhongbao and China Poly Group disclosed above fell into the period when related party relationship exists. During the six-month period ended 30 June 2020, the transactions between the Group and the subsidiaries of China National Tobacco Corporation and China Poly Group were not significant.

(c) Key management personnel and their close family members and related companies

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and executive officers.

The Group entered into banking transactions with key management personnel and their close family members and those companies controlled or jointly controlled by them in the normal course of business. Other than those disclosed below, there was no material transactions and balances between the Group and these individuals, their close family members or those companies controlled or jointly controlled by them.

The aggregate amount of relevant loans outstanding as at 30 June 2020 to directors, supervisors and executive officers amounted to RMB1.38 million (as at 31 December 2019: RMB1.51 million).

The aggregated compensations for directors, supervisors and executive officers of the Bank during the six months ended 30 June 2020 amounted to RMB13.15 million (Six months ended 30 June 2019: RMB11.91 million).

(d) Supplementary defined contribution plan

The Group has established a supplementary defined contribution plan for its qualified employees which is administered by CITIC Group (Note 34(b)).

(e) Transactions with state-owned entities in the PRC

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations (collectively referred to as "state-owned entities").

Transactions with state-owned entities, including CNTC's indirect subsidiaries and Poly Group's indirect subsidiaries, include but are not limited to the following:

— lending and deposit taking;

— taking and placing of inter-bank balances;

— derivative transactions;

— entrusted lending and other custody services;

— insurance and securities agency, and other intermediary services;

— sale, purchase, underwriting and redemption of bonds issued by state-owned entities;

— purchase, sale and leases of property and other assets; and

— rendering and receiving of utilities and other services.

(Amounts in millions of Renminbi unless otherwise stated)

55 Related parties (Continued)

(e) Transactions with state-owned entities in the PRC (Continued)

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group has also established its pricing strategy and approval processes for major products and services, such as loans, deposits and commission income. The pricing strategy and approval processes do not depend on whether the customers are state-owned entities or not. The Directors are of opinion that none of these transactions are material related party transactions that require separate disclosure.

56 Structured entities

(a) Unconsolidated structured entities held by the Group

The Group invests in unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. These unconsolidated structured entities primarily include wealth management products, trust investment plans, investment management products, investment funds and asset-backed securities.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at 30 June 2020 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the consolidated interim statement of financial position under which relevant assets are recognised:

	30 June 2020				
	Carrying amount				Maximum loss exposure
	Investments in financial assets at fair value through profit or loss	Investments in financial assets at amortised costs	Investments in financial assets at fair value through other comprehensive income	Total	
Wealth management product of other banks	127	—	—	127	127
Investment management products managed by securities companies	—	118,098	119,742	237,840	237,840
Trust investment plans	18	159,894	—	159,912	159,912
Asset-backed securities	87	101,684	132,222	233,993	233,993
Investment funds	203,723	—	—	203,723	203,723
Total	203,955	379,676	251,964	835,595	835,595

(Amounts in millions of Renminbi unless otherwise stated)

56 Structured entities (Continued)

(a) Unconsolidated structured entities held by the Group (Continued)

	31 December 2019				
	Carrying amount				Maximum loss exposure
	Investments in financial assets at fair value through profit or loss	Investments in financial assets at amortised costs	Investments in financial assets at fair value through other comprehensive income	Total	
Wealth management product of other banks	133	—	—	133	133
Investment management products managed by securities companies	—	186,217	—	186,217	186,217
Trust investment plans	17	160,248	—	160,265	160,265
Asset-backed securities	87	101,684	132,222	233,993	233,993
Investment funds	218,491	—	—	218,491	218,491
Total	218,728	448,149	132,222	799,099	799,099

The maximum exposures to risk in the above wealth management products, trust investment plans, investment management products, investment funds and asset-backed securities managed by securities companies and trust investment funds are the carrying value of the assets held by the Group at the reporting date. The maximum exposures to risk in the asset-backed securities are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items under which these assets are presented in the consolidated interim statement of financial position.

(b) Unconsolidated structured entities sponsored and managed by the Group

Unconsolidated structured entities sponsored and managed by the Group mainly include non-principal guaranteed wealth management products. The wealth management products invest in a range of primarily fixed-rate assets, most typically money market instruments, debt securities and loan assets. As the manager of these wealth management products, the Group invests, on behalf of its customers, in assets as described in the investment plan related to each wealth management product and receives fee and commission income.

As at 30 June 2020, the total assets invested by these outstanding non-principal guaranteed wealth management products issued by the Group amounted to RMB1,262,937 million (31 December 2019: RMB1,200,192 million).

During the six months ended 30 June 2020, the Group's interest in these wealth management products included fee and commission income of RMB2,412 million (Six months ended 30 June 2019: RMB1,925 million); interest income of RMB509 million (Six months ended 30 June 2019: RMB612 million) and interest expense of RMB310 million (Six months ended 30 June 2019: RMB399 million).

As at 30 June 2020, the placements from the Group with these wealth management products sponsored by the Group amounted to RMB50,299 million (31 December 2019: RMB53,500 million), while the placements from these wealth management products to the Group of RMB11,770 million (31 December 2019: 35,162 million). During the six months ended 30 June 2020, the amount of maximum exposure of the placements from the Group with these wealth management products sponsored by the Group was RMB63,274 million (31 December 2019: RMB60,077 million), while no placements from these wealth management products to the Group (31 December 2019: RMB12,711 million). These transactions were conducted under normal business terms and conditions.

56 Structured entities (Continued)

(b) Unconsolidated structured entities sponsored and managed by the Group (Continued)

As at 30 June 2020, assets of these wealth management products amounting to RMB150,128 million (31 December 2019: RMB166,444 million) were invested in investments in which certain subsidiaries and associates of the CITIC Group acted as trustees.

(c) Principal guaranteed wealth management products sponsored and managed by the Group

Principal guaranteed wealth management products sponsored and managed by the Group represent products to which the Group has guaranteed the investor's principal investment, regardless of their actual performance. Investments made by these products and the corresponding liabilities to the investors of these products are presented in the respective financial assets and financial liabilities items in accordance with the Group's accounting policies based on the nature of the assets and liabilities.

57 Transfers of financial assets

For the six months ended 30 June 2020, the Group entered into transactions which involved transfers of financial assets including securitisation transactions, structured transfers on assets usufruct, transfers of loans including non-performing loans, and financial assets sold under repurchase agreements.

These transactions were entered into in the normal course of business by which recognised financial assets were transferred to third parties or structured entities. Transfers of assets may give rise to full or partial derecognition of the financial assets concerned. On the other hand, where transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Details of the financial assets sold under repurchase agreements are set forth in Note 32. Details of securitisation transactions, structured transfers on assets usufruct and loan transfer transactions conducted by the Group for the six months ended 30 June 2020 totalled RMB23,583 million (Six months ended 30 June 2019: RMB34,951 million) are set forth below.

Securitisation transactions and structured transfers on assets usufruct

During the six months ended 30 June 2020, the Group, through securitisation and by restructuring the rights to receive cash flows, transferred financial assets at the original cost of RMB20,557 million (Six months ended 30 June 2019: RMB30,487 million). The Group carried out assessment and concluded that these transferred assets qualified for full derecognition.

Loan transfers

During the six months ended 30 June 2020, the Group also transferred loans of book value before impairment of RMB3,026 million through other types of transactions (Six months ended 30 June 2019: RMB4,464 million). RMB1,263 million of this balance (Six months ended 30 June 2019: RMB4,464 million) was non-performing loans. The Group carried out assessment based on the transfer of risks and rewards of ownership and concluded that these transferred assets qualified for full derecognition.

58 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated interim statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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

(Amounts in millions of Renminbi unless otherwise stated)

59 Interim statements of financial position and changes in equity of the Bank

Statement of financial position

	30 June 2020	31 December 2019
Assets		
Cash and balances with central banks	**422,872**	455,377
Deposits with banks and non-bank financial institutions	**99,391**	108,523
Precious metals	**4,434**	6,865
Placements with and loans to banks and non-bank financial institutions	**180,001**	164,896
Derivative financial assets	**15,512**	11,250
Financial assets held under resale agreements	**36,927**	9,954
Loans and advances to customers	**3,869,909**	3,673,860
Financial investments		
— at fair value through profit or loss	**287,988**	308,577
— assets at amortised cost	**944,197**	924,028
— at fair value through other comprehensive income	**665,951**	557,543
— designated at fair value through other comprehensive income	**3,238**	2,581
Investments in subsidiaries and joint ventures	**25,232**	25,163
Property, plant and equipment	**21,728**	21,931
Right-of-use asset	**11,010**	11,743
Intangible assets	**1,256**	1,347
Deferred tax assets	**42,284**	31,334
Other assets	**84,349**	78,114
Total assets	**6,716,279**	6,393,086
Liabilities		
Borrowings from central banks	**126,209**	240,258
Deposits from banks and non-bank financial institutions	**995,320**	955,451
Placements from banks and non-bank financial institutions	**19,279**	42,241
Financial liabilities at fair value through profit or loss	**159**	—
Derivative financial liabilities	**14,744**	10,907
Financial assets sold under repurchase agreements	**104,891**	111,838
Deposits from customers	**4,237,795**	3,824,031
Accrued staff costs	**16,799**	19,671
Taxes payable	**9,891**	7,929
Debt securities issued	**631,965**	638,839
Lease liability	**9,815**	10,255
Provisions	**6,098**	6,027
Other liabilities	**32,727**	26,814
Total liabilities	**6,205,692**	5,894,261
Equity		
Share capital	**48,935**	48,935
Other equity instruments	**78,083**	78,083
Capital reserve	**61,359**	61,359
Other comprehensive income	**4,929**	6,332
Surplus reserve	**39,009**	39,009
General reserve	**80,648**	80,648
Retained earnings	**197,624**	184,459
Total equity	**510,587**	498,825
Total liabilities and equity	**6,716,279**	6,393,086

(Amounts in millions of Renminbi unless otherwise stated)

59 Interim statements of financial position and changes in equity of the Bank (Continued)

Statement of changes in equity

	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 31 December 2019/ 1 January 2020	**48,935**	**78,083**	**61,359**	**6,332**	**39,009**	**80,648**	**184,459**	**498,825**
(i) Profit for the period	**—**	**—**	**—**	**—**	**—**	**—**	**24,860**	**24,860**
(ii) Other comprehensive income	**—**	**—**	**—**	**(1,403)**	**—**	**—**	**—**	**(1,403)**
Total comprehensive income	**—**	**—**	**—**	**(1,403)**	**—**	**—**	**24,860**	**23,457**
(iii) Profit appropriations — Dividend distribution to ordinary shareholders of the Bank	**—**	**—**	**—**	**—**	**—**	**—**	**(11,695)**	**(11,695)**
As at 30 June 2020	**48,935**	**78,083**	**61,359**	**4,929**	**39,009**	**80,648**	**197,624**	**510,587**

	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 31 December 2018/ As at 1 January 2019	48,935	34,955	61,359	5,167	34,450	73,370	163,289	421,525
(i) Profit for the period	—	—	—	—	—	—	27,012	27,012
(ii) Other comprehensive income	—	—	—	(8)	—	—	—	(8)
Total comprehensive income	—	—	—	(8)	—	—	27,012	27,004
(iii) Issuing of other equity instruments — Convertible corporate bonds	—	3,135	—	—	—	—	—	3,135
(iv) Profit appropriations — Dividend distribution to ordinary shareholders of the Bank	—	—	—	—	—	—	(11,255)	(11,255)
As at 30 June 2019	48,935	38,090	61,359	5,159	34,450	73,370	179,046	440,409

(Amounts in millions of Renminbi unless otherwise stated)

59 Interim statements of financial position and changes in equity of the Bank (Continued)

Statement of changes in equity (Continued)

	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 31 December 2018/ As at 1 January 2019	48,935	34,955	61,359	5,167	34,450	73,370	163,289	421,525
(i) Net profit	—	—	—	—	—	—	45,592	45,592
(ii) Other comprehensive income	—	—	—	1,165	—	—	—	1,165
Total comprehensive income	—	—	—	1,165	—	—	45,592	46,757
(iii) Investor capital								
— Issue convertible bonds	—	3,135	—	—	—	—	—	3,135
(iv) Issue other equity instruments								
— Undated capital bonds	—	39,993	—	—	—	—	—	39,993
(v) Profit appropriations								
— Appropriations to surplus reserve	—	—	—	—	4,559	—	(4,559)	—
— Appropriations to general reserve	—	—	—	—	—	7,278	(7,278)	—
— Dividend distribution to ordinary shareholders of the bank	—	—	—	—	—	—	(11,255)	(11,255)
— Dividend distribution to preference shareholders of the bank	—	—	—	—	—	—	(1,330)	(1,330)
As at 31 December 2019	48,935	78,083	61,359	6,332	39,009	80,648	184,459	498,825

60 Events after the reporting period

(a) With the approvals of the regulatory authorities, CITIC Bank was cleared to make a public offering of RMB50 billion special financial bonds for small and micro enterprises (Special SmE Bonds) in the national interbank bond market.

On 18 March 2020, CITIC Bank issued the 2020 Series 1 Special SmE Bonds. The funds raised will be used to provide loans to small and micro enterprises to help them overcome the difficult period caused by the covid-19 outbreak. The three-year bonds have a coupon rate of 2.75%. The Series 2 will be issued as needed, with a total amount of no more than RMB20 billion.

(b) Under the approval of regulatory authorities, CITIC Bank issued RMB40 billion of Tier 2 Capital Notes on 14 August 2020. The 10-year Notes with conditional redemption right by the issuer at the end of the fifth year have a coupon rate of 3.87%. The net proceeds from the issue of the Notes will be used to boost the Tier 2 Capital of the Bank in accordance with the applicable laws and for the purposes approved by the regulatory authorities.

(c) CITIC Wealth Management Corporation Limited (hereinafter referred to as "CITIC Wealth Management") initiated and set up by the Bank was approved to carry out business operation by China Banking and Insurance Regulatory Commission on June 2020, and was formally established on July 2020. CITIC Wealth Management is a wholly-owned subsidiary of the Bank with a registered capital of RMB5 billion.

(d) With the approval from the Board of Directors dated 27 August 2020, the Bank proposes to increase its investment in Baixin by RMB2,027 million.

61 Comparative data

Certain comparative data has been restated to conform to the presentation of the current year.

(Expressed in millions of Renminbi unless otherwise stated)

The information set out below does not form part of the audited financial statements, and is included herein for information purposes only.

1 Difference between the financial report prepared under IFRSs and that prepared in accordance with PRC GAAP

China CITIC Bank Corporation (the "Bank") prepares consolidated interim financial statements, which includes the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated interim financial statements for the six months ended 30 June 2020 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP").

There is no difference in the profit for the six months ended 30 June 2020 or total equity as at 30 June 2020 between the Group's consolidated interim financial statements prepared in accordance with IFRSs and those prepared in accordance with PRC GAAP respectively.

2 Liquidity coverage ratio

	30 June 2020	31 December 2019
Liquidity coverage ratio	**125.95%**	149.27%

The liquidity coverage ratios were also in accordance with the Rules on Liquidity Risk Management of Commercial Banks (Provisional) issued by the CBIRC and applicable calculation requirements, and based on the data determined under the PRC GAAP.

3 Currency concentrations

	30 June 2020			
	US Dollars	**HK Dollars**	**Others**	**Total**
Spot assets	**335,328**	**149,787**	**27,570**	**512,685**
Spot liabilities	**(253,796)**	**(158,169)**	**(21,619)**	**(433,584)**
Forward purchases	**891,535**	**194,237**	**85,185**	**1,170,957**
Forward sales	**(928,869)**	**(145,894)**	**(92,606)**	**(1,167,369)**
Options	**(1,287)**	**(3)**	**1,551**	**261**
Net long position	**42,911**	**39,958**	**81**	**82,950**

	31 December 2019			
	US Dollars	HK Dollars	Others	Total
Spot assets	293,485	155,871	37,836	487,192
Spot liabilities	(248,711)	(159,252)	(18,848)	(426,811)
Forward purchases	945,039	205,182	116,561	1,266,782
Forward sales	(964,382)	(159,262)	(124,628)	(1,248,272)
Options	(8,018)	(33)	283	(7,768)
Net long position	17,413	42,506	11,204	71,123

(Expressed in millions of Renminbi unless otherwise stated)

4 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, and regards all the claims on third parties outside Mainland China as cross border claims.

International claims include balances with central banks, deposits with banks and non-bank financial institutions, placements with and loans to banks and non-bank financial institutions, financial assets held for trading, financial assets designated at fair value through profit or loss, loans and advances to customers, financial assets held under resale agreements, available-for-sale financial assets, held-to-maturity investments and investments classified as receivables.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	30 June 2020			
	Banks	**Official sector**	**Non-bank private sector**	**Total**
Asia Pacific excluding Mainland China	**39,931**	**342**	**57,406**	**97,679**
— of which attributed to Hong Kong	**16,570**	**326**	**50,712**	**67,608**
Europe	**13,697**	**3**	**17,692**	**31,392**
North and South America	**91,546**	**45,329**	**96,834**	**233,709**
Africa	**1**	**—**	**—**	**1**
Total	**145,175**	**45,674**	**171,932**	**362,781**

	31 December 2019			
	Banks	Official sector	Non-bank private sector	Total
Asia Pacific excluding Mainland China	44,407	282	51,506	96,195
— of which attributed to Hong Kong	16,746	274	46,779	63,799
Europe	6,080	3	12,537	18,620
North and South America	29,206	44,910	55,626	129,742
Africa	—	—	—	—
Total	79,693	45,195	119,669	244,557

(Expressed in millions of Renminbi unless otherwise stated)

5 Overdue loans and advances to customers by geographical sectors

	30 June 2020		
	Gross loans and advances	**Loans and advances overdue over 3 months**	**Credit-impaired loans**
Bohai Rim (include Head Office)	**1,169,765**	**22,346**	**32,568**
Yangtze River Delta	**1,047,791**	**9,140**	**10,151**
Pearl River Delta and West Strait	**649,016**	**11,975**	**12,941**
Central	**590,414**	**8,216**	**10,147**
Western	**496,102**	**8,966**	**10,909**
Northeastern	**85,045**	**2,522**	**4,187**
Outside Mainland China	**176,390**	**4,253**	**4,453**
Accrued interest	**11,662**	**—**	**—**
Total	**4,226,185**	**67,418**	**85,356**

	31 December 2019		
	Gross loans and advances	Loans and advances overdue over 3 months	Impaired loans
Bohai Rim (include Head Office)	1,224,035	17,896	24,327
Yangtze River Delta	920,846	5,926	7,968
Pearl River Delta and West Strait	598,313	8,733	12,606
Central	534,366	6,818	9,006
Western	474,109	5,928	9,332
Northeastern	77,694	3,051	4,148
Outside Mainland China	168,624	1,791	946
Accrued interest	10,104	—	—
Total	4,008,091	50,143	68,333

(Expressed in millions of Renminbi unless otherwise stated)

6 Gross overdue amounts due from banks and other financial institutions and overdue loans and advances to customers

(a) Gross overdue amounts due from banks and other financial institutions

As at 30 June 2020, the Group had no overdue amounts due from banks and other financial institutions (31 December 2019: Nil).

(b) Gross amounts of overdue loans and advances to customers

	30 June 2020	31 December 2019
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
— between 3 and 6 months	**19,240**	13,950
— between 6 and 12 months	**21,902**	15,910
— over 12 months	**26,276**	20,283
Total	**67,418**	50,143
As a percentage of total gross loans and advances to customers:		
— between 3 and 6 months	**0.46%**	0.35%
— between 6 and 12 months	**0.52%**	0.40%
— over 12 months	**0.62%**	0.50%
Total	**1.60%**	1.25%

The above analysis represents loans and advances overdue for more than 3 months as required by the Hong Kong Monetary Authority.

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances are repayable on demand which are outside the approved limit that was advised to the borrower, they are also considered as overdue.

As at 30 June 2020, the loans and advances to customers of RMB67,418 million of the above overdue loans and advances were credit-impaired. (As at 31 December 2019, the loans and advances to customers of RMB50,143 million of the above overdue loans and advances were credit-impaired.)

(Expressed in millions of Renminbi unless otherwise stated)

6 Gross overdue amounts due from banks and other financial institutions and overdue loans and advances to customers (Continued)

(b) Gross amounts of overdue loans and advances to customers (Continued)

Loans and advances to customers overdue for more than 3 months:

	30 June 2020	31 December 2019
Secured portion	**40,723**	28,433
Unsecured portion	**26,695**	21,710
Total	**67,418**	50,143
Allowance for impairment losses	**(47,203)**	(38,392)
Net balance	**20,215**	11,751
Maximum exposure covered by pledge and collateral held	**39,883**	26,517

The fair value of collateral was estimated by management based on the latest revaluation including available external valuation, if any, adjusted by taking into account the current realisation experience as well as market situation.

7 Non-bank Mainland China exposures

The Bank is a commercial bank incorporated in the Mainland China with its banking business primarily conducted in Mainland China. As of 30 June 2020, the majority of the Bank's non-bank exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparties have been disclosed in the notes to the consolidated interim financial statements.

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