招商銀行
CHINA MERCHANTS BANK

招商銀行股份有限公司
CHINA MERCHANTS BANK CO., LTD.

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

(H Share Stock Code: 03968)
(Preference Share Stock Code: 04614)

2020 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "**Board**") of China Merchants Bank Co., Ltd. (the "**Company**") hereby announces the unaudited results of the Company and its subsidiaries for the six months ended 30 June 2020. This announcement, containing the full text of the 2020 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results. Printed version of the Company's 2020 Interim Report will in due course be delivered to the H-Share Holders of the Company and available for viewing on the websites of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the Company (www.cmbchina.com).

Publication of Results Announcement

Both the Chinese and English versions of this results announcement are available on the websites of the Company (www.cmbchina.com) and The Stock Exchange of Hong Kong Limited (www.hkex.com.hk). In the event of any discrepancies in interpretations between the English version and the Chinese version, the Chinese version shall prevail.

The Company also prepared the Interim Report in Chinese in accordance with the PRC Generally Accepted Accounting Principles, which is available on the websites of the Company (www.cmbchina.com) and Shanghai Stock Exchange (www.sse.com.cn).

By Order of the Board
China Merchants Bank Co., Ltd.
Li Jianhong
Chairman

28 August 2020

As at the date of this announcement, the executive directors of the Company are Tian Huiyu, Liu Jianjun and Wang Liang; the non-executive directors of the Company are Li Jianhong, Fu Gangfeng, Zhou Song, Hong Xiaoyuan, Zhang Jian, Su Min, Wang Daxiong and Luo Sheng; and the independent non-executive directors of the Company are Leung Kam Chung, Antony, Zhao Jun, Wong See Hong, Li Menggang, Liu Qiao and Tian Hongqi.

Contents

Important Notice

1. The Board of Directors, the Board of Supervisors, Directors, Supervisors and senior management of the Company confirm that the contents in this report are true, accurate, and complete and have no false representations, misleading statements or material omissions, and they will individually and collectively accept legal responsibility for such contents.
2. The 15th meeting of the Eleventh Session of the Board of Directors of the Company was held by way of voting by correspondence on 28 August 2020. 17 out of 17 eligible Directors attended the meeting in person. The convening of the meeting complied with the relevant provisions of the Company Law of the People's Republic of China and the Articles of Association of China Merchants Bank Co., Ltd..
3. The Company will not implement the profit appropriation nor will it transfer any capital reserve into share capital for the first half of 2020.
4. The Company's 2020 interim financial report is unaudited.
5. Unless otherwise stated, all monetary sums stated in this report are expressed in RMB.
6. Li Jianhong, Chairman of the Company, Tian Huiyu, President and Chief Executive Officer, Wang Liang, Executive Vice President and Chief Financial Officer, and Li Li, the person in charge of the Finance and Accounting Department, hereby make representations in respect of the truthfulness, accuracy and completeness of the financial statements in this report.
7. We have included in this report certain forward-looking statements with respect to the financial position, operating results and business development of the Group. We use words such as "will", "may", "expect", "try", "strive", "plan", "anticipate", "aim at", and similar expressions to indicate forward-looking statements. These statements are based on current plans, estimates and projections. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we give no assurance that these expectations will turn into reality or prove to be correct. Therefore they should not be deemed as the Group's commitments. Investors should not place undue reliance on such statements and should pay attention to investment risks. You are cautioned that such forward-looking statements are related to future events or future financial position, business, or other performances of the Group, and are subject to a number of uncertainties which may cause substantial differences from those in the actual results.

Definitions

The Company, the Bank, CMB or China Merchants Bank:
China Merchants Bank Co., Ltd.

The Group:
China Merchants Bank and its subsidiaries

CBIRC:
China Banking and Insurance Regulatory Commission

CSRC:
China Securities Regulatory Commission

Hong Kong Stock Exchange or SEHK:
The Stock Exchange of Hong Kong Limited

Hong Kong Listing Rules:
The Rules Governing the Listing of Securities on the SEHK

CMB Wing Lung Bank:
CMB Wing Lung Bank Limited

CMB Wing Lung Group:
CMB Wing Lung Bank and its subsidiaries

CMB Financial Leasing or CMBFL:
CMB Financial Leasing Co., Ltd.

CMB International Capital or CMBIC:
CMB International Capital Holdings Corporation Limited

CMB Wealth Management:
CMB Wealth Management Company Limited

China Merchants Fund or CMFM:
China Merchants Fund Management Co., Ltd.

CIGNA & CMB Life Insurance:
CIGNA & CMB Life Insurance Co., Ltd.

MUCFC:
Merchants Union Consumer Finance Company Limited

CM Securities:
China Merchants Securities Co., Ltd.

MBCloud:
MBCloud Information Tech Co.,Ltd. with 100% equity interest held by the Company indirectly

CMB Network Technology:
China Merchants Bank Network Technology (Shenzhen) Co., Ltd. with 100% equity interest held by the Company indirectly

Deloitte Touche Tohmatsu Certified Public Accountants LLP:
Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership)

SFO:
Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

Model Code:
Model Code for Securities Transactions by Directors of Listed Issuers of Hong Kong Stock Exchange

Significant Risk Warning

The Company has disclosed herein the major risks involved in its operations and the proposed risk management measures. Please refer to Chapter III for the details in relation to risk management.

Company Information

1.1 Company Profile

1.1.1 **Registered company name in Chinese:** 招商銀行股份有限公司 (Abbreviated Name in Chinese: 招商銀行)
Registered company name in English: China Merchants Bank Co., Ltd.

1.1.2 **Legal representative:** Li Jianhong
Authorised representatives: Tian Huiyu, Liu Jianjun
Secretary of the board of directors: Liu Jianjun
Joint company secretaries: Liu Jianjun, Ho Wing Tsz Wendy
Securities representative: Huo Jianjun

1.1.3 **Registered and office address:**
7088 Shennan Boulevard, Futian District, Shenzhen, Guangdong Province, China

1.1.4 **Mailing address:**
7088 Shennan Boulevard, Futian District, Shenzhen, Guangdong Province, China
Postcode: 518040
Tel: +86 755 8319 8888
Fax: +86 755 8319 5109
E-mail: cmb@cmbchina.com
Website: www.cmbchina.com
Hotline for complaints on customer service: 95555-7
Hotline for consumer rights protection: +86 755 8307 7333

1.1.5 **Principal place of business in Hong Kong:**
31/F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong

1.1.6 **Share listing:**
A Shares: Shanghai Stock Exchange
Abbreviated Name of A Shares: CMB
Stock Code: 600036
H Shares: SEHK
Abbreviated Name of H Shares: CM BANK
Stock Code: 03968
Domestic preference shares: Shanghai Stock Exchange
Abbreviated Name of Shares: Zhao Yin You 1 (招銀優1)
Stock Code: 360028
Offshore preference shares: SEHK
Abbreviated Name of Shares: CMB 17USDPREF
Stock Code: 04614

1.1.7 **Domestic auditor:** Deloitte Touche Tohmatsu Certified Public Accountants LLP
Office Address: 30th Floor, Bund Center, 222 Yan'an Road East, Shanghai, China
International auditor: Deloitte Touche Tohmatsu
Office Address: 35th Floor, One Pacific Place, 88 Queensway, Hong Kong

1.1.8 **Legal advisor as to PRC Law:** Jun He Law Offices
Legal advisor as to Hong Kong Law: Herbert Smith Freehills

1.1.9 **Registrar for A Shares:** China Securities Depository & Clearing Corporation Ltd., Shanghai Branch
Share register and transfer office as to H Shares: Computershare Hong Kong Investor Services Ltd.
Shops 1712-1716, 17/F, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong
Registrar for domestic preference shares: China Securities Depository & Clearing Corporation Ltd., Shanghai Branch
Registrar and transfer agent for offshore preference shares: The Bank of New York Mellon SA/NV, Luxembourg Branch

1.1.10 **Newspapers and websites designated for information disclosure:**
Mainland China: *"China Securities Journal", "Securities Times", "Shanghai Securities News"*
website of Shanghai Stock Exchange (www.sse.com.cn)
website of the Company (www.cmbchina.com)
Hong Kong: website of SEHK (www.hkex.com.hk)
website of the Company (www.cmbchina.com)
Place for maintenance of periodic reports: Office of the Board of Directors of the Company

1.2 Corporate Business Overview

Founded in 1987 with its head office in Shenzhen, China, the Company is a national commercial bank with distinctive operating features and brand influence in China. The Company mainly focuses on the market in China. The Company's distribution network primarily covers China's major economic centres such as Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Delta and Bohai Rim, and some large- and medium- cities in other regions. For details, please refer to the sections headed "Distribution Channels" and "Branches and Representative Offices". The Company was listed on Shanghai Stock Exchange in April 2002 and on the SEHK in September 2006.

The Company provides customers with various wholesale and retail banking products and services, and maintains treasury businesses for proprietary purpose and on behalf of customers. Many innovative products and services of the Company, such as "All-in-one Card", a multi-function debit card, "All-in-one Net", a comprehensive online banking service platform, credit cards, the "Sunflower Wealth Management" services and private banking services, CMB APP and CMB Life APP, CMB Corporate APP, transaction banking services and offshore business services, such as global cash management and trade financing, asset management, asset custody, investment banking and other services, have been widely recognised by consumers in China.

In 2020, the Company continued to enhance its brand reputation. On the List of "Top 1,000 World Banks 2020" released by *The Banker* (UK), the Company ranked 17th, up by 2 places from 2019, and ranked in the Top 20 for three consecutive years. On the list of "2020 Top 500 World Banks" released by *The Banker* (UK), the Company ranked 9th. In the meantime, the Company received the award of the "Best Bank in China" by *Euromoney* once again, won the "Best National Joint-Stock Bank" and "Best Technology Innovation Award" at the ceremony for the "2020 Private Bank of China Awards" held by *Asiamoney*, and won the "Best Credit Card Bank" and "Best Technology Innovation Award" at the ceremony for the "2020 China Retail Bank Awards" held by *Asiamoney*.

Summary of Accounting Data and Financial Indicators

2.1 Key Accounting Data and Financial Indicators

(in millions of RMB, unless otherwise specified)	January to June 2020	January to June 2019	Changes +/-%
Operating Results			
Net operating income[1]	**148,163**	138,338	7.10
Profit before tax	**62,838**	64,873	-3.14
Net profit attributable to shareholders of the Bank	**49,788**	50,612	-1.63
Per Share (RMB)			
Basic earnings attributable to ordinary shareholders of the Bank[2]	**1.97**	2.01	-1.99
Diluted earnings attributable to ordinary shareholders of the Bank	**1.97**	2.01	-1.99

(in millions of RMB, unless otherwise specified)	30 June 2020	31 December 2019	Changes +/-%
Volume Indicators			
Total assets	**8,031,826**	7,417,240	8.29
of which: total loans and advances to customers[3]	**4,851,715**	4,490,650	8.04
Total liabilities	**7,392,805**	6,799,533	8.73
of which: total deposits from customers[3]	**5,440,050**	4,844,422	12.30
Total equity attributable to shareholders of the Bank	**632,530**	611,301	3.47
Period-end net assets per share attributable to ordinary shareholders of the Bank (RMB)	**23.73**	22.89	3.67

Notes:

(1) Net operating income is the sum of net interest income, net fee and commission income, other net income as well as share of profits of associates and joint ventures.

(2) The Company issued non-cumulative preference shares in 2017, but did not pay any dividend on the preference shares during this period. Therefore, when calculating basic earnings per share, return on average equity and net assets per share, dividends on the preference shares were not required to be deducted from "net profit attributable to shareholders of the Bank", while the preference shares were deducted from both the "average equity" and the "net assets".

(3) In accordance with "Notice on the Revision and Issuance of the Format of the Financial Statements of the Financial Enterprise for 2018" (《關於修訂印發2018年度金融企業財務報表格式的通知》) issued by the Ministry of Finance, the interest on financial instruments accrued based on the effective interest rate method shall be included in the balance of the relevant financial instruments, and shall be reflected in the relevant items of the financial reports, and the "interest receivable" or "interest payable" item shall no longer be listed separately. The balance of "interest receivable" or "interest payable" listed in the "other assets" or "other liabilities" item is only the interest receivable or payable where the relevant financial instruments have expired but the interest has not yet been received or paid at the balance sheet date. Since the 2018 annual report, the Group has adjusted the financial statements and its accompanying notes in accordance with the above requirements. Unless otherwise stated, the balances of the relevant items herein and set out below do not include the above interest on financial instruments accrued based on the effective interest method.

2.2 Supplementary Financial Ratios

(%)	January to June 2020	January to June 2019	Year-on-year changes
Profitability indicators (annualised)			
Return on average assets attributable to shareholders of the Bank	1.29	1.45	Decreased by 0.16 percentage point
Return on average equity attributable to ordinary shareholders of the Bank	16.94	19.47	Decreased by 2.53 percentage points
Net interest spread(1)	2.42	2.58	Decreased by 0.16 percentage point
Net interest margin(2)	2.50	2.70	Decreased by 0.20 percentage point
As percentage of net operating income			
– Net interest income	61.33	63.18	Decreased by 1.85 percentage points
– Net non-interest income	38.67	36.82	Increased by 1.85 percentage points
Cost-to-income ratio(3)	28.25	27.58	Increased by 0.67 percentage point

(%)	30 June 2020	31 December 2019	Changes over 2019 year-end
Capital adequacy indicators under the Advanced Measurement Approach(4)			
Core Tier 1 capital adequacy ratio	11.31	11.95	Decreased by 0.64 percentage point
Tier 1 capital adequacy ratio	11.99	12.69	Decreased by 0.70 percentage point
Capital adequacy ratio	14.90	15.54	Decreased by 0.64 percentage point
Equity to total assets	7.96	8.33	Decreased by 0.37 percentage point
Asset quality indicators			
Non-performing loan ratio	1.14	1.16	Decreased by 0.02 percentage point
Allowance coverage ratio of non-performing loans(5)	440.81	426.78	Increased by 14.03 percentage points
Allowance ratio of loans(6)	5.03	4.97	Increased by 0.06 percentage point

Notes:

(1) Net interest spread = average yield of the total interest-earning assets – average cost ratio of total interest-bearing liabilities.

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

(3) Cost-to-income ratio = operating expenses/net operating income. The numerator does not include taxes and surcharges, provisions for insurance claims and the depreciation charges on fixed assets under operating lease and investment properties.

(4) As at the end of the reporting period, the Group's Core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio under the Weighted Approach were 10.20%, 10.81% and 12.49% respectively.

(5) Allowance coverage ratio of non-performing loans = allowances for impairment losses/balance of non-performing loans.

(6) Allowance ratio of loans = allowances for impairment losses/total loans and advances to customers.

Report of the Board of Directors

3.1 Analysis of Overall Operation

In the first half of 2020, the Group adhered to the concept of dynamic and balanced development of quality, efficiency and scale, and continued to implement its strategic direction of "Light-operation Bank" and the strategic positioning of "One Body with Two Wings" by carrying out various businesses in a sound manner. Asset quality was generally stable; the scale of assets and liabilities continued to grow, and profitability and capital returns declined slightly.

During the reporting period, the Group realised a net profit attributable to shareholders of the Bank of RMB49.788 billion, representing a year-on-year decrease of 1.63%; the net operating income was RMB148.163 billion, representing a year-on-year increase of 7.10%, among which, the net interest income was RMB90.873 billion, representing a year-on-year increase of 3.97%; the net non-interest income was RMB57.290 billion, representing a year-on-year increase of 12.49%; the return on average asset (ROAA) attributable to shareholders of the Bank and return on average equity (ROAE) attributable to ordinary shareholders of the Bank were 1.29% and 16.94 %, down by 0.16 percentage point and 2.53 percentage points year-on-year, respectively.

As at the end of the reporting period, the Group's total assets amounted to RMB8,031.826 billion, representing an increase of 8.29% as compared with the end of the previous year. The total loans and advances to customers amounted to RMB4,851.715 billion, representing an increase of 8.04% as compared with the end of the previous year. Total liabilities amounted to RMB7,392.805 billion, representing an increase of 8.73% as compared with the end of the previous year. Total deposits from customers amounted to RMB5,440.050 billion, representing an increase of 12.30% as compared with the end of the previous year.

As at the end of the reporting period, the Group had balance of non-performing loans of RMB55.328 billion, representing an increase of RMB3.053 billion as compared with the end of the previous year. The non-performing loan ratio was 1.14%, down by 0.02 percentage point as compared with the end of the previous year. The non-performing loan allowance coverage ratio was 440.81%, representing an increase of 14.03 percentage points as compared with the end of the previous year; the loan allowance ratio was 5.03%, representing an increase of 0.06 percentage point as compared with the end of the previous year.

3.2 Analysis of Income Statement

3.2.1 Financial highlights

During the reporting period, the Group realised a profit before tax of RMB62.838 billion, representing a year-on-year decrease of 3.14%. The effective income tax rate was 20.31%, representing a year-on-year decrease of 1.29 percentage points. The following table sets out the changes in major income/loss items of the Group during the reporting period.

(in millions of RMB)	January to June 2020	January to June 2019	Changes
Net interest income	**90,873**	87,407	3,466
Net fee and commission income	**42,269**	38,971	3,298
Other net income	**13,839**	11,252	2,587
Operating expenses	**(44,882)**	(40,401)	(4,481)
Share of profits of associates and joint ventures	**1,182**	708	474
Expected credit losses	**(40,443)**	(33,064)	(7,379)
Profit before tax	**62,838**	64,873	(2,035)
Income tax	**(12,760)**	(14,015)	1,255
Net profit	**50,078**	50,858	(780)
Net profit attributable to shareholders of the Bank	**49,788**	50,612	(824)

3.2.2 Net operating income

During the reporting period, the net operating income of the Group was RMB148.163 billion, representing an increase of 7.10% as compared with the corresponding period of the previous year. The net interest income accounted for 61.33% of the net operating income, and the net non-interest income accounted for 38.67% of the net operating income, representing a year-on-year increase of 1.85 percentage points.

3.2.3 Interest income

During the reporting period, the Group recorded an interest income of RMB153.685 billion, representing a year-on-year increase of 6.34%, mainly due to the increase in interest-earning assets. Interest income from loans and advances to customers continued to be the biggest component of the interest income of the Group.

Interest income from loans and advances to customers

During the reporting period, the interest income from loans and advances to customers of the Group was RMB118.376 billion, representing a year-on-year increase of 8.52%.

The following table sets forth the average balance (daily average balance, same as below), interest income and average yield of each component of loans and advances to customers of the Group for the periods indicated.

	January to June 2020			2019			January to June 2019		
(in millions of RMB, except for percentages)	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Annualised average yield (%)
Corporate loans	2,023,642	41,687	4.14	1,818,831	78,914	4.34	1,776,755	38,739	4.40
Retail loans	2,399,571	72,824	6.10	2,220,299	134,763	6.07	2,124,449	66,144	6.28
Discounted bills	288,670	3,865	2.69	250,635	8,302	3.31	242,116	4,195	3.49
Loans and advances to customers	4,711,883	118,376	5.05	4,289,765	221,979	5.17	4,143,320	109,078	5.31

In the first half of 2020, from the perspective of the maturity structure of loans and advances to customers of the Company, the average balance of short-term loans was RMB1,766.813 billion with the interest income amounting to RMB50.851 billion, and the annualised average yield reached 5.79%; the average balance of medium-to-long term loans was RMB2,613.958 billion with the interest income amounting to RMB61.294 billion, and the annualised average yield reached 4.72%. The average yield of short-term loans was higher than that of medium-to-long term loans, which was mainly attributable to the higher yield of credit card overdrafts and micro-finance loans in short-term loans.

Interest income from investments

During the reporting period, the interest income from investments of the Group was RMB25.008 billion, representing a year-on-year increase of 3.14%. The annualised average yield of investments was 3.52%, representing a year-on-year decrease of 17 basis points, which was mainly attributable to the impact of the falling market interest rates.

Interest income from balances and placements with banks and other financial institutions

During the reporting period, the interest income of the Group from balances and placements with banks and other financial institutions was RMB6.557 billion, representing a year-on-year decrease of 11.22%, and the annualised average yield of balances and placements with banks and other financial institutions was 1.97%, representing a year-on-year decrease of 66 basis points, which was primarily attributable to the decrease in the yield of interbank assets as a result of falling market interest rates.

3.2.4 Interest expense

During the reporting period, the interest expense of the Group was RMB62.812 billion, representing a year-on-year increase of 9.98%, which was primarily attributable to the growth of interest-bearing liabilities.

Interest expense on deposits from customers

During the reporting period, the Group's interest expense on deposits from customers was RMB41.916 billion, representing a year-on-year increase of 22.87%, which was mainly due to the increase in the size of deposits as well as the increase in cost ratios of deposits.

The following table sets forth the average balances, interest expenses and average cost ratios of the deposits from corporate and retail customers of the Group for the periods indicated.

	January to June 2020			2019			January to June 2019		
(in millions of RMB, except for percentages)	Average balance	Interest expense	Annualised average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Annualised average cost ratio (%)
Deposits from corporate customers									
Demand	1,834,517	7,931	0.87	1,607,847	13,245	0.82	1,578,246	6,497	0.83
Time	1,530,528	21,555	2.83	1,363,971	38,900	2.85	1,294,388	17,769	2.77
Subtotal	3,365,045	29,486	1.76	2,971,818	52,145	1.75	2,872,634	24,266	1.70
Deposits from retail customers									
Demand	1,201,383	2,091	0.35	1,081,045	3,973	0.37	1,070,921	1,962	0.37
Time	679,709	10,339	3.06	584,104	17,312	2.96	553,001	7,885	2.88
Subtotal	1,881,092	12,430	1.33	1,665,149	21,285	1.28	1,623,922	9,847	1.22
Total	5,246,137	41,916	1.61	4,636,967	73,430	1.58	4,496,556	34,113	1.53

The year-on-year increase in the cost ratio of deposits from customers of the Group was mainly due to the impact of changes in deposit structure. In the second half of 2019, in order to cater for the needs of certain original wealth management customers after the release of the New Regulation on Asset Management, the Company appropriately increased the supply of products such as structured deposits and large-denomination certificates of deposit. In the first half of 2020, the average balance of the above-mentioned deposits as percentage of deposits from customer increased as compared with the corresponding period of the previous year. During the reporting period, the cost ratio of deposits from customers has gradually decreased on a quarterly basis.

Interest expense on deposits and placements from banks and other financial institutions

During the reporting period, the interest expense on deposits and placements from banks and other financial institutions of the Group amounted to RMB7.429 billion, representing a year-on-year decrease of 23.25%, which was primarily due to the decrease in interest rate of funds from financial institutions.

Interest expense on debt securities issued

During the reporting period, the interest expense on debt securities issued of the Group amounted to RMB8.570 billion, representing a year-on-year increase of 4.81%, which was primarily attributable to the increase in the average balances of interbank certificates of deposits and long-term debt securities.

3.2.5 Net interest income

During the reporting period, the Group's net interest income amounted to RMB90.873 billion, representing a year-on-year increase of 3.97%.

The following table sets out the average balances, interest income/interest expense and average yield/cost ratio of assets and liabilities of the Group for the periods indicated.

(in millions of RMB, except for percentages)	January to June 2020			2019			January to June 2019		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Annualised average yield (%)
Interest-earning assets									
Loans and advances to customers	4,711,883	118,376	5.05	4,289,765	221,979	5.17	4,143,320	109,078	5.31
Investments	1,427,366	25,008	3.52	1,335,247	48,902	3.66	1,325,061	24,246	3.69
Balances with the central bank	488,521	3,744	1.54	493,722	7,759	1.57	484,370	3,807	1.58
Balances and placements with banks and other financial institutions	670,526	6,557	1.97	570,995	14,354	2.51	566,310	7,386	2.63
Total	7,298,296	153,685	4.23	6,689,729	292,994	4.38	6,519,061	144,517	4.47

(in millions of RMB, except for percentages)	Average balance	Interest expense	Annualised average cost ratio (%)	Average balance	Interest expense	Average cost ratio (%)	Average balance	Interest expense	Annualised average cost ratio (%)
Interest-bearing liabilities									
Deposits from customers	5,246,137	41,916	1.61	4,636,967	73,430	1.58	4,496,556	34,113	1.53
Deposits and placements from banks and other financial institutions	889,274	7,429	1.68	843,293	19,079	2.26	833,267	9,679	2.34
Debt securities issued	525,046	8,570	3.28	504,241	17,631	3.50	446,214	8,177	3.70
Borrowings from the central bank	302,886	4,583	3.04	300,662	9,207	3.06	319,099	4,880	3.08
Lease liabilities	15,528	314	4.07	13,605	557	4.09	12,873	261	4.09
Total	6,978,871	62,812	1.81	6,298,768	119,904	1.90	6,108,009	57,110	1.89
Net interest income	/	90,873	/	/	173,090	/	/	87,407	/
Net interest spread	/	/	2.42	/	/	2.48	/	/	2.58
Net interest margin	/	/	2.50	/	/	2.59	/	/	2.70

During the reporting period, the annualised average yield of our interest-earning assets of the Group was 4.23%, representing a year-on-year decrease of 24 basis points; the annualised average cost ratio of our interest-bearing liabilities was 1.81%, representing a year-on-year decrease of 8 basis points; the net interest spread and the net interest margin were 2.42% and 2.50%, representing a year-on-year decrease of 16 and 20 basis points, respectively.

The following table sets forth the breakdown of changes in interest income and interest expenses due to changes in volumes and interest rates of the Group for the periods indicated. Changes in volume were measured by changes in average balances, while changes in interest rate were measured by changes in the average interest rates; the changes in interest income and interest expenses due to changes in both volume and interest rates have been included in the amount of changes in interest income and interest expenses due to changes in volume.

(in millions of RMB)	January to June 2020 compared to January to June 2019		
	Increase (decrease) due to		Net increase
	Volume	Interest rate	(decrease)
Interest-earning assets			
Loans and advances to customers	14,587	(5,289)	9,298
Investments	1,860	(1,098)	762
Balances with the central bank	42	(105)	(63)
Balances and placements with banks and other financial institutions	1,040	(1,869)	(829)
Changes in interest income	**17,529**	**(8,361)**	**9,168**
Interest-bearing liabilities			
Deposits from customers	6,084	1,719	7,803
Deposits and placements from banks and other financial institutions	495	(2,745)	(2,250)
Debt securities issued	1,309	(916)	393
Borrowings from the central bank	(232)	(65)	(297)
Lease liabilities	54	(1)	53
Changes in interest expense	**7,710**	**(2,008)**	**5,702**
Changes in net interest income	**9,819**	**(6,353)**	**3,466**

The following table sets out the average balances, interest income/interest expenses and annualised average yields/cost ratios of assets and liabilities of the Group for the periods indicated.

(in millions of RMB, except for percentages)	April to June 2020			January to March 2020		
	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Interest-earning assets						
Loans and advances to customers	4,765,730	58,734	4.96	4,658,036	59,642	5.15
Investments	1,493,518	12,740	3.43	1,361,214	12,268	3.62
Balances with the central bank	479,291	1,801	1.51	497,751	1,943	1.57
Balances and placements with banks and other financial institutions	659,334	2,877	1.75	681,718	3,680	2.17
Total	**7,397,873**	**76,152**	**4.14**	**7,198,719**	**77,533**	**4.33**

(in millions of RMB, except for percentages)	Average balance	Interest expense	Annualised average cost ratio (%)	Average balance	Interest expense	Annualised average cost ratio (%)
Interest-bearing liabilities						
Deposits from customers	5,391,286	21,278	1.59	5,100,988	20,638	1.63
Deposits and placements from banks and other financial institutions	951,667	3,575	1.51	826,881	3,854	1.87
Debt securities issued	461,937	3,764	3.28	588,155	4,806	3.29
Borrowings from the central bank	298,615	2,254	3.04	307,157	2,329	3.05
Lease liabilities	15,712	164	4.20	15,344	150	3.93
Total	**7,119,217**	**31,035**	**1.75**	**6,838,525**	**31,777**	**1.87**
Net interest income	/	**45,117**	/	/	**45,756**	/
Net interest spread	/	/	**2.39**	/	/	**2.46**
Net interest margin	/	/	**2.45**	/	/	**2.56**

In the second quarter of 2020, the net interest margin of the Group was 2.45%, down by 11 basis points as compared with the first quarter of 2020, and its net interest spread was 2.39%, down by 7 basis points as compared with the first quarter of 2020. The annualised average yield of the interest-earning assets was 4.14%, down by 19 basis points as compared with the first quarter of 2020. The annualised average cost ratio of interest-bearing liabilities was 1.75%, down by 12 basis points as compared with the first quarter of 2020.

3.2.6 Net non-interest income

During the reporting period, the Group recorded a net non-interest income of RMB57.290 billion, representing a year-on-year increase of 12.49%. The components are as follows:

Net fee and commission income amounted to RMB42.269 billion, representing a year-on-year increase of 8.46%. Among the fee and commission income, income from bank card fees amounted to RMB9.418 billion, representing a year-on-year decrease of 2.44%, and income from settlement and clearing fees amounted to RMB6.362 billion, representing a year-on-year decrease of 3.22%, both of which were primarily attributable to the adverse effect of COVID-19 pandemic on consumption; income from agency services fees amounted to RMB10.810 billion, representing a year-on-year increase of 32.35%, which was primarily attributable to the increase in income from agency distribution of funds; the commissions from credit commitment and loan business amounted to RMB3.654 billion, representing a year-on-year increase of 1.47%; the commissions from trust and other fiduciary activities amounted to RMB13.558 billion, representing a year-on-year increase of 10.43%, which was primarily attributable to the increase in income from entrusted wealth management services.

Other net non-interest income amounted to RMB15.021 billion, representing a year-on-year increase of 25.59%, of which, net investment income amounted to RMB10.348 billion, representing a year-on-year increase of 42.53%, mainly due to the increase in dividend of investments in funds and increase in spread income from bills and bonds; other net income amounted to RMB2.870 billion, representing a year-on-year increase of 7.17%, mainly due to the increase in the income from operating leases; net profit from exchange gain amounted to RMB1.789 billion, representing a year-on-year increase of 34.92%, mainly due to the increase in income from foreign currency derivatives instruments; net profit from fair value change amounted to RMB-1.168 billion, representing a year-on-year decrease of RMB1.156 billion, which was mainly due to the decrease in profit or loss of fair value change resulting from dividend of investments in funds.

In terms of business segments, the net non-interest income from retail finance amounted to RMB26.236 billion, representing a year-on-year increase of 0.29% and accounting for 45.80% of the Group's net non-interest income; the net non-interest income from wholesale finance amounted to RMB23.824 billion, representing a year-on-year increase of 31.64% and accounting for 41.58% of the Group's net non-interest income; the net non-interest income from other businesses amounted to RMB7.230 billion, representing a year-on-year increase of 8.35% and accounting for 12.62% of the Group's net non-interest income.

(in millions of RMB)	January to June 2020	January to June 2019
Fee and commission income	**45,611**	42,512
Bank card fees	**9,418**	9,654
Settlement and clearing fees	**6,362**	6,574
Agency service fees	**10,810**	8,168
Commissions from credit commitment and loan business	**3,654**	3,601
Commissions on trust and fiduciary activities	**13,558**	12,278
Others	**1,809**	2,237
Fees and commission expense	**(3,342)**	(3,541)
Net fee and commission income	**42,269**	38,971
Other net non-interest income	**15,021**	11,960
Other net income	**13,839**	11,252
Net profit from fair value change	**(1,168)**	(12)
Net investment income	**10,348**	7,260
Exchange gain	**1,789**	1,326
Other income	**2,870**	2,678
Share of profits of associates and joint ventures	**1,182**	708
Total net non-interest income	**57,290**	50,931

3.2.7 Operating expenses

During the reporting period, the Group's operating expenses amounted to RMB44.882 billion, representing a year-on-year increase of 11.09%, which was mainly because the Company further advanced the exploration of its digital business model, and continuously invested strategic expense resources in respect of various digital operating scenarios in accordance with the strategic positioning of "One Body with Two Wings". During the reporting period, the Group's cost-to-income ratio was 28.25%, representing a year-on-year increase of 0.67 percentage point. The Company's cost-to-income ratio was 28.69%, representing a year-on-year increase of 0.88 percentage point.

The following table sets forth, for the periods indicated, the principal components of the operating expenses of the Group.

(in millions of RMB)	January to June 2020	January to June 2019
Staff costs	27,583	24,575
Taxes and surcharges	1,304	1,143
Depreciation of property, equipment and investment properties	3,737	2,924
Amortisation of intangible assets	586	465
Depreciation and amortisation of right-of-use assets	2,208	2,154
Other general and administrative expenses	9,321	9,023
Allowances for insurance claims	143	117
Total operating expenses	44,882	40,401

3.2.8 Expected credit losses

During the reporting period, the expected credit losses of the Group were RMB40.443 billion, representing a year-on-year increase of 22.32%.

The following table sets forth, for the periods indicated, the principal components of expected credit losses of the Group.

(in millions of RMB)	January to June 2020	January to June 2019
Loans and advances to customers	36,211	29,512
Financial investments	1,178	1,737
Amounts due from banks and other financial institutions	672	(194)
Expected credit losses relating to financial guarantees and loan commitments	1,923	1,740
Other assets	459	269
Total expected credit losses	40,443	33,064

Expected credit losses of loans and advances to customers were the largest component of expected credit losses. During the reporting period, expected credit losses of loans and advances to customers of the Group were RMB36.211 billion, representing a year-on-year increase of 22.70%, which was mainly because the Group increased allowances for the first half year due to the impact of the COVID-19 pandemic. For details of the allowances for impairment losses on loans, please refer to the section headed "Analysis of Loan Quality" in this chapter.

3.3 Analysis of Balance Sheet

3.3.1 Assets

As at the end of the reporting period, the total assets of the Group amounted to RMB8,031.826 billion, up by 8.29% from the end of the previous year, which was mainly attributable to the increase in loans and advances to customers and bond investments of the Group.

To maintain the figures comparable, the financial instruments in section "3.3.1 Assets" were still analysed on the statistical calibre excluding interest receivable, except for the table "components of the total assets of the Group", in which interest receivable calculated using the effective interest method was included as required by the Ministry of Finance.

The following table sets forth, as at the dates indicated, the components of the total assets of the Group.

	30 June 2020		31 December 2019	
(in millions of RMB, except for percentages)	Amount	Percentage of the total (%)	Amount	Percentage of the total (%)
Total loans and advances to customers	4,861,984	60.54	4,500,199	60.67
Allowances for impairment losses on loans[1]	(243,880)	(3.04)	(222,899)	(3.00)
Net loans and advances to customers	4,618,104	57.50	4,277,300	57.67
Investment securities and other financial assets	2,096,620	26.10	1,839,440	24.80
Cash, precious metals and balances with the central bank	503,620	6.27	571,990	7.71
Inter-bank transactions[2]	578,490	7.20	522,507	7.04
Goodwill	9,954	0.12	9,954	0.13
Other assets[3]	225,038	2.81	196,049	2.65
Total assets	8,031,826	100.00	7,417,240	100.00

Notes:

(1) The "allowances for impairment losses on loans" as at the end of the reporting period include the allowances for impairment losses of the principal and interest of the loans and advances to customers measured at amortised cost. The allowances for impairment losses of RMB145 million were not deducted from the carrying values of the loans and advances to customers measured at fair value through other comprehensive income. For details, please refer to Note 16(a) to the financial statements.

(2) Including balances and placements with banks and other financial institutions and amounts held under resale agreements.

(3) Including fixed assets, right-of-use assets, intangible assets, investment properties, deferred tax assets and other assets.

3.3.1.1 Loans and advances to customers

As at the end of the reporting period, total loans and advances to customers of the Group amounted to RMB4,851.715 billion, representing an increase of 8.04% as compared with the end of the previous year; total loans and advances to customers accounted for 60.41% of the total assets, representing a decrease of 0.13 percentage point as compared with the end of the previous year. For details of the loans and advances to customers of the Group, please refer to the section headed "Analysis of Loan Quality" in this chapter.

3.3.1.2 Investment securities and other financial assets

The Group's investment securities and other financial assets consist of listed and unlisted financial instruments denominated in RMB and foreign currencies.

The following table sets forth, as at the dates indicated, the components of investment securities and other financial assets of the Group by line items.

	30 June 2020		31 December 2019	
(in millions of RMB, except for percentages)	Amount	Percentage of the total (%)	Amount	Percentage of the total (%)
Derivative financial assets	38,840	1.87	24,219	1.33
Investments at fair value through profit or loss	478,877	23.05	398,276	21.89
– Bond investments	174,116	8.38	123,256	6.77
– Non-standardised credit asset investments	191,693	9.23	199,817	10.98
– Others(note)	113,068	5.44	75,203	4.14
Debt investments at amortised cost	1,033,459	49.77	907,472	49.88
– Bond investments	867,025	41.75	778,170	42.77
– Non-standardised credit asset investments	179,782	8.66	142,733	7.84
– Others	579	0.03	564	0.04
– Less: allowances for impairment losses	(13,927)	(0.67)	(13,995)	(0.77)
Debt investments at fair value through other comprehensive income	506,559	24.39	472,586	25.97
Equity investments designated at fair value through other comprehensive income	6,777	0.33	6,077	0.33
Investments in joint ventures and associates	12,389	0.59	10,784	0.60
Total investment securities and other financial assets	2,076,901	100.00	1,819,414	100.00

Note: Including equity investments, investments in funds, wealth management products, long position in precious metal contracts and others.

Derivative financial instruments

As at the end of the reporting period, the major categories and amount of derivative financial instruments held by the Group are indicated in the following table. For details, please refer to Note 41(f) to the financial statements.

	30 June 2020			31 December 2019		
		Fair value			Fair value	
(in millions of RMB)	Notional amount	Assets	Liabilities	Notional amount	Assets	Liabilities
Interest rate derivatives	3,998,045	23,830	(23,755)	4,656,569	10,990	(10,724)
Currency derivatives	1,393,642	13,748	(13,889)	1,135,734	12,479	(11,756)
Other derivatives	137,525	1,262	(1,170)	130,219	750	(720)
Total	5,529,212	38,840	(38,814)	5,922,522	24,219	(23,200)

The above table shows the nominal value and fair value of the Group's derivatives by their remaining maturity on each balance sheet date. The nominal value refers only to the volume of the transactions that have not yet been due or completed on the balance sheet date, and does not represent the value at risk.

During the reporting period, RMB exchange rate experienced bilateral fluctuations and the supply & demand of the foreign exchange market maintained an overall equilibrium. However, there was higher volatility in the bond market, leading to customers' increased awareness of eliminating the risks associated with the price fluctuation in various financial assets. Leveraging on its expertise in derivative transactions in the financial market, the Group proactively deployed derivative instruments to hedge market risks, as a result of which the Group achieved relatively rapid growth in the number of customers served and the volume of transactions.

Investments at fair value through profit or loss

As at the end of the reporting period, the balance of the investments at fair value through profit or loss amounted to RMB478.877 billion, with bond, fund and non-standardised bills investments etc. being the major categories. The investments of which were made by the Group through an analysis of the fundamental aspects of both macro economic and monetary policy so as to obtain investment income by capturing trading opportunities in the market. For details, please refer to Note 17(a) to the financial statements.

Debt investments measured at amortised cost

As at the end of the reporting period, the balance of the Group's debt investments measured at amortised cost amounted to RMB1,033.459 billion. Among them, the bond investments were made mainly in the bonds issued by the PRC government and policy banks. This category of investments was held on a long-term basis for the strategic allocation of assets and liabilities of the Group, based on the requirements of interest rate risk management of bank accounts and liquidity management, while taking into account the benefits and risks. For details, please refer to Note 17(b) to the financial statements.

Debt investments at fair value through other comprehensive income

As at the end of the reporting period, the balance of debt investments at fair value through other comprehensive income amounted to RMB506.559 billion. During the reporting period, interest rates in the RMB bond market fluctuated substantially. Closely keeping abreast with the changes in the market, the Group adjusted the duration of asset portfolio and size of the derivative position in a timely manner based on interest rate fluctuations, conducted flexible range trading operations, increased investment returns while at the same time continuing to optimise the asset allocation structure. With a focus on increasing the amount of higher-value assets such as treasury bonds and local bonds, the Group effectively avoided credit risks and improved the liquidity of the asset portfolio. For details, please refer to Note 17(c) to the financial statements.

Equity investments designated at fair value through other comprehensive income

As at the end of the reporting period, the balance of equity investments designated at fair value through other comprehensive income of the Group amounted to RMB6.777 billion. Such investments were mainly non-trading equity investments held by the Group in the investees over whom the Group had no control, joint control or significant influence. For details, please refer to Note 17(d) to the financial statements.

The composition of the Group's total bond investments classified by the issuing entities

(in millions of RMB)	30 June 2020	31 December 2019
Official authorities(note)	886,799	783,189
Policy banks	331,732	316,241
Commercial banks and other financial institutions	195,130	162,341
Others(note)	134,039	112,241
Total Bond investments	1,547,700	1,374,012

Note: "Official authorities" include the Ministry of Finance of the PRC, local governments and the central bank, etc.; "Others" mainly refer to enterprises.

Investments in joint ventures and associates

As at the end of the reporting period, the investments in joint ventures and associates of the Group amounted to RMB12.389 billion, representing an increase of 14.88% as compared with the end of the previous year. As at the end of the reporting period, the balance of allowances for impairment losses on investments in joint ventures and associates of the Group was zero. For details, please refer to Note 18 and 19 to the financial statements.

3.3.1.3 Goodwill

As at the end of the reporting period, the Group had a balance of allowances for impairment losses on goodwill of RMB579 million and the carrying value of goodwill was RMB9.954 billion.

3.3.2 Liabilities

As at the end of the reporting period, the total liabilities of the Group amounted to RMB7,392.805 billion, representing an increase of 8.73% as compared with the end of the previous year, which was primarily attributable to the steady growth in deposits from customers as compared with the end of the previous year.

To maintain the figures comparable, the financial instruments in section "3.3.2 Liabilities" were still analysed on the statistical calibre excluding interest payable, except for the table "components of the total liabilities of the Group" in which interest payable calculated using the effective interest method was included as required by the Ministry of Finance.

The following table sets forth, as at the dates indicated, the components of the total liabilities of the Group.

	30 June 2020		31 December 2019	
(in millions of RMB, except for percentages)	Amount	Percentage of the total (%)	Amount	Percentage of the total (%)
Deposits from customers	5,474,392	74.05	4,874,981	71.70
Inter-bank transactions[1]	951,017	12.86	784,735	11.54
Borrowings from the central bank	306,397	4.14	359,175	5.28
Financial liabilities at fair value through profit or loss and derivative financial liabilities	82,778	1.12	66,634	0.98
Debt securities issued	412,399	5.58	578,191	8.50
Others[2]	165,822	2.25	135,817	2.00
Total liabilities	7,392,805	100.00	6,799,533	100.00

Notes:

(1) Including deposits and placements from banks and other financial institutions and amounts sold under repurchase agreements.

(2) Including salaries and welfare payable, taxes payable, contract liabilities, lease liabilities, expected liabilities, deferred income tax liabilities and other liabilities.

Deposits from customers

As at the end of the reporting period, total deposits from customers of the Group amounted to RMB5,440.050 billion, representing an increase of 12.30% as compared with the end of the previous year. Deposits from customers, accounting for 73.59% of the total liabilities of the Group, was the major funding source of the Group.

The following table sets forth, as at the dates indicated, the deposits from customers of the Group by product type and customer type.

	30 June 2020		31 December 2019	
(in millions of RMB, except for percentages)	Amount	Percentage of the total (%)	Amount	Percentage of the total (%)
Deposits from corporate customers				
Demand	2,053,534	37.75	1,692,068	34.93
Time	1,408,019	25.88	1,346,033	27.79
Subtotal	3,461,553	63.63	3,038,101	62.72
Deposits from retail customers				
Demand	1,316,773	24.21	1,171,221	24.18
Time	661,724	12.16	635,100	13.10
Subtotal	1,978,497	36.37	1,806,321	37.28
Total deposits from customers	5,440,050	100.00	4,844,422	100.00

As at the end of the reporting period, the percentage of balance of the demand deposits to that of the total deposits from customers of the Group was 61.96%, representing an increase of 2.85 percentage points as compared with the end of the previous year. Among which, the balance of corporate demand deposits accounted for 59.32% of that of the corporate deposits, representing an increase of 3.63 percentage points as compared with the end of the previous year, and the balance of retail demand deposits accounted for 66.55% of that of the retail deposits, representing an increase of 1.71 percentage points as compared with the end of the previous year.

3.3.3 Shareholders' equity

As at the end of the reporting period, the shareholders' equity of the Group was RMB639.021 billion, representing an increase of 3.45% as compared with the end of the previous year. Among which, retained profits amounted to RMB341.843 billion, representing an increase of 6.29% as compared with the end of the previous year. Investment revaluation reserve amounted to RMB9.917 billion, representing an increase of 11.19% as compared with the end of the previous year, which was mainly due to an increase in the impairment allowances of debt investments measured at fair value through other comprehensive income as compared with the end of the previous year. Exchange difference on translation of financial statements of foreign operations amounted to RMB2.305 billion, representing an increase of 47.66% compared with the end of the previous year, which was mainly due to movements in the exchange rate of RMB to HKD resulting in increased exchange difference on translation of financial statements of foreign operations.

3.4 Analysis of Loan Quality

3.4.1 Distribution of loans by 5-tier loan classification

The following table sets forth the 5-tier loan classification of the Group as at the dates indicated.

(in millions of RMB, except for percentages)	30 June 2020		31 December 2019	
	Amount	Percentage of the total (%)	Amount	Percentage of the total (%)
Normal	4,748,299	97.87	4,385,785	97.67
Special mention	48,088	0.99	52,590	1.17
Substandard	16,165	0.34	15,747	0.35
Doubtful	23,433	0.48	17,383	0.39
Loss	15,730	0.32	19,145	0.42
Total loans and advances to customers	4,851,715	100.00	4,490,650	100.00
Non-performing loans	55,328	1.14	52,275	1.16

Note: Under the 5-tier loan classification system, non-performing loans of the Group are divided into substandard loans, doubtful loans and loss loans.

During the reporting period, the Group insists on strict asset classification to fully expose risks. As at the end of the reporting period, the Group's balance of non-performing loans increased, the non-performing loan ratio decreased, and both the balance and percentage of special-mention loans recorded a decrease. Specifically, the balance of our non-performing loans amounted to RMB55.328 billion, representing an increase of RMB3.053 billion as compared with the end of the previous year, with a non-performing loan ratio of 1.14%, a decrease of 0.02 percentage point as compared with the end of the previous year. The balance of the special-mention loans amounted to RMB48.088 billion, representing a decrease of RMB4.502 billion as compared with the end of the previous year; the percentage of special-mention loans was 0.99%, representing a decrease of 0.18 percentage point as compared with the end of the previous year.

3.4.2 Distribution of loans and non-performing loans by product type

(in millions of RMB, except for percentages)	30 June 2020				31 December 2019			
	Loan and advance balance	Percentage of the total (%)	Non performing loan	Non performing loan ratio (%)[1]	Loan and advance balance	Percentage of the total (%)	Non performing loan	Non performing loan ratio (%)[1]
Corporate loans	2,070,978	42.69	35,104	1.70	1,901,994	42.35	35,070	1.84
Working capital loans	877,822	18.10	24,523	2.79	854,121	19.02	24,925	2.92
Fixed asset loans	673,032	13.87	5,573	0.83	559,580	12.46	4,491	0.80
Trade finance	195,764	4.03	1,196	0.61	192,750	4.29	819	0.42
Others[2]	324,360	6.69	3,812	1.18	295,543	6.58	4,835	1.64
Discounted bills[3]	296,585	6.11	–	–	226,040	5.04	19	0.01
Retail loans	2,484,152	51.20	20,224	0.81	2,362,616	52.61	17,186	0.73
Micro-finance loans	446,505	9.20	2,747	0.62	405,780	9.04	3,284	0.81
Residential mortgage loans	1,200,374	24.74	3,010	0.25	1,108,148	24.68	2,749	0.25
Credit card loans	652,343	13.45	12,065	1.85	671,099	14.94	9,033	1.35
Others[4]	184,930	3.81	2,402	1.30	177,589	3.95	2,120	1.19
Total loans and advances to customers	4,851,715	100.00	55,328	1.14	4,490,650	100.00	52,275	1.16

Notes:

(1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

(2) Consists primarily of other corporate loans such as financial leasing, M&A loans and corporate mortgage loans.

(3) The Company will transfer discounted bills to corporate loans for accounting purposes once overdue.

(4) The "Others" category consists primarily of general consumption loans, commercial housing loans, automobile loans, house decoration loans, education loans and other personal loans secured by monetary assets.

With regard to retail loans, in the first half of 2020, the Group gave priority to supporting micro-finance loans and maintained a reasonable growth of residential mortgage loans, as a result of which, our assets quality of micro-finance loans and residential mortgage loans was stable and controllable. The credit card business was significantly affected by the pandemic, and its scale declined as compared with the end of the previous year. It is currently in a stage of restorative growth. Due to the combined effect of the pandemic and the risk of "joint debts", the non-performing loans recorded an increase. As at the end of the reporting period, the proportion of retail loans was 51.20%, representing a decrease of 1.41 percentage points as compared with the end of the previous year; the balance of non-performing loans amounted to RMB20.224 billion, up by RMB3.038 billion as compared with the end of the previous year; and the non-performing loan ratio was 0.81%, up by 0.08 percentage point as compared with the end of the previous year. Among which, the non-performing credit card loans amounted to RMB12.065 billion, up by RMB3.032 billion as compared with the end of the previous year; and the non-performing ratio of credit card loans was 1.85%, up by 0.50 percentage point as compared with the end of the previous year.

With regard to corporate loans, the Group steadily advanced the development of project financing business, resulting in the quality of corporate loan assets remained relatively stable during the reporting period. As at the end of the reporting period, the percentage of corporate loans was 42.69%, representing an increase of 0.34 percentage point as compared with the end of the previous year; and the percentage of fixed asset loans was 13.87%, representing an increase of 1.41 percentage points as compared with the end of the previous year. The non-performing corporate loans amounted to RMB35.104 billion, up by RMB34 million as compared with the end of the previous year; and the non-performing ratio of corporate loans was 1.70%, down by 0.14 percentage point as compared with the end of the previous year.

3.4.3 Distribution of loans and non-performing loans by industry

(in millions of RMB, except for percentages)	30 June 2020				31 December 2019			
	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)(1)	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)(1)
Corporate loans	2,070,978	42.69	35,104	1.70	1,901,994	42.35	35,070	1.84
Property development	412,490	8.50	1,396	0.34	368,377	8.20	1,636	0.44
Transportation, storage and postal services	421,929	8.70	3,629	0.86	337,209	7.51	2,475	0.73
Manufacturing	261,004	5.38	12,209	4.68	261,711	5.83	15,943	6.09
Wholesale and retail	170,392	3.51	6,125	3.59	162,857	3.63	5,202	3.19
Production and supply of electric power, heat, gas and water	166,694	3.44	649	0.39	150,083	3.34	519	0.35
Leasing and commercial services	180,640	3.72	6,412	3.55	173,369	3.86	3,612	2.08
Finance	131,113	2.70	389	0.30	126,706	2.82	229	0.18
Construction	106,036	2.19	1,047	0.99	97,475	2.17	1,270	1.30
Information transmission, software and IT service	51,843	1.07	1,043	2.01	55,900	1.24	1,034	1.85
Water conservancy, environment and public utilities	53,508	1.10	85	0.16	58,263	1.30	270	0.46
Mining	45,526	0.94	1,403	3.08	39,189	0.87	2,084	5.32
Others(2)	69,803	1.44	717	1.03	70,855	1.58	796	1.12
Discounted bills	296,585	6.11	–	–	226,040	5.04	19	0.01
Retail loans	2,484,152	51.20	20,224	0.81	2,362,616	52.61	17,186	0.73
Total loans and advances to customers	4,851,715	100.00	55,328	1.14	4,490,650	100.00	52,275	1.16

Notes:

(1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

(2) Consists primarily of agriculture, forestry, animal husbandry, fishery, accommodation and catering, health and social work, etc.

In the first half of 2020, the Group closely followed the national macro economic policies and industrial policies, unwaveringly supported the development of the real economy, actively planned for investment in incremental assets and optimised the structure of existing assets, prioritised the investment of resources to major infrastructure construction projects as well as the strategic emerging industries, dynamically adjusted its credit strategies in the key areas such as the real estate industry, local government financing platforms, and industries that we have reduced or withdrawn from, and strengthened the management of customers associated with high risks, i.e. those who have high leverage, low efficiency and unsustainable operations. During the reporting period, due to the effect of such factors as the downturn in the macro economy and defaults by certain major corporate customers, an increase in the non-performing loan ratio was recorded in certain industries, such as the leasing and commercial service industry, wholesale and retail, information transmission, software and information technology services, etc..

3.4.4 Distribution of loans and non-performing loans by region

(in millions of RMB, except for percentages)	30 June 2020				31 December 2019			
	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)[1]	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)[1]
Head Office[2]	740,122	15.25	15,799	2.13	740,664	16.49	11,209	1.51
Yangtze River Delta	1,008,509	20.79	7,526	0.75	903,754	20.13	8,574	0.95
Bohai Rim	629,409	12.97	7,921	1.26	567,997	12.65	7,092	1.25
Pearl River Delta and West Side of Taiwan Strait	848,590	17.49	6,710	0.79	773,445	17.22	7,093	0.92
North-eastern China	155,931	3.21	4,865	3.12	151,587	3.38	5,146	3.39
Central China	486,229	10.02	4,987	1.03	453,128	10.09	3,739	0.83
Western China	494,649	10.20	5,190	1.05	446,520	9.94	7,321	1.64
Overseas	142,903	2.95	415	0.29	139,341	3.10	276	0.20
Subsidiaries	345,373	7.12	1,915	0.55	314,214	7.00	1,825	0.58
Total loans and advances to customers	4,851,715	100.00	55,328	1.14	4,490,650	100.00	52,275	1.16

Notes:

(1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

(2) The Head Office includes Credit Card Center, Offshore Finance Center and Banking Department of the Head Office.

Given the differences in economic patterns and customer bases of various regions, the Group implemented differentiated risk supervisory management by category for branches and sub-branches in different regions. For risk concentrated regions, the Group selectively raised the credit access standard and dynamically adjusted the credit authorisation so as to prevent the occurrence of regional systematic risks. As at the end of the reporting period, the percentage of the balance of loans extended to Yangtze River Delta, Bohai Rim, Pearl River Delta and West Side of Taiwan Strait showed increases. Due to the formation of non-performing loans in certain large-sized corporate customers and the increase of non-performing credit card loans, the non-performing loan ratio of Head Office increased by 0.62 percentage point as compared with the end of the previous year; the non-performing loan ratio also increased slightly in Central China, overseas and Bohai Rim, while the non-performing loan ratio of other regions decreased as compared with the end of the previous year.

3.4.5 Distribution of loans and non-performing loans by type of guarantees

(in millions of RMB, except for percentages)	30 June 2020				31 December 2019			
	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)(note)	Loan and advance balance	Percentage of the total (%)	Non-performing loan	Non-performing loan ratio (%)(note)
Credit loans	1,664,995	34.32	18,076	1.09	1,535,977	34.20	13,438	0.87
Guaranteed loans	718,866	14.82	17,137	2.38	636,709	14.18	16,755	2.63
Collateralised loans	1,847,733	38.08	13,188	0.71	1,859,500	41.40	15,103	0.81
Pledged loans	323,536	6.67	6,927	2.14	232,424	5.18	6,960	2.99
Discounted bills	296,585	6.11	–	–	226,040	5.04	19.00	0.01
Total loans and advances to customers	4,851,715	100.00	55,328	1.14	4,490,650	100.00	52,275	1.16

Note: Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

As at the end of the reporting period, the Group's collateralised and pledged loans increased by 3.79% as compared with the end of the previous year; guaranteed loans increased by 12.90% as compared with the end of the previous year, and the credit loans increased by 8.40% as compared with the end of the previous year. The non-performing credit loan ratio increased by 0.22 percentage point as compared with the end of the previous year due to the increase of non-performing credit card loans; while the non-performing ratio of loans with other types of guarantee all decreased.

3.4.6 Loans to the top ten single borrowers

(in millions of RMB, except for percentages)

Top ten borrowers	Industry	Loan and advance balance as at 30 June 2020	Percentage of net capital (under the Advanced Measurement Approach) (%)	Percentage of total loans and advances (%)
A	Transportation, storage and postal services	33,159	4.44	0.67
B	Transportation, storage and postal services	22,000	2.94	0.45
C	Property development	18,683	2.50	0.39
D	Property development	16,907	2.26	0.35
E	Transportation, storage and postal services	10,221	1.37	0.21
F	Production and supply of electric power, heating power, gas and water	10,150	1.36	0.21
G	Finance	10,003	1.33	0.21
H	Finance	10,000	1.33	0.21
I	Transportation, storage and postal services	9,550	1.28	0.20
J	Property development	7,608	1.02	0.16
Total		**148,281**	**19.83**	**3.06**

As at the end of the reporting period, the loan balance of the Group's largest single borrower amounted to RMB33.159 billion, representing 4.44% of the Group's net capital under the Advanced Measurement Approach. The loan balance of the top ten single borrowers totalled RMB148.281 billion, representing 19.83% of the Group's net capital under the Advanced Measurement Approach, 21.33% of the Group's net capital under the Weighted Approach, and 3.06% of the Group's total loan and advance balance, respectively.

3.4.7 Distribution of loans by overdue term

(in millions of RMB, except for percentages)	30 June 2020 Loan and advance balance	30 June 2020 Percentage of total loans (%)	31 December 2019 Loan and advance balance	31 December 2019 Percentage of total loans (%)
Overdue within 3 months	21,443	0.44	18,899	0.42
Overdue from 3 months up to 1 year	20,018	0.41	20,288	0.45
Overdue from 1 year up to 3 years	18,594	0.38	16,657	0.37
Overdue more than 3 years	5,638	0.12	7,519	0.17
Total overdue loans	65,693	1.35	63,363	1.41
Total loans and advances to customers	4,851,715	100.00	4,490,650	100.00

As at the end of the reporting period, overdue loans of the Group amounted to RMB65.693 billion, up by RMB2.330 billion from the end of the previous year and accounting for 1.35% of its total loans, representing a decrease of 0.06 percentage point as compared with the end of the previous year. Among the overdue loans, collateralised and pledged loans accounted for 33.73%; guaranteed loans accounted for 22.39%; credit loans accounted for 43.88% (the majority of which were overdue loans of credit cards). The Group adopted prudent classification criteria for overdue loans, and the ratio of its non-performing loans to the loans overdue for more than 90 days was 1.25.

3.4.8 Restructured loans

(in millions of RMB, except for percentages)	30 June 2020 Loan and advance balance	30 June 2020 Percentage of total loans (%)	31 December 2019 Loan and advance balance	31 December 2019 Percentage of total loans (%)
Restructured loans(note)	23,949	0.49	25,022	0.56
Of which: restructured loans overdue more than 90 days	18,537	0.38	19,255	0.43

Note: Represents the restructured non-performing loans.

The Group imposed strict and prudent control over loan restructuring. As at the end of the reporting period, the percentage of the Group's restructured loans to total loans was 0.49%, down by 0.07 percentage point as compared with the end of the previous year.

3.4.9 Repossessed assets and impairment allowances

As at the end of the reporting period, the balance of repossessed assets (other than financial instruments) of the Group amounted to RMB803 million. After deducting the impairment allowances of RMB174 million, the net carrying value amounted to RMB629 million. The balance of repossessed financial instruments amounted to RMB1.837 billion.

3.4.10 Changes in the allowances for impairment losses on loans

The Group adopted the new financial instrument standard to make adequate allowances for credit risk losses by using the expected credit loss model and the risk quantification parameters such as the probability of customer defaults and the loss ratio of defaults, after taking into consideration the adjustments in macro perspectiveness.

The following table sets forth the changes in the allowances for impairment losses on loans and advances of the Group.

(in millions of RMB)	January to June 2020	2019
Balance as at the end of the previous year	223,097	192,000
Charge/release for the period	36,211	54,214
Unwinding of discount on impaired loans and advances(note)	(98)	(286)
Recovery of loans and advances previously written off	5,042	9,170
Write-offs/disposal for the period	(20,490)	(32,201)
Foreign exchange rate movements	129	200
Balance at the end of the period	243,891	223,097

Note: Represents the interest income accrued on impaired loans as a result of the increase in their present value due to the passage of time.

The Group continued to adopt a stable and prudent policy in respect of making allowances. As at the end of the reporting period, the balance of allowances for impairment losses on loans of the Group amounted to RMB243.891 billion, representing an increase of RMB20.794 billion as compared with the end of the previous year. The non-performing loan allowance coverage ratio was 440.81%, representing an increase of 14.03 percentage points as compared with the end of the previous year; the loan allowance ratio was 5.03%, representing an increase of 0.06 percentage point as compared with the end of the previous year.

3.5 Analysis of Capital Adequacy Ratio

Capital regulatory requirements

The Group continued to optimise its business structure and enhance capital management. During the reporting period, the Group satisfied various capital requirements of the CBIRC. During the reporting period, the capital requirement provided by the CBIRC to the Group and the Company was that: the minimum requirement for each of capital adequacy ratio, the Tier 1 capital adequacy ratio and the core Tier 1 capital adequacy ratio was 8%, 6% and 5% respectively. The Group further made provision for the reserve capital, the counter-cyclical capital and supplementary capital based on the above mentioned minimum capital requirements. Among them, the requirements for reserve capital, counter-cyclical capital and supplementary capital were 2.5%, 0% and 0% respectively, which represented that the capital adequacy ratio, the Tier 1 capital adequacy ratio and the core Tier 1 capital adequacy ratio of the Group and the Company during the reporting period should not be lower than 10.5%, 8.5% and 7.5% respectively.

Scope for calculating capital adequacy ratio

The scope for calculating the Group's capital adequacy ratio includes China Merchants Bank and the financial institutions in which the Company has direct or indirect investments in compliance with the requirements of the "Capital Rules for Commercial Banks (Provisional)". The scope of entities for calculating the capital adequacy ratio of the Company shall include all the domestic and overseas branches and sub-branches of China Merchants Bank. As at the end of the reporting period, the Group's subsidiaries that were within the scope of consolidated statements in respect of the capital adequacy ratio included: CMB Wing Lung Bank, CMB International Capital, CMB Financial Leasing, CMB Wealth Management and China Merchants Fund.

According to the regulatory requirements, the Group includes neither the industrial and commercial enterprises, nor the companies of the insurance type to the consolidated calculation scope of the capital adequacy ratios. Different types of investees are given different treatments while calculating the consolidated capital adequacy ratios.

No.	Type of investee	Treatment
1	Financial institutions with majority voting rights or controlling interest (excluding insurance companies)	Included in the calculation of consolidated capital adequacy ratio.
2	Insurance companies with majority voting rights or controlling interest	Excluded from the calculation of consolidated capital adequacy ratio, deducted corresponding capital investment from capital at all tiers; deducted the corresponding capital shortfall, if any.
3	Significant minority investments in capital instruments issued by financial institutions	Excluded from the calculation of consolidated capital adequacy ratio, deducted the part of core Tier 1 capital investments exceeding 10% of the Company's net core Tier 1 capital and deducted all of additional Tier 1 and Tier 2 capital investments from corresponding tiers of capital. The part failing to reach the deduction threshold shall be calculated as risk-weighted assets.
4	Non-significant minority investments in capital instruments issued by financial institutions	Excluded from the calculation of consolidated capital adequacy ratio and correspondingly deducted the part of total investments exceeding 10% of the Company's net core Tier 1 capital from regulatory capital at all tiers. The part failing to reach the deduction threshold shall be calculated as risk-weighted assets.
5	Investments in the equity of industrial and commercial enterprises	Excluded from the calculation of consolidated capital adequacy ratio and calculated as risk-weighted assets.

As at the end of the reporting period, there was no regulatory capital deficiency in the financial institutions in which the majority or controlling interests are held by the Company as measured in accordance with local regulatory requirements. During the reporting period, there was no material restriction on the capital transfer within the Group.

Information on capital adequacy ratio

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio of the Group under the Advanced Measurement Approach was 11.31%, 11.99% and 14.90% respectively, representing a decrease of 0.64, 0.70 and 0.64 percentage point respectively, as compared with the end of the previous year. For details of the reasons for the decreases, please refer to section 3.9.1 headed "Capital management".

The Group

(in millions of RMB, except for percentages)	30 June 2020	31 December 2019	Increase/decrease at the end of the reporting period as compared with the end of the previous year (%)
Capital adequacy ratios under the Advanced Measurement Approach[1]			
Net core Tier 1 capital	567,462	550,339	3.11
Net Tier 1 capital	601,561	584,436	2.93
Net capital	747,597	715,925	4.42
Risk-weighted assets (without taking into consideration the floor requirements during the parallel run period)	4,254,900	3,863,760	10.12
Of which: Credit risk weighted assets	3,718,674	3,347,515	11.09
Market risk weighted assets	86,495	66,514	30.04
Operational risk weighted assets	449,731	449,731	–
Risk-weighted assets (taking into consideration the floor requirements during the parallel run period)	5,019,059	4,606,786	8.95
Core Tier 1 capital adequacy ratio	11.31%	11.95%	Decreased by 0.64 percentage point
Tier 1 capital adequacy ratio	11.99%	12.69%	Decreased by 0.70 percentage point
Capital adequacy ratio	14.90%	15.54%	Decreased by 0.64 percentage point
Information on leverage ratio[2]			
Adjusted balance of on- and off-balance sheet assets	9,225,752	8,604,521	7.22
Leverage ratio	6.52%	6.79%	Decreased by 0.27 percentage point

Notes:

(1) The "Advanced Measurement Approach" refers to the advanced measurement approach set out in the "Capital Rules for Commercial Banks (Provisional)" issued by the former CBRC on 7 June 2012 (same as below). During the parallel run period when the Advanced Measurement Approach for capital measurement is implemented, a commercial bank shall use the capital floor adjustment coefficients to adjust the amount of its risk-weighted assets multiplying the sum of its minimum capital required and reserve capital required, total amount of capital deductions and the allowances for excessive loan loss which can be included into capital. The capital floor adjustment coefficients shall be 95%, 90% and 80% respectively in the first year, the second year, and the third and subsequent years during the parallel run period. 2020 is the sixth year since the implementation of the parallel run period.

(2) The leverage ratio shall be calculated based on the "Measures for Management of the Leverage Ratio of Commercial Banks (Revised)" promulgated by the former CBRC on 12 February 2015. The leverage ratio of the Group was 6.88%, 6.79% and 6.62% respectively as at the end of the first quarter of 2020, the end of 2019 and the end of the third quarter of 2019.

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio of the Company under the Advanced Measurement Approach was 10.79%, 11.48% and 14.51% respectively, representing a decrease of 0.69, 0.75 and 0.76 percentage point respectively, as compared with the end of the previous year.

The Company

(in millions of RMB, except for percentages)	30 June 2020	31 December 2019	Increase/decrease at the end of the reporting period as compared with the end of the previous year (%)
Capital adequacy ratios under the Advanced Measurement Approach			
Net core Tier 1 capital	**489,575**	478,083	2.40
Net Tier 1 capital	**520,821**	509,336	2.25
Net capital	**658,165**	635,977	3.49
Risk-weighted assets (without taking into consideration the floor requirements during the parallel run period)	**3,778,643**	3,426,517	10.28
Of which: Credit risk weighted assets	**3,292,414**	2,960,115	11.23
Market risk weighted assets	**70,939**	51,112	38.79
Operational risk weighted assets	**415,290**	415,290	–
Risk-weighted assets (taking into consideration the floor requirements during the parallel run period)	**4,537,408**	4,163,903	8.97
Core Tier 1 capital adequacy ratio	**10.79%**	11.48%	Decreased by 0.69 percentage point
Tier 1 capital adequacy ratio	**11.48%**	12.23%	Decreased by 0.75 percentage point
Capital adequacy ratio	**14.51%**	15.27%	Decreased by 0.76 percentage point

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio of the Group under the Weighted Approach was 10.20%, 10.81% and 12.49% respectively, representing a decrease of 0.44, 0.49 and 0.53 percentage point respectively as compared with the end of the previous year.

The Group

(in millions of RMB, except for percentages)	30 June 2020	31 December 2019	Increase/decrease at the end of the reporting period as compared with the end of the previous year (%)
Capital adequacy ratios under the Weighted Approach(note)			
Net core Tier 1 capital	**567,462**	550,339	3.11
Net Tier 1 capital	**601,561**	584,436	2.93
Net capital	**695,028**	673,366	3.22
Risk-weighted assets	**5,564,432**	5,170,500	7.62
Core Tier 1 capital adequacy ratio	**10.20%**	10.64%	Decreased by 0.44 percentage point
Tier 1 capital adequacy ratio	**10.81%**	11.30%	Decreased by 0.49 percentage point
Capital adequacy ratio	**12.49%**	13.02%	Decreased by 0.53 percentage point

Note: The "Weighted Approach" refers to the Weighted Approach for credit risk, the Standardised Measurement Approach for market risk and the Basic Indicator Approach for operational risk in accordance with the relevant provisions of the "Capital Rules for Commercial Banks (Provisional)" issued by the former CBRC on 7 June 2012. Same as below.

As at the end of the reporting period, the core Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio of the Company under the Weighted Approach was 9.63%, 10.24% and 11.91% respectively, representing a decrease of 0.46, 0.51 and 0.62 percentage point respectively as compared with the end of the previous year.

The Company

(in millions of RMB, except for percentages)	30 June 2020	31 December 2019	Increase/decrease at the end of the reporting period as compared with the end of the previous year (%)
Capital adequacy ratios under the Weighted Approach			
Net core Tier 1 capital	**489,575**	478,083	2.40
Net Tier 1 capital	**520,821**	509,336	2.25
Net capital	**605,595**	593,418	2.05
Risk-weighted assets	**5,086,416**	4,737,827	7.36
Core Tier 1 capital adequacy ratio	**9.63%**	10.09%	Decreased by 0.46 percentage point
Tier 1 capital adequacy ratio	**10.24%**	10.75%	Decreased by 0.51 percentage point
Capital adequacy ratio	**11.91%**	12.53%	Decreased by 0.62 percentage point

Measurement of credit risk capital

Balance of credit risk exposures

During the reporting period, the credit risk of the Company under the internal ratings-based approach (IRB approach) was classified into six types of risk exposures: sovereign, financial institution, corporate, retail, shareholding and others. As at the end of the reporting period, the balances of various risk exposures are as follows:

		30 June 2020	
(in millions of RMB)	Type of risk exposure	Legal person	Group
Portion covered by the IRB approach	Financial institution	1,527,663	1,527,663
	Corporate	2,010,440	2,010,440
	Retail	3,190,994	3,190,994
	Of which: Residential mortgage exposures	1,192,665	1,192,665
	Qualified revolving retail	1,502,879	1,502,879
	Other retail	495,450	495,450
Portion not covered by the IRB approach	On-balance sheet	2,543,988	2,978,202
	Off-balance sheet	162,039	174,030
	Counterparty	20,624	21,970

Balance of asset securitisation risk exposures

The Group uses the Standardised Measurement Approach to calculate its capital requirements of asset securitisation risk exposures. Risk weight is determined according to the credit ratings of eligible external rating institutions and the type of asset securitisation. As at the end of the reporting period, the capital requirement of asset securitisation risk exposure of the Group was RMB2.210 billion and the risk-weighted assets were RMB27.626 billion. As at the end of the reporting period, the balance of the asset securitisation risk exposures of the Group was as follows.

Item	30 June 2020	
(in millions of RMB)	Traditional	Synthetic
Balance of on-balance sheet asset securitisation risk exposures	13,705	–
Balance of off-balance sheet asset securitisation risk exposures	396	–

Information on credit risk mitigation

The Group generally transfers or lowers credit risk through collaterals and guarantees. As at the end of the reporting period, the risk exposures covered by eligible risk mitigation instruments are as follows.

	30 June 2020			
Type of risk exposure (in millions of RMB)	Eligible financial collaterals	Other eligible collaterals	Eligible guarantees and credit derivative instruments	Others
On-balance sheet credit risk	107,755	126,380	530,522	–
Off-balance sheet credit risk	37,163	13,721	74,721	–
Counterparty credit risk	9,238	–	–	–

Measurement of market risk capital

The Group uses mixed approaches to calculate its market risk capital. Specifically, it uses the Internal Model-based Approach to calculate the general market risk capital of the Company (excluding overseas branches), and uses the Standardised Measurement Approach to calculate the general market risk capital of overseas branches and affiliated companies of the Company as well as the specific market risk capital of the Company and its affiliated companies. As at the end of the reporting period, the market risk-weighted assets of the Group were RMB86.495 billion, and market risk capital requirement was RMB6.920 billion, of which the general market risk capital requirement calculated under the Internal Model-based Approach was RMB3.826 billion, and the market risk capital requirement calculated under the Standardised Measurement Approach was RMB3.094 billion.

The Group's market risk capital under the Internal Model-based Approach was calculated using the market risk value based on 250 days of historical market data, a confidence coefficient of 99% and a holding period of 10 days. The following table sets forth the market risk value indicators of the Group as at the end of the reporting period:

(in millions of RMB) No.	Item	Distressed market risk value during the reporting period	General market risk value during the reporting period
1	Average value	591	300
2	Maximum value	785	474
3	Minimum value	364	140
4	Value at the end of the period	701	433

Measurement of operational risk capital

The Group uses the Standardised Measurement Approach to calculate its operational risk capital requirements. By implementing the Standardised Measurement Approach, the Group preliminarily established a complete operational risk management framework, which enabled us to identify, evaluate, monitor, measure, control and mitigate all kinds of operational risks in a regular and systematic manner, and helped the Group to dynamically control the overall circumstance and the development of operational risks of the Group. Furthermore, the Group enhanced its risk resisting capabilities through adopting control measures and making provision for economic capital. As at the end of the reporting period, the operational risk capital requirement of the Group was RMB35.978 billion and the operational risk weighted assets were RMB449.731 billion.

3.6 Results of Operating Segments

The principal business segments of the Group include retail finance and wholesale finance. The following table summarises the operating results of each business segment of the Group for the periods indicated.

	January to June 2020		January to June 2019	
Items (in millions of RMB)	Profit before tax by business segments	Net operating income	Profit before tax by business segments	Net operating income
Retail finance	33,878	78,765	38,820	75,348
Wholesale finance	26,268	62,709	23,150	56,240
Other businesses	2,692	6,689	2,903	6,750
Total	62,838	148,163	64,873	138,338

During the reporting period, the percentage of profit from retail finance of the Group decreased due to the impact of the pandemic. Profit before tax amounted to RMB33.878 billion, down by 12.73% year-on-year, accounting for 53.91% of the profit before tax of the Group, representing a year-on-year decrease of 5.93 percentage points; net operating income amounted to RMB78.765 billion, up by 4.53% year-on-year, accounting for 53.16% of the net operating income of the Group, representing a year-on-year decrease of 1.31 percentage points. At the same time, the cost-to-income ratio of retail finance business was 29.26%, representing a year-on-year increase of 1.23 percentage points.

For details of the Group's business and geographical segments, please refer to Note 38 to the financial statements.

3.7 Other Financial Disclosures under the Regulatory Requirements

3.7.1 Balance of off-balance sheet items that may have a material effect on the financial position and operating results and the related information

The Group's off-balance sheet items include derivative financial instruments, commitments and contingent liabilities. Commitments and contingent liabilities include credit commitments, operating leasing commitments, capital expenditure commitments, securities underwriting commitments, bonds redemption commitments, pending litigations and disputes and other contingent liabilities. Among which, the credit commitment is the primary component. As at the end of the reporting period, the balance of credit commitments of the Group was RMB1,905.240 billion. For details of the contingent liabilities and commitments, please refer to Note 39 to the financial statements.

3.7.2 Outstanding overdue debts

As at the end of the reporting period, the Group did not have any outstanding overdue debts.

3.8 Implementation of Business Development Strategies

During the reporting period, the Company adhered to the development strategy of "Light-operation Bank" and the strategic positioning of "One Body with Two Wings". While staying current with the pulse of staged development of China's banking industry, focusing on the two main themes of "customers" and "technologies"and with "openness and integration" as the methodology, the Company further advanced the exploration of its digital business model based on the advantages in structure and quality achieved in stage 2.0.

1. Reshape the digital retail finance system under the guidance of the "North Star" Metric MAU.

The first is digital customer acquisition. We used the CMB APP and CMB Life APP as the platforms to explore and build the digital customer acquisition model and secure new growth drivers in customer acquisition through co-branded marketing, linked marketing, scenario marketing, branded advertising marketing, self-media fan marketing and Member Get a Member (MGM) social marketing. As at the end of the reporting period, the aggregate number of users of CMB APP amounted to 129,000,000, with the percentage of debit card customers acquired through digital channel reaching 19.71%; the aggregate number of users of the CMB Life APP amounted to 98,423,700, with the percentage of digital acquisition of credit card customers reaching 62.48%.

The second is digital operation. During the reporting period, despite the impact of the pandemic, the monthly active users (MAU) of the Company's two major APPs, i.e. the CMB APP and CMB Life APP, remained resilient and amounted to 98,915,000, representing a slight decrease of 2.81% compared with the end of the previous year, which made these two APPs our major platforms for customer service. Firstly, we focused on key scenarios and further expanded the boundary of service. During the reporting period, the CMB APP and the CMB Life APP had over 10 million MAUs engaging in 15 scenarios; the use rates of the financial scenario and non-financial scenario[1] of the CMB APP were 85.11% and 58.52%, respectively, and the use rates of the financial scenario and non-financial scenario of the CMB Life APP were 76.74% and 72.70%, respectively. As at the end of the reporting period, 73 cities were covered by provident fund service, social security query is available in 56 cities, non-tax payment service is provided in 74 cities and 6,700,000 electronic social security cards were issued. During the reporting period, the MAUs of public services scenario reached 3,900,300, representing a year-on-year increase of 875.24%; and MAUs of utilities fees payment scenario reached 3,159,700, representing a year-on-year increase of 22.17%. Meanwhile, we continuously strengthened the online interaction with our customers. During the reporting period, the number of logins to the CMB APP was 3.111 billion, with a monthly average logins of 11.31. As at the end of the reporting period, 44 of our branches have launched the City Zones (城市專區). The coverage rate of bus and subway rides and transportation card top-up in the cities where such branches are located reached 71%, 56% and 53%, respectively, and 1,544 of our outlets have launched their online stores. Secondly, we further enhanced the efficiency of financial services based on digital operations. During the reporting period, the wealth management transaction via the CMB APP amounted to RMB4.70 trillion, up by 20.20% year-on-year, and accounted for 78.41% of the Bank's wealth management transaction. Wealth management customers using CMB APP amounted to 6,656,200, up by 29.49% year-on-year, and accounted for 93.17% of the Bank's total number of wealth management customers. With a proactive emphasis on exploring effective methods, the Bank focused on serving its retail customers through online and centralised models, covering 4,841,600 Golden Card Holder customers and Sunflower customers and 105,000,000 basic customers. Thirdly, we promoted the improvement of customer service experience by optimising and upgrading the "Wind Chime System", our retail customer experience monitoring system, to version 2.0, which connected 20 internal systems, monitored 1,268 customer experience indicators, and empowered the transformation of customer experience management from "Reactive" to "Proactive". By adopting the "Terminal-to-Terminal Customer Journey Methodology (端到端客戶旅程方法論)", we continuously promoted the improvement of experience of key customer journeys, including digital customer acquisition journey on retail customers, payroll service journey, wealth management product delivery journey and auto installment journey.

The third is digital risk control. We have been continuously strengthening and expanding our intelligent risk control platform known as the "Libra System", with its scope of counterfeit detection covering all online and offline transaction channels, and further optimised reminding and interception of telecom frauds. During the reporting period, the "Libra System" was able to intercept a suspected fraudulent transaction within 30 milliseconds, reducing the ratio of counterfeit and misappropriation by non-cardholders to 5/10,000,000. It intercepted 27,900 telecom fraud transactions with an amount of RMB493 million, adequately safeguarding the capital of our customers.

---

[1] Financial scenario usage = financial scenario de-duplicated MAU/total MAU, non-financial scenario usage = non-financial scenario de-duplicated MAU/total MAU. The same user may use two types of scenarios at the same time. Therefore, the sum of the use rate of the two types of scenarios is greater than 100%.

2. Reshape the wholesale business specialised service system.

First, we continuously improved the industrial specialised management system. We deepened the understanding of regional markets, advantageous industries and high-quality customers, and accelerated the paces of industrial specialised management of strategic customers, weakness elimination of value customer management and the improvement of quality and efficiency of basic customers. We made classification service stronger, captured the business opportunities in high-quality state-owned enterprises, listing companies and new growth-driving customers, and formulated marketing strategies for key customer base, so as to fully improve the customer service experience in terms of credit strategy, product strategy, service strategy, and resource allocation.

Second, we strengthened our professional service capabilities through digital transformation. Firstly, we strengthened the construction of the digital operation platform. We relied on the CMB Corporate APP to build an open all-scenario mobile service platform for corporate users. As at the end of the reporting period, the number of CMB Corporate APP customers amounted to 1,164,500, representing an increase of 16.36% compared with the end of the previous year, with 450,600 MAUs, representing an increase of 5.65% compared with the end of the previous year, and the coverage rate of CMB Corporate APP reached 53.35%, representing an increase of 5.65 percentage points compared with the end of the previous year. We built a unified platform for corporate customers, exploring ways to support the transformation of business models with standardised and modularised services, while promptly responding to customers' needs. We accelerated the iterative development of customer relationship management (CRM), took the CRM system as a carrier to consolidate middle office capabilities, and formed five core functions of customer information center, information and case center, business processing center, marketing support center and team building center, which connected various scenarios. CRM4.0 system, which is an intelligent marketing platform and a digital processing platform based on the business system, is a critical platform for the Company's corporate financial business model transformation, and a platform for the customer service system and the customer management system. Secondly, we achieved the online migration of the wholesale financial products. The online migration of the high-frequency businesses was accelerated and nine of the top ten high-frequency businesses have been migrated online and continued to be optimised and promoted. By supporting the verification of willingness of enterprises to open accounts and remote contract witnessing, the video cloud chain platform served 971 corporate customers. During the reporting period, the business volume of online bill discounting amounted to RMB157.112 billion, representing a year-on-year increase of 18.08%, with 9,570 online bill discounting customers, representing a year-on-year increase of 11.77%. Among them, small-, medium- and micro-sized enterprise customers accounted for 92%, indicating a continuous improvement in our digital inclusive financial service capability. Thirdly, we enhanced our digital risk control capabilities. We integrated the internal and external data to build customer-related knowledge graph, while strengthening its risk analysis capabilities for specific scenarios, and establishing the risk characteristic models which included various scenarios. We also built an intelligent pre-warning system based on the machine learning algorithm for corporate customers. As at the end of the reporting period, the accuracy ratio of pre-warnings on the corporate customers with potential risks reached 75.60%. In terms of pre-warning of default risk associated with credit bond, three models including corporate bond model, financial bond model and industrial bond sub-model were established, which covered 58% of the issuers whose bonds were held by the Company during the reporting period, and the ratio of accurate pre-warning is above 85%. We launched the"on-line risk control platform", and further improved the efficiency of online processing of approval in the business systems of "Instant Issuance of Letter of Guarantee (保函閃電開)" and "Tuishui Kuaidai (退稅快貸)", among which the time required for processing a single order of "immediate issuance of letters of guarantee" was shortened from about 5 working days to 0.5 day or less, significantly improving the efficiency of business processing operations. Fourthly, we established a corporate customer experience monitoring system, accessing to 21 systems across the Bank, monitoring 210 customer experience indicators. Through normalised, systematic and automated monitoring, we can readily understand the opinions of corporate customers, quantify customer experience, and guide the interactive upgrade for our products and services.

3. Deepen the openness and integration of "One Body with Two Wings" and build a circular value chain.

We built a circular value chain of "Wealth Management-Asset Management-Investment Bank" by connecting companies and retail customers through asset management and investment banking. As at the end of the reporting period, the total size of the wealth management products managed by CMB Wealth Management amounted to RMB2.38 trillion, of which the size of the new product that was in compliance with the provision of the New Regulation on Asset Management exceeded RMB1 trillion. The balance of the total assets of our retail customers (AUM) managed by the Company has exceeded RMB8 trillion, representing an increase of 10.26% as compared with the end of the previous year. The scale of custody mutual fund of the Company exceeded RMB1 trillion for the first time, representing an increase of 25.02% as compared with the end of the previous year. By leveraging the advantages of the linked operation between asset allocation and product sales through investment banking business, during the reporting period, the Company realised the sales of corporate wealth management products of RMB1,299.338 billion, representing a year-on-year increase of 16.93%.

We further promoted the across-business-line integration and unblocked the "B2B2C" ecological chain. We unblocked the industry chain from three aspects, i.e. digital operation of the account and payment system, digital financing, and output of Fintech capability. During the reporting period, the comprehensive settlement solution "Cloud Bill" has served 2,191 corporate customers, with a transaction volume of RMB126.500 billion, representing a year-on-year increase of 94.17%; the aggregated collection business focused on the four major scenarios, i.e. insurance, medicine, education and fast consumption. The number of transactions reached 270 million with a total volume of RMB74.226 billion, representing a year-on-year increase of 21.63%. The number of monthly active projects on Cross-bank Solution for Cash Management (CBS) amounted to 1,185 and the number of companies served reached 84,255, and we consistently provided CBS+ share incentives, CBS+ special bonds and other featured designs according to customer needs. "1+N" supply chain business accomplished breakthroughs, with core customers growing by 75.40%, customer base of upstream and downstream supply chains expanded from core customers increasing by 91.90%, and supply chain financing amounting to RMB176.275 billion, representing a year-on-year increase of 44.63%. We launched the jointly-operated B2C disbursement program, embarking on three major working directions of management integration, team integration and resource integration and improved the strategic positioning of disbursement business, so as to form a market-oriented synergy and promote the overall improvement of joint operation across the Bank. During the reporting period, new effective retail customers of disbursement business as strategic customers of the Head Office increased by 26% year-on-year.

4. Deepen the openness and integration of technologies and construct a future-oriented Fintech base.

The first is to maintain sustainable and stable technology investments. During the reporting period, the information technology expenses of the Company amounted to RMB3.922 billion, representing a year-on-year increase of 7.95%, and the ratio of the information technology expenses to the Company's net operating income was 2.87%. As at the end of the reporting period, the Bank declared a total of 2,451 Fintech innovation projects, with 1,733 projects approved, of which 1,098 projects have been launched and put in use, covering such areas as retail, wholesale, risk, technology and organisational culture transformation, which provided a solid support for exploring the digital business model.

The second is to accelerate the transformation of the system architecture, aiming to create an open IT architecture. We established a large-scale digital infrastructure based on Cloud computing technology, promoted the Cloud Native construction that may facilitate the rapid construction, expansion, openness and iteration of systems and applications, and supported the cloud adoption of new applications of Head Office and branches. As at the end of the reporting period, the Company had 4,015 Cloud Native servers, representing an increase of 100% as compared with the end of the previous year. The storage capacity of Cloud Native reached 29.18PB, representing an increase of 92% as compared with the end of the previous year. The number of Cloud Native containers reached 69,080, representing an increase of 121% as compared with the end of the previous year. The Company improved and developed the open license chain and Blockchain as a Service (BaaS) platform, and conducted a consistent exploration in terms of the application of blockchain and business integration in scenarios such as supply chain finance and clearance and distribution of merchants' funds.

The third is to enhance technology middle-office and data middle-office construction to strengthen the application of Fintech in middle-office and back-office scenarios. We opened Application Programming Interface (API) to our partners and built the "Open API Platform" for the Bank's unified external services to support secure and fast output of APIs, serve different scenarios such as financial payment, AI, intelligent parking, and intelligent medical care, realising the collection and analysis of API operational data. We promoted connection between corporate customer system and retail customer system by unlocking our internal system and data and turning functional modules into micro-based services and products. The Company upgraded its Big Data Cloud platform to increase the overall capacity of the data lake to 11.22PB, with the data in the lake increasing by 22.41% as compared with the end of the previous year. During the reporting period, the Company launched the Bank's unified data portal of "Zhao Shu" (招數) and established business intelligence platform (BIX) and artificial intelligence platform (AIX) to empower our business by enhancing the convenience and ease of data application. AI technology focused on the promotion of customer service cloud, public opinion cloud and visual cloud construction, and has been applied to over 100 scenarios in the fields of products, marketing, risk control, operation and investment consulting. Among them, the ratio of accurate recognition in the automatic response of intelligent customer service reached 96.7%, and the ratio of OCR's accurate recognition of typewritten text reached 95%. Fintech such as RPA (Robotic Process Automation), OCR, and NLP (Natural Language Processing) has been applied to 24 middle-office and back-office scenarios focusing on verification, entry, and consulting. During the reporting period, the number of alternative businesses reached 11.64 million.

5. Promote the openness and integration of organisations and culture by focusing on removing inherent barriers, empowering frontlines and reducing burden on grassroots.

First, we created an open organisation by establishing integrated task-oriented teams and deepening internal organisation integration. During the reporting period, more than 60% of the workforce in our technology team has teamed up with the business department to form across-business-line and cross-functional integrated teams. We also strengthened talent flows and encouraged cadres to accumulate experiences in different positions, through which we established a multi-level and three-dimensional communication mechanism with connection on grassroots and inherent integration.

Second, we fostered light-operation culture and consolidated the underlying foundation of openness and integration. Relying on the "Egg Shell (蛋殼)" platform of our internal forum, we continued to build a desirable culture and atmosphere of "openness, integration, equality and inclusiveness". Egg Shell (蛋殼) has become an important platform for the Company's internal staff to communicate and put forward suggestions to the Company. Through the special action of "Removing Inherent Barriers, Empowering Frontlines and Alleviating Burden on Grassroots (打破豎井、賦能減負)", we rectified the defect of "large-sized enterprises", removed systematic and business barriers, said no to formalism, and empowered frontline employees and alleviated burden on them. We refined the corporate culture into a code of action, continued to promote the "Simple Work Style" proposal, and guided all members to "Do the Right Thing" to form a cultural consensus. Furthermore, we carried out diversified and content-rich cultural construction activities to promote the formation of "light-operation culture".

3.9 Changes in External Environment and Corresponding Measures

3.9.1 Impacts of changes in operating environment and key business concerns

1. Net interest margin

In the first half of 2020, the net interest margin of the Company was 2.57%, representing a decrease of 20 basis points year-on-year and a decrease of 8 basis points as compared with the overall level of the previous year respectively. The year-on-year decrease was mainly due to the reasons as follows: firstly, under the guidance of flexible and moderate monetary policy, market interest rates declined rapidly, the Loan Prime Rate (LPR) lowered from time to time, the interest rates of newly granted loans dropped significantly, and the yields of bill financing, bond investment and financial institutions asset reduced substantially; secondly, affected by the pandemic, the progress of granting of high-yield retail loans significantly slowed down, resulting in a decline in the proportion of high-yield assets; thirdly, during the period of market interest rates cut, the Company actively adjusted its asset allocation strategy and increased the allocation of investments at fair value through profit or loss, which led to the growth of the operating income of the whole bank. However, pursuant to the prevailing accountant standards, income from such investments shall be attributable to non-interest income and its source of funding is mainly from interest-bearing liabilities. Accordingly, the level of net interest margin was reduced in a certain extent.

Looking forward into the second half of the year, the Company's net interest margin will remain stable. On the one hand, currently, due to the lingering impact of the pandemic, and economic growth at home and abroad can hardly be optimistic. In order to support the recovery of the real economy, the Loan Prime Rate (LPR) may be further reduced, driving loan pricing under considerable downward pressure; on the other hand, benefiting from the significant growth in low-cost deposits and enhanced control over the volume and price of high-cost deposits such as structured deposits and large-denomination certificates of deposit, the Company expects that the cost ratio of deposits will be further downside, which can, to a certain extent, make up for the gap caused by the decrease in the return on assets.

Looking forward into the whole year, the net interest margin of the Company is expected to be lower than the overall level of the previous year, but the Company will strive to achieve the net interest margin higher than that of the fourth quarter of the previous year. The Company will adopt the following measures to proactively maintain the net interest margin at a higher level in the industry: firstly, the Company will continue to enhance its research and judgment in the macro economy and policies, reinforce the forward-looking evaluation and flexible management of assets and liabilities and constantly optimise the asset-liability structure; secondly, the Company will continue to promote low-cost deposits to grow steadily, intensify the volume and price control of high-cost deposits such as structured deposits and large-denomination certificates of deposit, continue to optimise the deposit structure and guide deposit cost downward; thirdly, the Company will vigorously push forward the restorative growth of high-yield retail loans while keeping risks under control and continue to increase the percentage of high-yield assets.

2. Net non-interest income

During the reporting period, the Company realised net non-interest income of RMB48.898 billion, representing a year-on-year increase of 9.24%, which accounted for 35.74% of the net operating income of the Company, up by 1.13 percentage points year-on-year. The operation based on the net non-interest income achieved remarkable results. The growth in net non-interest income was mainly explained by the followings: firstly, in light of the expansion of customer base while seizing opportunities arising from the external market, income from entrusted wealth management services, agency distribution of funds and other businesses recorded a rapid growth; secondly, with the steady improvement of wholesale customer service capabilities, asset allocation capabilities and trading capabilities, income from transaction banking, investment banking, financial market and bills sell-off increased positively; thirdly, through internal integration and coordinated operation, the custody and asset management business structure was optimised, and income from related intermediary businesses also achieved a rapid growth.

During the reporting period, the Company recorded fee and commission income of RMB42.877 billion, representing a year-on-year increase of 9.36%. For key projects, the Company's fee and commission income from wealth management amounted to RMB18.320 billion, representing a year-on-year increase of 46.03% (of which: income from entrusted wealth management services amounted to RMB5.651 billion, up by 122.48% year-on-year, which was mainly driven by the growth in the scale of wealth management products and lower income base due to transformation of assess management during the corresponding period of the previous year; income from agency distribution of funds amounted to RMB4.808 billion, up by 105.03% year-on-year, which was mainly due to the significant growth in the sales of stock-leaning fund driven by capturing the opportunities arising from the capital market; income from agency distribution of insurance policies amounted to RMB4.059 billion, down by 0.42% year-on-year, which was mainly because that the offline insurance sales was affected greatly by the pandemic; income from agency distribution of trust schemes amounted to RMB3.656 billion, up by 3.51% year-on-year; and income from agency distribution of precious metals amounted to RMB146 million, up by 180.77% year-on-year). Income from bank card fees amounted to RMB9.379 billion, down by 2.33% year-on-year, while income from settlement and clearing fees amounted to RMB6.338 billion, down by 3.37% year-on-year, both of which were mainly due to the negative impact to consumption brought by the pandemic; custodian fee income amounted to RMB2.179 billion, up by 13.90% year-on-year, which was mainly due to the increase in custodian scale and constant optimisation of business structure.

Looking forward into the second half of the year, the net non-interest income of the Company is expected to maintain a steady growth. On the one hand, against the background that the net non-interest income has been impacted directly by the pandemic, the Company will accelerate the development of online business capabilities, continue to promote the growth of customer base, seize opportunities from external market such as consumption rebound and capital markets, and accomplish the restorative growth of payment and settlement for retail business and consolidate the leading edge of retail wealth management business. On the other hand, the Company will speed up promoting the online transformation of corporate products by setting up a systematic business model for wholesale customers, products, and risk management. At the same time, the Company will constantly push forward the operation of integrating investment banking and commercial banking, explore the income generation supported by financial services in the full life cycle of enterprises and realise the continuous growth of trading banking, investment banking and asset management business at a steady pace.

3. Deposits from customers

In the first half of 2020, the Company's deposits from customers showed a trend of high-quality growth. As at the end of the reporting period, the Company's balance of deposits from customers was RMB5,195.204 billion, representing an increase of RMB564.516 billion or 12.19% as compared with the end of the previous year. Among them, the balance of demand deposits was RMB3,257.057 billion, representing an increase of RMB472.528 billion as compared with the end of the previous year, and accounting for 62.69% of total deposits from customers, up by 2.56 percentage points as compared with the end of the previous year; the balance of structured deposits was RMB495.137 billion, representing a decrease of RMB20.764 billion or 4.02% as compared with the end of the previous year. The rapid growth of deposits from customers and structural optimisation was due to, on the one hand, benefiting from the rebound in M2 growth in the first half of the year, a favourable external environment for the growth of deposits from customers; on the other hand, the Company made efforts to expand customer base since the beginning of this year, while implementing deposit classification management and driving the growth of low-cost deposits through optimisation of assessment rules, and flexibly controlling the scale and price of high-cost deposits such as structured deposits and large-denomination certificates of deposit to promote the continuous structural optimisation of deposits from customers.

Looking forward into the second half of the year, the monetary policy may be tightened marginally and the growth of M2 may fall, coupled with the impact of capital market diversion and other factors, the growth of deposits from customers may slow down as compared with the first half of the year. Meanwhile, the competition for deposits in commercial banks will remain fierce and the cost of deposits from customers will be still rigid. Therefore, deposits from customer will face pressure from both growth in scale and cost control. To cope with the above challenges, the Company intends to start from the following aspects: firstly, the Company will continue to promote the growth of low-cost deposits, and constantly optimise the liability structure; secondly, the Company will continuously increase the share of settlement-based deposits through payroll service, withholding tax, cash management and other products, while enhancing customer stickiness and driving the growth of low-cost deposits; thirdly, the Company will continue to strengthen the volume and price control of high-cost deposits such as structured deposits and large-denomination certificates of deposit, and guide the cost of deposits from customers downward.

4. Transformation of corporate customer services

With the advancement of the transformation toward "Light-operation Bank", in the course of serving corporate customers, the Company fully recognises the limitation of credit support, and is actively thinking about how to effectively amplify the support for corporate customers under limited credit resources. For this purpose, the Company achieved a breakthrough in the operational perspective of traditional commercial banks. Based on the increase of total amount of credit facilities granted to customers, starting from multiple dimensions such as direct investment in equity interest, wealth management funds, proprietary investment, bill financing, bond underwriting and others, the Company provided corporate customers with a three-dimensional, comprehensive and multi-level financing support, facilitated the development of the real economy featuring the service concept of integrating investment banking and commercial banking, accelerated the transformation of services for corporate customers, and made a number of achievements.

As at the end of the reporting period, the Company's balance of aggregate financing products to customers (FPA) was RMB4,196.313 billion, representing an increase of RMB507.394 billion over the beginning of the year, among which, the balance of traditional financing[2] was RMB2,271.794 billion, representing an increase of RMB237.386 billion over the beginning of the year; the balance of non-traditional financing[3] was RMB1,924.519 billion, representing an increase of RMB270.008 billion over the beginning of the year. The balance of non-traditional financing accounted for 45.86% of the balance of aggregate financing to customers. The Company participated in providing equity financing services for enterprises with new growth engines, such as Contemporary Amperex Technology Ltd.(CATL) and Cambrian, and was superior in the differentiated competitive advantage based on professional judgments to the industry and accurate grasp of customer needs. By expanding cooperation to the entire industry chain, with the evolvement from supporting a core enterprise to supporting the entire industrial chain, the Company explored a series of cooperation models and successful experiences that support the integrated operation of advanced manufacturing, which in turn facilitated the industrial chain to grow faster. The Company continued to focus on innovative growth-oriented high-tech small- and medium-sized enterprises by promoting its Qian Ying Zhan Yi (千鷹展翼) plan and provided comprehensive financial services covering the full growth cycle and the entire value chain. The Company, capitalising on the advantages of the integrated management of bill business, provided various enterprises with non-stop service scheme in respect of bill settlement, financing, management and others covering the full life cycle of bills to optimise corporate bill financing channels, activate the bill supply chain ecology, and help revitalise corporate capital needs. Focusing on corporate direct financing, the Company helped enterprises obtain bond financing support at a lower cost, which enabled the Company to rank the first among the lead underwriters of banks in the non-policy financial bonds market, and the second among the banks and financial institutions as the lead underwriter in terms of the amount of corporate credit bonds underwritten in the first half of the year. Centering around the capital market, the Company offered substantive support to the development of the real economy by effecting a number of major mergers and acquisitions including Beijing-Shanghai high-speed rail project, privatisation of GLP-Li & Fung and China Resources Asset making offer to Chongqing Gas under the background where the number of transactions in the M&A market in China has dropped significantly and high-quality projects were scarce in 2020.

At present, the openness of the capital market is enhanced, and innovations are emerging one after another, therefore the direct financing channels for high-quality customers are becoming increasingly smooth. Making efforts to enhance the services characterised by integrating investment banking and commercial banking is an inevitable way for the Company's wholesale business forging stronger capabilities to serve core customers, deal with financing disintermediation and open up sources of profit growth in a low interest rate environment. In the future, the Company will continue to establish systems and mechanisms adapting to requirements of services characterised by the integrating investment banking and commercial banking so as to continuously improve customer service experience.

2 Traditional financing comprises of general corporate loans and commercial bills discounting (including transfer-out of outstanding bills), acceptance, letters of credit, financial guarantees and non-financial guarantees.

3 The eight compositions of non-traditional financing include: asset operation, proprietary non-standardised corporate investments, financing wealth management, debt financing instruments with the Company as the lead underwriter, matching transactions, financial leasing, cross-border coordination financing and leading syndicated loans.

5. Investment of loans

In the first half of 2020, the Company adopted a dynamic and flexible credit management strategy to support various investment of loans. Due to the pandemic, the Company's retail credit business was impacted significantly. As at the end of the reporting period, the balance of the Company's retail loans increased by 5.02% over the end of the previous year, and the year-on-year growth rate slowed down. In terms of corporate loans, due to the higher proportion of the large corporate customers of the Company, the impact to the Company's credit business was relatively limited in the first half of the year. As at the end of the reporting period, the balance of the Company's corporate loans increased by 9.67% over the end of the previous year, and the year-on-year growth rate increased.

During the reporting period, the Company enhanced its sense of social responsibilities, increased its credit support to the real economy, especially to inclusive corporate small-finance loans, and endeavored to reduce corporate financing costs. During the reporting period, the Company newly granted inclusive corporate small-finance loans[4] of RMB278.921 billion, representing a year-on-year increase of 12.99%. The newly granted inclusive corporate small-finance loans had an interest rate of 4.62%, representing a year-on-year decrease of 68 basis points. As at the end of the reporting period, the balance of the Company's inclusive corporate small-finance loans was RMB486.915 billion, representing an increase of 7.41% over the end of the previous year. It is expected that by the end of 2020, the increment and growth rate of the Company's inclusive corporate small-finance loans can meet the assessment requirements of regulatory authorities, therefore, the Company will continue to enjoy preferential policies such as the reduction or exemption of some value-added taxes and lower deposit reserve ratios for micro-finance loan business.

During the reporting period, the Company thoroughly implemented the decisions and arrangements of Central Committee of CPC and the State Council on the overall promotion of the prevention and control of the COVID-19 pandemic and economic and social development, earnestly carried out the policy for periodic deferment of repayment of the principal and interest, showed concern on the companies facing difficulties temporarily but still have promising prospects, and took the initiative to help the customers who were actually affected by the pandemic mitigate repayment pressure. During the reporting period, the total loans granted to the customers who applied for deferment of repayment of the principal and interest in the Company were RMB133.211 billion. With the alleviation of the pandemic, production and operation of enterprises gradually recovered, and normal repayment has been initiated. As at the end of the reporting period, the balance of loans granted to the customers who were still at deferment of repayment of the principal and interest was RMB69.532 billion. Given that the policy for deferment of repayment of the principal and interest can be extended up to 31 March 2021, the exposure of risks associated with individual customers will not be ruled out upon expiry of such policy. The Company will continue to dynamically monitor the customers who applied for the deferment of repayment of the principal and interest, and strive to maintain sound risk management and control.

In the second half of the year, the Company will maintain a steady pace of investment of credit assets and constantly optimise the loan structure, so as to ensure the overall stable operation of loan business. In terms of retail loans, with the gradual resumption of work and production of enterprises and individuals in the second quarter, retail loan business generally recovered. In the second half of the year, it is expected that the demand for residential mortgage loans and small and micro-finance loans will further recover. The overall operation of credit card loan business will stabilise gradually and granting of retail loans may speed up. In terms of corporate loans, affected by the continued low terminal interest rates, the corporate customers' intention for direct financing increased, and demand for effective credit facilities declined. The growth rate of corporate loans may slow down over the first half of the year.

4 Refers to the small- and micro-sized enterprise loans + private industrial and commercial business operating loans + small- and micro-sized enterprise operating loans with a single-account credit limit of RMB10 million, according to the appraisal calibre of "increase in both total loans and number of loan customers, and control of both loan quality and overall costs" of CBIRC, which is the full-scale RMB domestic calibre, including bill financing.

6. Asset management business

Under the "coexistence of three periods" consisting of transition period of New Regulation on Asset Management, start-up period of CMB Wealth Management and aftershock period of pandemic, the asset management business of the Company faced new challenges. Meanwhile, the New Regulation on Asset Management and supporting documents thereof issued by the regulatory authority pointed a direction for the healthy development of asset management industry. The long-term trend featuring the increase of wealth of residents and the proportion of direct financing is conducive to further expanding the development of the industry. In general, despite numerous new challenges, the Company is still confident of achieving a smooth transformation and steady development of its asset management business.

From May to June 2020, the domestic bond market underwent a relatively drastic adjustment. Wealth management products and mutual bond funds that use the market value method for valuation and mainly invest in bonds encountered a drawdown of net-value at various degrees, and certain wealth management products under management by CMB Wealth Management also suffered from such impact, which was a new situation in front of net-value wealth management products after the release of New Regulation on Asset Management. In response, CMB Wealth Management addressed quickly by reducing the duration and leverage of relevant products and hedging risks with treasury bonds and futures and other instruments to ease market volatility. With respect to the products that were just developed or will be launched, the cycle of opening positions shall be lengthened, and other assets shall be replenished first, pending the stabilising sentiment of the bond market and opportunity of pullback. At the same time, CMB Wealth Management actively replied the concerns of customers, cultivated the concept of matching investment risks and returns, conveyed the idea of appropriately taking risks arising from fluctuations in order to obtain long-term returns, and reasonably guided the expectation for net-value products.

On 3 July 2020, the PBOC and other authorities jointly issued the Rules for the Identification of Standardised Debt Assets (《標準化債權類資產認定規則》), pursuant to which the scale of CMB Wealth Management's non-standardised assets increased as compared with the previous periods, however, most of the newly confirmed non-standardised assets will expire by the end of 2021, which will have limited impact on the asset side of CMB Wealth Management.

On 31 July 2020, the PBOC issued an announcement in which specified that the transition period of New Regulation on Asset Management would be extended to the end of 2021 and announced that supporting policy arrangements and implementation measures would be extended as well. The Company firmly supported such arrangement and believed that such arrangement which effectively hedged the risks arising from the pandemic and economy downturn and provided assurance of financing availability to the real economy was beneficial to the transformation of asset management business in a compliant manner and would help asset management business develop steadily and achieve long-term success. At the next stage, the Company will continue to be alarming and progressive to fully understand and make good use of relevant supporting policies, and thus make reasonable adjustments to its rectification plan. Meanwhile, the Company will continue to lead and promote the transformation and upgrade of asset management business and increase its support to the real economy under the guideline of New Regulation on Asset Management.

With CMB Wealth Management's business development mode becoming clearer, CMB Wealth Management will continue to resolutely promote transformation of its business through increasing the proportion of new products and duly decreasing the scale of old products, so as to build a comprehensive asset management company step by step.

For other details of the asset management business, please refer to 3.10.2 "Asset management business" in this chapter.

7. The formation and disposal of non-performing assets

During the reporting period, the Company recorded new non-performing loans formed of RMB27.932 billion, representing a year-on-year increase of RMB4.873 billion, with a formation ratio (annualised) of non-performing loans of 1.29%, up by 0.09 percentage point year-on-year. Benefiting from the constant optimisation of customer structure by the Company, the formation amounts of non-performing corporate loans amounted to RMB7.949 billion, representing a year-on-year decrease of RMB3.725 billion. The current environment brought by the global pandemic remains severe, the impact of which on operational efficiency of businesses will last for a prolonged period of time, and the risk performance of corporate business is lagging behind. Therefore, it is expected that the pressure on corporate business risks will consequentially intensify, and the impact of the pandemic on some industries may be lasting for an extensive period of time is not ruled out. The retail business is more directly and substantially affected by the pandemic, and the risk of credit cards is surging due to the combined impact of the pandemic and "joint-debt" risk, with new non-performing loans formed of RMB15.898 billion, representing a year-on-year increase of RMB7.572 billion. Other retail loans have also experienced a periodical increase in risk, with new non-performing loans formed of RMB4.085 billion, representing a year-on-year increase of RMB1.026 billion. The impact of the pandemic is progressing to the point where individual customers' repayment capability has shrank, leading to the increase in probability of default. Therefore, it is expected that the quality of retail loan assets will be exposed to constant pressure.

From the regional perspective, the formation amounts and formation ratios of non-performing loans in the Head Office, Central China, Bohai Rim and overseas regions increased year-on-year, while those in other regions fell. From the industrial perspective, the formation amounts and formation ratios of non-performing loans in industries such as wholesale and retail, mining, accommodation and catering have increased year-on-year. From the perspective of customer base, the formation amounts and formation ratios of non-performing loans to the large and medium-sized enterprises decreased year-on-year, while those to the small-sized enterprises basically stayed flat compared with those of the corresponding period of the previous year.

The Company has always adhered to prudent and stable customer selection and asset allocation, spurred by its sufficient risk compensation and strong capabilities in the resistance of risks. As at the end of June 2020, the balance of allowances for impairment losses on loans of the Company amounted to RMB237.632 billion, representing an increase of RMB20.689 billion as compared with the end of the previous year. The non-performing loan allowance coverage ratio was 444.90%, representing an increase of 14.88 percentage points as compared with the end of the previous year; the loan allowance ratio was 5.27%, representing an increase of 0.08 percentage point as compared with the end of the previous year; the credit cost ratio (annualised) was 1.66%, representing a year-on-year increase of 0.16 percentage point.

During the reporting period, the Company continued to step up its efforts in strengthening the disposal of non-performing loans, taking various approaches to reduce and dispose of risk assets. During the reporting period, the Company disposed of non-performing loans amounting to RMB25.191 billion, of which RMB15.069 billion was written off in a normal way, RMB4.201 billion was recovered by collection, RMB5.143 billion was securitised as non-performing assets, and RMB778 million was disposed of by repossession, assignment, restructuring, upward migration, remission and other means.

In addition, since the reactivation of the pilot project of debt-to-equity conversion in 2016, in accordance with the "Guidelines on Marketisation of Debt-to-equity Conversion of Banks" issued by the State Council, the Company advanced the market-oriented debt-to-equity conversion, carefully selected qualified debt-to-equity conversion subjects, reasonably formulated debt-to-equity conversion plans, and actively and steadily promoted the implementation of the debt-to-equity conversion projects.

The current external environment remains severe and complex, which is increasingly shrouded in unstability and uncertainty. The issues and challenges afflicting the economic operation are characterised by their medium- and long-term existence. The Company's asset quality management is expected to remain challenging. In the second half of 2020, on the one hand, the Company will plan ahead for the subsequent significant increase in risk associated with the banking business, with an emphasis on full exposure of risks. On the other hand, it will optimise the credit access standards, reinforce full life cycle process management such as risk pre-warning, effectively dispose of non-performing assets, improve the industry awareness, adjust customer and business structures, strengthen technology empowerment, and strive to maintain relatively stable asset quality.

8. Asset quality in key areas

With the combined effect of slowdown in macro economic growth and the COVID-19 pandemic, the Company is facing the pressure caused by the declined asset quality.

The following table set forth the quality of loans and advances to customers of the Company by product types as at the dates indicated.

	30 June 2020						
(in millions of RMB, except for percentages)	Balance of loans and advances	Balance of non-performing loans	Non-performing loan ratio (%)	Balance of special mention loans	Percentage of special mention loans (%)	Balance of overdue loans	Percentage of overdue loans (%)
Corporate loans	1,781,383	33,241	1.87	17,295	0.97	30,183	1.69
Discounted bills	280,704	–	–	1	–	–	–
Retail loans	2,444,715	20,172	0.83	27,816	1.14	33,582	1.37
Micro-finance loans	445,109	2,745	0.62	1,998	0.45	3,584	0.81
Residential mortgage loans	1,189,699	3,005	0.25	2,280	0.19	4,223	0.35
Credit card loans	652,197	12,061	1.85	22,607	3.47	22,842	3.50
Consumption loans	131,005	1,880	1.44	776	0.59	2,358	1.80
Others(note)	26,705	481	1.80	155	0.58	575	2.15
Total loans and advances to customers	4,506,802	53,413	1.19	45,112	1.00	63,765	1.41

	31 December 2019						
(in millions of RMB, except for percentages)	Balance of loans and advances	Balance of non-performing loans	Non-performing loan ratio (%)	Balance of special mention loans	Percentage of special mention loans (%)	Balance of overdue loans	Percentage of overdue loans (%)
Corporate loans	1,624,314	33,377	2.05	21,298	1.31	33,036	2.03
Discounted bills	224,884	19	0.01	544	0.24	–	–
Retail loans	2,327,955	17,054	0.73	27,457	1.18	27,890	1.20
Micro-finance loans	405,149	3,284	0.81	1,326	0.33	3,436	0.85
Residential mortgage loans	1,098,547	2,747	0.25	1,305	0.12	3,667	0.33
Credit card loans	670,921	9,032	1.35	24,147	3.60	18,342	2.73
Consumption loans	123,691	1,461	1.18	552	0.45	1,855	1.50
Others(note)	29,647	530	1.79	127	0.43	590	1.99
Total loans and advances to customers	4,177,153	50,450	1.21	49,299	1.18	60,926	1.46

Note: The "Others" category consists primarily of commercial housing loans, automobile loans, house decoration loans, education loans and other personal loans secured by monetary assets.

In response to changes in external macro economic situation, the Company proactively strengthened the control of its risks associated with consumer credit business, real estate industry, local government financing platforms, the industries from which our loans should be reduced and withdrawn from and other key areas.

Risk management and control for consumer credit business

In the first half of 2020, consumer credit business was affected head-on by the pandemic, and asset quality confronted with significant challenges. Adhering to a prudent risk appetite and a stable risk strategy, and based on the management and control model of "classified operation and unified management", the Company comprehensively adopted various risk control measures, aiming to constantly optimise the customer groups and asset structure, proactively advanced the construction of Fintech risk control, and used risk control models to develop differentiated access strategies and post-loan pre-warning and investigation strategies. In face of the impact of the pandemic, the Company promptly responded to the national call and requirement of deferred repayments for principal and interest, made differentiated arrangements for customers afflicted by the pandemic, closely monitored changes in risk trends, and expanded collection resources, enhanced post-loan collection, and increased its efforts in disposal of non-performing assets by way of the securitisation and writing-off. Impacted by the pandemic, overdue cases arising from credit card business increased significantly in the first quarter. Some of uncollectable loans were degraded to non-performing loans, resulting in the increase of formation of non-performing loans associated with credit cards in the second quarter. The risk associated with personal consumption loans has also increased periodically. With the effective control of pandemic in China, leading indicators of consumer credit business have recovered gradually. As at the end of the reporting period, the non-performing loan ratio of credit card loans of the Company was 1.85%, an increase of 0.50 percentage point over the end of the previous year; and the non-performing loan ratio of personal consumption loans was 1.44%, an increase of 0.26 percentage point over the end of the previous year. From a short-term perspective, the downward pressure on the economy may continue to unleash in the second half of 2020. Household employment and income growth remain challenging with significant changes in the market environment. The Company's consumer credit business will still face greater pressure brought by the formation of non-performing loans. From a long-term perspective, the Company has a high-quality customer base, the asset structure is undergoing optimisation, and the asset quality will remain generally stable.

Risk management and control for real estate credit business

The Company attached great importance to the risk prevention in the real estate sector. The Company optimised its internal credit policy in a dynamic manner according to the policies on adjustments to the real estate industry, regulatory requirements and industrial developments in active response to the guidance of national policy in accordance with the overall strategy of "steady granting, structural adjustment, credit limit management". As at the end of the reporting period, the risk exposure of our businesses with domestic real estate enterprises (calculated on the broad statistical calibre) amounted to RMB582.140 billion (including businesses such as actual and contingent credit, bond investments, proprietary trading and investment of wealth management products in non-standardised assets), representing an increase of RMB73.809 billion as compared with the end of the previous year. Included therein was the balance of loans to domestic real estate enterprises which amounted to RMB325.620 billion, representing an increase of RMB41.357 billion as compared with the end of the previous year, accounting for 7.23% of the total loans and advances granted by the Company, up by 0.42 percentage point as compared with the end of the previous year and were mainly granted to the quality strategic customers while putting a strict curb on the grant of any incremental loans to those customers not in the strategic customer list. As at the end of the reporting period, the assets in the domestic real estate enterprises were of good quality with a non-performing loan ratio of 0.21%, down by 0.15 percentage point as compared with the end of the previous year. In the first half of 2020, with the on-going stringent regulatory policies in the real estate sector, coupled with the impact of the pandemic, it has exerted greater cash flow pressure on some small- and medium-sized real estate companies. Looking forward to the second half of the year, the Company will continue to adjust the structure of real estate enterprises and regional asset structure, focused on central cities and strategic customers, and continue to maintain the stability of asset quality in the real estate sector.

Risk management and control for local government financing platform business

The Company strictly implemented the State's requirements to continue strengthening local governments' debts management, prevent and defuse the risks on local governments' implicit liabilities and further regulate the financing platforms as well as the investment and financing activities conducted by local state-owned enterprises. The Company upheld the overall principle of "supporting preferential clients in selective areas in compliance with regulatory requirements and through credit limit management", carefully selected its business based on the degree of the coverage of its own debts by the operating cash flow of projects and customers, supported the issuance of local government bonds, actively participated in the underwriting of and investment in local government bonds, resolutely get rid of the mindset that the government will guarantee the fallback, and carried out business in accordance with commercial principles. As at the end of the reporting period, the balance of risk exposure of our businesses with local government financing platforms (calculated on the broad statistical calibre) amounted to RMB262.361 billion (including businesses such as actual and contingent credit, bond investments, proprietary investments and fund investments of wealth management products), representing an increase of RMB6.153 billion as compared with the end of the previous year. The balance of loans to domestic companies amounted to RMB109.919 billion, representing an increase of RMB3.744 billion as compared with the end of the previous year, and accounted for 2.44% of the total loans and advances granted by the Company, down by 0.10 percentage point as compared with the end of the previous year. As at the end of the reporting period, there was no non-performing asset for our businesses involving local government financing platforms. Against the backdrop that the national fiscal and financial policies remain stable, it is expected that the quality of the Company's assets granted to local government financing platforms will remain stable in the second half of 2020.

Risk management and control for industries that we have reduced or withdrawn from

For the 16 industries[5] that we have reduced or withdrawn from, the Company continued to implement the strategy of customer classification management, raised its entry threshold for customers, focused on supporting leading enterprises in industries and regional quality enterprises closely related to people's livelihood, prioritised loans to satisfy green credit financing needs related to energy conservation and environmental protection and technological upgrading, devoted efforts to reducing and withdrawing from customers associated with significant risks, low-end technology customers or those with overcapacity issues, enterprises with high leverage and "zombie enterprise". As at the end of the reporting period, the business financing exposure to the industries that we have reduced or withdrawn from[6] (calculated on the full statistical calibre) amounted to RMB135.270 billion, representing an increase of RMB13.010 billion as compared with the beginning of the year, and was mainly granted to the quality strategic customers and customers on the whitelist at head office and branches. The non-performing loan ratio of industries that we have reduced or withdrawn from was 4.77%, down by 1.23 percentage points as compared with the beginning of the year. Affected by a continued decline in the risk exposure to and the scale of individual major customers, the non-performing loan ratio of 4 industries including nonferrous metal smelting and calendaring, coal chemical, textile chemical fibre and steel trade was higher than that at the beginning of the year, while the non-performing loan ratio of the other 12 industries was lower than that at the beginning of the year. It is expected that the overall risk in these industries is controllable in the second half of 2020.

5 The 16 industries refer to coal, coal chemical, coal trade, iron and steel, steel trade, basic chemical, commonly used metal ore mining, nonferrous metal smelting and calendaring, shipbuilding, glass, water transport, textile and chemical fiber, photovoltaic, fertiliser, machine tool and synthetic material manufacturing.

6 The statistical calibre of the industries that we have reduced or withdrawn from has been changed, and the figures at the beginning of the year have been adjusted with the same calibre.

9. Capital management

The Company continued to optimise its business structure and enhance capital management. During the reporting period, the Company satisfied the minimum capital requirements of the CBIRC, with relatively adequate capital buffer.

As at the end of the reporting period, the percentage of risk-weighted assets under the Advanced Measurement Approach to total assets was 60.37%, lowered by 7.31 percentage points as compared to that under the Weighted Approach of 67.68%, indicating an effective saving in capital. During the reporting period, the risk-adjusted return on capital (RAROC, before tax) under the Advanced Measurement Approach was 24.59%, significantly higher than the cost of capital.

Since the beginning of this year, in order to offset the negative impact brought by the pandemic, the central bank has comprehensively used a variety of money market policy instruments to guide financial institutions to increase financial support for the real economy. On the one hand, the Company actively responded to the government policy, while on the other hand took measures to reduce the impact on the retail credit business afflicted by the pandemic. Under the premise of controllable risks, the Company stepped up its efforts to appropriately increase corporate loans, which has led to the rapid growth in risk-weighted assets. There were many new businesses not covered by the internal rating-based approach. Meanwhile, the Company continued to adhere to a more prudent and sound risk management strategy and maintained a relatively high level of allowance during the reporting period. As the risk-weighted assets added back by taking into consideration the floor requirements increased by RMB21.4 billion as compared with the end of the previous year, the overall amount of risk-weighted assets under the Advanced Measurement Approach (taking into consideration the floor requirements during the parallel run period) further increased. Besides, the base number of risk-weighted assets under the Advanced Measurement Approach as at the end of last year was relatively low. Such that, as at the end of the reporting period, the growth rate of risk-weighted assets under the Advanced Measurement Approach (taking into consideration the floor requirements during the parallel run period) reached 8.97%, 1.61 percentage points higher than the growth rate of the risk-weighted assets under the Weighted Approach. In addition, the decrease in the net profit year-on-year affected the growth of net assets, the growth rate of net capital at all tiers was lower than the growth rate of risk-weighted assets, resulting in a decrease in the Company's capital adequacy ratios at all tiers under the Advanced Measurement Approach.

The Company adhered to the development strategies of marketisation, branding and internationalisation, and constantly promoted the innovation and development of assets securitisation business to provide room for capital saving. During the reporting period, the Company issued a total of 5 asset securitisation projects in China's inter-bank bond market with a total issue size of RMB18.232 billion. The underlying assets included auto installment loans, personal housing mortgage loans and non-performing credit card loans.

With the approval of the CBIRC and the People's Bank of China, the Company issued Undated Additional Tier 1 Capital Bonds in China's national inter-bank bond market with an issue size of RMB50 billion on 9 July 2020. The funds raised, after deducting the necessary issuance fees, have been used to supplement the Company's additional Tier 1 capital based on applicable laws and regulatory approvals. For details, please refer to the relevant announcements published on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company. Based on the data at the end of the reporting period, the issuance is expected to increase the Company's Tier 1 capital adequacy ratio and capital adequacy ratio by approximately 1 percentage point, and will not have a significant impact on indicators such as the Company's ROE.

In recent years, the "stringent regulatory requirements" of the regulatory authorities have become a norm. Regulatory documents in specific areas such as the New Regulation on Asset Management, the "Guidelines on Improving the Supervision of Systemically Important Financial Institutions《關於完善系統重要性金融機構監管的指導意見》" have been issued in succession. The international regulatory reform has continued to advance, and the final reform plan of Basel III will be fully implemented in the next few years. Confronting with the above situation, the Company will continue to enhance the concept of refined capital management, continuously promote the application of the risk-adjusted return on capital (RAROC), the economic value added (EVA) and other valuation indicators, trace the progress of international capital regulatory reform, continue to implement the internal capital adequacy assessment procedures (ICAAP), keep a dynamic balance of supply and demand of capital, stick to the principles in capital supplement that fund generation and accumulation are mainly from internal resources, with capital replenishment through external resources as additional assistance, comprehensively plan the use of various capital instruments and achieve fund-raising through various channels and ways.

10. Increase in monthly active users (MAU)

In the first half of 2020, the Company continued to take monthly active users (MAU) as the "North Star Metric", focused on the establishment of digital customer acquisition and management system, centered on the improvement of service quality, user experience and customer loyalty, and promoted the steady development of MAU. During the reporting period, the MAU of "CMB" and "CMB Life", two major APPs of the Company did not experience major hiccups, and withstood the test of the COVID-19 pandemic, marking the Company's achievements in digital operations and also demonstrating a differentiated competitive edge.

In the second half of the year, the Company will continue to make efforts in the following aspects to promote MAU's sustainable growth and conversion, thereby achieving customer growth and value creation. The first is to deepen the construction of open banking to enhance customer experience while enriching service capabilities in various scenarios and satisfying the diverse needs of users. The second is to deepen the integration of retail and wholesale business, so as to form the cohesion and combat effectiveness facing the market and customers, further improve the capability of payroll business development and operation, and expand the source of active and valuable customers through internal integration and coordination. The third is to continuously iterate and optimise the "CMB" and "CMB Life" APPs to create a better digital operation and service platform for hundreds of millions of users. Meanwhile, the Company will strengthen empowerment in the aspects such as data, traffic, platform and tool to enhance the coordinated operation capabilities of the two major APPs. The fourth is to carry out data intelligent applications in marketing, risk control, customer service and operation by making full use of Fintech, continuously enhance capabilities in digital operation, and improve user retention, conversion and value realisation in the APP.

3.9.2 Outlook and countermeasures for the second half of 2020

In 2020, the sudden outbreak of the COVID-19 pandemic has plunged the global economy into a "COVID-19 recession". In the first half of the year, the economic growth rates of major countries in the world have fallen sharply. At present, the pandemic is still spreading rapidly overseas. Although major countries in the world have introduced unprecedented easing fiscal policies and easing monetary policies at the same time, the global economic recovery is likely to be slow and will take a long time. This will have a negative impact on the Chinese economy from both external demand and supply chain perspectives. In addition, the trend of Sino-US relationship is still full of uncertainties.

Domestically, China took the lead in pandemic control and resumption of work and production as compared with other countries globally, but it still faces the challenge of the risks associated with imported cases and sporadic new cases in some regions. With the support of counter-cyclical fiscal and monetary policies, the domestic economy has gradually recovered from the low point in the first quarter, and the supply-side restoration has flexibility. However, due to normalised pandemic prevention measures, the recovery of demand is relatively weak, which has restricted the economic rebound to certain extent.

Looking forward into the second half of the year, the Chinese economy is expected to continue with its recovery momentum. On the supply side, production is expected to continue with its upward trend, but due to the weak demand and the uncertainties of the pandemic, the recovery speed will slow down. On the demand side, due to the continued pressure on household income growth under the impact of the pandemic, it is unlikely to see the retaliatory growth in consumption, and the annual growth rate of retail sales of consumer goods may not turn into positive. Investment will become the mainstay of economic recovery. With the continuous implementation of new projects and the gradual availability of funds, the growth rate of infrastructure investment is expected to increase further. Investment in real estate will show resilience, the accumulative year-on-year growth rate is expected to rise further, however the guidance of the policy known as "houses are for living, not for speculation" will restrict its upside potential. Investment in the manufacturing industry is expected to improve with the recovery of end-user demand and the decline in financing costs, but the extent may be relatively limited. In terms of trade, export growth will still be under pressure due to weak external demand, but the resilience of the industrial chain and pandemic prevention materials will support exports. Boosted by factors such as overseas supply restoration and the rebound of commodity prices, imports are expected to bottom out. In terms of prices, affected by factors such as weak demand, increased pork supply and high base numbers, the CPI will continue to decline. Driven by rising international commodity prices and increased infrastructure investment, the PPI will gradually increase, but it is estimated that the year-on-year growth rate is unlikely to turn into positive during the period.

Monetary policy is expected to maintain at structural easing: the "monetary-easing" policy for total amount of money may tend to be tightened, but the structural "credit-easing" policy will continue to strengthen its efforts. Since May 2020, under the premise that various economic indicators have shown marginal improvements, in order to prevent arbitrage of idle funds, the monetary policy has been marginally tightened, but this does not mean a complete turnaround. Considering that the pressure of "stabilising growth" and "guaranteeing employment" is still huge, and monetary policy still has the needs for "easing credit" and "lowering cost", the central bank will "guide the broad measure of money supply and the growth rate of social financing to be significantly higher than last year". In terms of quantitative control, RRR cuts may continue to be implemented in the second half of the year. Meanwhile, the central bank will increase the use of structural policy tools, improve the "direct access" of policies, and guide capital to flow to manufacturing, small- and micro-sized enterprises and poverty alleviation. In terms of price control, LPR still has room for downward adjustments. The central bank's preference for guiding the downward trend of LPR may be to reduce point addition and decrease funding cost of the Bank through structural interest rate cuts (decline in relending and bill re-discounting rate).

Fiscal policy will continue with the fundamental tone of "being more proactive (更加積極有為)". In response to the impact of the pandemic, the broad measure of deficit rate in China has increased significantly this year, and the newly invested fiscal funds under broad measure have reached a historical record high. However, due to the impact of the pandemic, the progress of fiscal expenditure in the first half of the year was not as good as that of the previous year. With the acceleration of issuance of various government bonds, the "fiscal-easing" policy is expected to drive the recovery of the manufacturing sector and small- and medium-sized enterprises, and promote further economic recovery. In addition, if the downward pressure on the economy is too high or the situation deteriorates beyond expectation, China's fiscal policy still has room for further exerting its effects in the second half of the year.

For the major categories of assets, it is expected to see strong performance of stocks and weak performance of bonds, and RMB will appreciate steadily. In terms of the stock market, given the advantages in valuation relative to major global stock indexes and the outstanding tenacity for profitability of listed companies, highlights in the future performance of A shares can be expected, which also provides more allocation opportunities in the second half of the year. In terms of the bond market, the risk-free interest rate is moving upwards, and the credit spreads may be narrowed in light of the improvement in earnings and the controllable default risks, resulting in the outperformance of credit bonds over the interest rate bonds. In terms of the exchange rate, China outperformed the world's major economies in recovery, the Sino-US interest rate gap remains high, and China's greater efforts in opening up is expected to further attract capital into the Chinese capital market. In addition, the US dollar has gradually weakened, and RMB is expected to appreciate steadily.

In confrontation of the opportunities and challenges, the Company will maintain its strategic determination and grasp the opportunity to expand its strategic advantages. At the same time, the Company will examine its shortcomings and deficiencies, accelerate the making up of defects, and accelerate the creation of digital business model under the guidance of the "openness and integration" methodology.

Firstly, we will persist in empowerment by open-up and integrated services. By actively integrating into the life circle of retail customers, we will provide customers with more financial and non-financial value-added services. We will actively integrate into the business circle of corporate core customers and participate in the process of industrial Internet, so as to achieve the empowerment of corporate customers and their employees and C-terminal clients. Internally, we will break the boundaries of system, data, organisation and business to concentrate internal forces on serving customers and interaction with the market. Based on the cyclic value chain of "wealth management – investment banking – asset management", we will establish more integrated value chains across business lines and customer groups.

Secondly, we will seize market opportunities and improve professional abilities. We will seize capital market opportunities and residents' demand for preserving and adding value of assets by accelerating digital progress for wealth management of retail business, striving for enhancing asset allocation service capability, retail middle-office capability and online and offline integrated service capabilities, and insisting on creating value for customers. Our wholesale business will continue to focus on the industry-based professional operation to improve the construction of customer service system. Focusing on the two major scenarios of direct financing and capital market, we will unswervingly promote the strategy of integrating investment banking and commercial banking, vigorously develop institutional business and enhance the competitiveness of international business. We will seek both temporary and permanent solutions by consolidating and improving our ability of comprehensive risk management. Meanwhile, we will eliminate blind spots and improve the system, with close attention to risks in key areas.

Thirdly, we will construct a future-oriented Fintech infrastructure. We will accelerate construction of cloud computing capabilities, data middle-office and technology middle-office, and use collaborative office as a breakthrough to accelerate the digital construction of internal management.

Fourthly, we will continuously promote cultural transformation of the organisation. We will promote across-business-line integration of task-oriented project teams, promote multi-position experience for cadres at all levels and stimulate the vitality of the organisation. We will consistently apply "openness and integration" in the standards for evaluation and appointment of cadres, hence building a cadre team with a grand mindset and a strong sense of openness. We will further implement the "Simple Work Style" and promote the light-operation culture of "openness, integration, equality and inclusiveness" to become the belief and code of conduct for all employees of the Bank.

3.10 Business Operation

3.10.1 Retail finance business

Business overview

During the reporting period, the profit before tax from the retail finance business of the Company amounted to RMB33.216 billion, representing a decrease of 13.28% as compared with the corresponding period of the previous year. Net operating income from the retail finance business amounted to RMB77.586 billion, representing an increase of 4.55% as compared with the corresponding period of the previous year and accounting for 56.70% of the net operating income of the Company. Among the income from retail finance, the net interest income amounted to RMB51.783 billion, representing an increase of 7.01% as compared with the corresponding period of the previous year and accounting for 66.74% of the net operating income from retail finance; the net non-interest income amounted to RMB25.803 billion, representing a decrease of 0.06% as compared with the corresponding period of the previous year while accounting for 33.26% of the net operating income from retail finance and 52.77% of the net non-interest income of the Company. During the reporting period, the fee and commission income from retail wealth management of the Company was RMB14.248 billion, representing an increase of 34.09% as compared with the corresponding period of the previous year and accounting for 56.49% of the net fee and commission income from retail finance; the Company recorded a fee income of RMB9.343 billion from retail bank cards, representing a decrease of 2.23% as compared with the corresponding period of the previous year.

Facing the complicated macro environment, as well as multiple challenges such as intensified competition from peer companies and differentiated competition from companies in other industries, as well as interest rate liberalisation, the Company will continue to adhere to the strategy of prioritising retail finance, aim at the goal of creating the "bank offering best customer experience", and continuously improve its professional capabilities while optimising customer base and asset structure and establishing a service system for all customers, all products and all channels. At the same time, the Company will accelerate the promotion of digital transformation, embrace "customers + technology", seize the strategic leading position of future development, and forge new competitive advantages in the era of mobile Internet.

Retail customers and total assets under management from retail customers

As at the end of the reporting period, the Company had 151 million retail customers (including debit and credit card customers), representing an increase of 4.86% as compared with the end of the previous year, among which, the number of Sunflower-level and above customers (those with minimum daily average total assets of RMB500,000 for each month) reached 2,917,900, representing an increase of 10.21% as compared with the end of the previous year. The balance of total assets under management from our retail customers amounted to RMB8,263.167 billion, representing an increase of 10.26% as compared with the end of the previous year, and the balances of saving deposits, wealth management products, funds, insurance and other categories maintained rapid growth. Among which, the balance of total assets under management from the Sunflower-level and above customers amounted to RMB6,754.994 billion, representing an increase of 11.01% as compared with the end of the previous year, and accounting for 81.75% of the balance of total assets under management from retail customers of the Bank. As at the end of the reporting period, the balance of deposits from retail customers of the Company amounted to RMB1,841.014 billion, representing an increase of 9.96% as compared with the end of the previous year and ranking first among national small- and medium-sized banks according to data released by the PBOC. During the reporting period, the demand deposits accounted for 65.67% of the daily average balance of deposits from retail customers of the Company. As at the end of the reporting period, a total of 155,000,000 All-in-one Cards had been issued by the Company for retail customers, up by 4.73% as compared with the end of the previous year.

The sudden outbreak of the COVID-19 pandemic in the first quarter had certain negative impact on the Company's retail customer acquisition, but with the acceleration of the resumption of work and production, particularly benefited from the strong support of the Company's continuous digital transformation for online services, the financial service demands of retail customers has been efficiently responded and guaranteed. Retail customer acquisition has been improved significantly in the second quarter, and the total assets under management from retail customers have grown rapidly. Facing the adverse impact of the pandemic on offline services, as well as competition from peer companies in the same and other industries, the Company will adhere to the attitude of "openness" and "integration", return to the origin, and focus on the goal of further improving customer experience, while further strengthening customer base expansion and operation, product innovation and refined management capabilities, fully utilising Fintech to support the development and optimisation of online services, so as to consolidate and expand differentiated leading edge.

Wealth management

In the first half of 2020, the Company recorded RMB2,101.486 billion in the balance of retail wealth management products, representing an increase of 11.58% as compared with the end of the previous year. Through seizing opportunities in the capital market and focusing on customer needs, the Company achieved the sales of non-monetary mutual funds of RMB256.709 billion, an increase of 207.03% as compared with the corresponding period of the previous year. The Company recorded RMB210.901 billion in agency distribution of trust schemes, representing an increase of 9.31% as compared with the corresponding period of the previous year; and RMB43.744 billion in premiums from agency distribution of insurance policies, representing a decrease of 10.75% as compared with the corresponding period of the previous year due to the pandemic, but the proportion of transaction volume from the CMB APP channel increased by 18.90 percentage points as compared with the corresponding period of the previous year. In the first half of 2020, the Company recorded a fee and commission income from retail wealth management business of RMB14.248 billion, among which, income from agency distribution of funds amounted to RMB4.785 billion, income from agency distribution of insurance policies amounted to RMB4.059 billion, income from agency distribution of trust schemes amounted to RMB3.310 billion, income from entrusted wealth management amounted to RMB1.948 billion and income from agency distribution of precious metals amounted to RMB146 million. For details of the reasons of changes in fee and commission income from wealth management, please refer to 3.9.1 "Net non-interest income" in this chapter.

During the reporting period, facing the sudden outbreak of the pandemic, the Company further enhanced its leading industrial position and customer service experience through customer segmentation and classification-based management, and creation of a customer wealth product growth system and online companion service, and continued to consolidate and expand its advantages as the ultimate protection shield in wealth management business. Firstly, the Company made continuous promotion of the Sunflower Wealth Planning Service System (金葵花財富規劃服務體系), and launched the Sunflower Wealth Accumulation Plan (金葵花財富增值規劃) and family trust service system, so as to earnestly cater to customers' need for comprehensive wealth management for their full assets. Secondly, the Company increased the pace of product innovation, made every effort to enhance the allocation capabilities of complex products, and proactively managed existing products. During the reporting period, facing the external challenge of sharp decline of prices in the bond market, the Company rapidly reduced the leverage and duration of the net-value products portfolio, effectively managed risks and strived to control drawdown, and at the same time strengthened investor education to guide them with a rational view on the drawdown of net-value products and long-term holding to secure stable returns. Thirdly, the Company established an online user companion platform, made full use of big data, cloud computing and other Fintech tools to develop and launch "Cai Fu Tong Ping (財富同屏)", so as to realise remote communication between relationship managers and customers, form online-offline integration, and improve operation efficiency of the front line.

Private banking

As at the end of the reporting period, the Company had 91,034 private banking customers (retail customers of the Company with minimum total daily average assets of RMB10 million per month), representing an increase of 11.46% as compared with the end of the previous year; total assets under management from private banking customers amounted to RMB2,497.394 billion, representing an increase of 11.94% as compared with the end of the previous year; total assets per account amounted to RMB27.4336 million, representing an increase of RMB117,000 as compared with the end of the previous year. As at the end of the reporting period, the Company had 84 private banking centers and 66 wealth management centers in 73 domestic cities and 6 overseas cities, and has established a three-dimensional service network for high-end customer consisting of private banking centers, wealth management centers, "Special Features for Private Banking (私人銀行專區)" in CMB APP and the remote personal assistant team of the Network Operation Service Center.

The Company strived to provide professional, comprehensive, private and confidential private banking financial and non-financial services in areas of investment, taxation, legal affairs, mergers and acquisitions, financing and settlement for high-worth customers at the three levels of individuals, families and enterprises. Always thinking from the perspective of customers and upholding the concept of openness and integration, the Company kept improving its professional capabilities, strengthening the integration of wholesale and retail services, online and offline services, financial and non-financial services and domestic and overseas services, kept strengthening customer expansion, and deepening its comprehensive operation and service to customers, so as to constantly create value for customers. Meanwhile, by deepening the use of Fintech, the Company accelerated its progress of digital empowerment in improving accurate identification of customer needs, offering professional financial solutions, cultivating professional skills of relationship managers, and improving internal operational procedures to promote efficient operation of business and better customer service experience.

Credit cards

As at the end of the reporting period, the Company had issued an aggregate of 96.3873 million active credit cards, representing an increase of 1.14% as compared with the end of the previous year, and there were 65.2673 million active credit card users, representing an increase of 1.18% as compared with the end of the previous year. The balance of credit card loans was RMB652.232 billion, representing a decrease of 2.80% as compared with the end of the previous year. The percentage of revolving balances of credit cards was 23.52%. In the first half of 2020, the credit card transactions of the Company amounted to RMB2,035.657 billion, representing a decrease of 0.12% as compared with the corresponding period of the previous year. Interest income from credit cards amounted to RMB28.376 billion, representing an increase of 4.53% as compared with the corresponding period of the previous year. Non-interest income from credit cards amounted to RMB12.596 billion, representing a decrease of 13.10% as compared with the corresponding period of the previous year.

Affected by the pandemic, and combined with multiple factors such as the domestic macro economy operating at a relative low level and in-depth structural adjustments, the asset quality of credit card loans of the Company showed certain short-term fluctuations. The balance of credit card loans in early overdue stage increased temporarily in the first quarter, and some special mention loans formed non-performing loans in the second quarter. With the effectiveness of pandemic prevention and control domestically, and the support of relevant national corporate relief and work and production resumption policies, leading indicators associated with credit card loans have gradually improved since the second quarter, the collection progress has been stabilised, and the recovery progress has been gradually recovered. As at the end of the reporting period, the non-performing loan ratio of the Company's credit card loans was 1.85%, slightly down by 0.04 percentage point as compared with the end of the first quarter, and up by 0.50 percentage point as compared with the end of the previous year. The Company will continue to pay attention to changes in the macro environment, uphold a prudent risk appetite, a sound risk strategy and a diversified and balanced asset structure to promote the sustainable and healthy development of the credit card business.

During the reporting period, the Company adhered to an innovation-driven and technology-driven approach to further promote the development of credit card business. Details include: continuous improvement of customer-centric digital customer acquisition capabilities, establishment of a matrix of customer acquisition through social activities, and value creation for more customers in the existing market based on the existing customers; boosting consumption after the pandemic through multiple measures, further upgrading credit card marketing activities, and launching brand activities such as "Little Koi in Each Month (月月小錦鯉)" and "Special Offer for Saturday (週六必享)"; strengthening the product competitiveness of credit cards, launching creative activities such as "Constellation Guardian Credit Card (星座守護信用卡)" and "Customised Card Numbers for Couples on 20 May Anniversary (520雙人紀念日定制卡號)"; adhering to asset structure optimisation by promoting product integration and comprehensively promoting the digital transformation of consumer financial products; deepening service data interaction, improving the efficiency and quality of interactive channels, optimising the construction of AI scenarios, and improving customer service level. In addition, after the release of the CMB Life APP 8.0, with content, e-commerce, automobile and related services as the growth engines, the operating capabilities for users have been further enhanced. For details of the CMB Life APP, please refer to 3.10.3 "Distribution Channels".

Retail loans

As at the end of the reporting period, the total retail loans of the Company amounted to RMB2,444.715 billion, representing an increase of 5.02% as compared with the end of the previous year and accounting for 54.25% of the total loans and advances to customers, down by 1.48 percentage points as compared with the end of the previous year. In particular, total amount of the Company's retail loans (excluding credit card loans) reached RMB1,792.518 billion, representing an increase of 8.18% as compared with the end of the previous year, accounting for 39.77% of total loans and advances to customers of the Company and representing an increase of 0.10 percentage point as compared with the end of the previous year.

As to business development, since the outbreak of the pandemic, the Company has strived to ensure the credit services for small- and micro-sized enterprises and individuals. For micro-finance loan business, the Company actively helped small- and micro-sized enterprises alleviate financing difficulties to support the stabilisation of work and resumption of production. For residential mortgage loan business, the Company strictly implemented local real estate control policies in support of residents' reasonable needs for their own homes. For consumption loan business, the Company strictly controlled the usage of consumption loans and carefully selected quality customers to reasonably satisfy the consumption loan needs. As at the end of the reporting period, the Company recorded a balance of residential mortgage loans of RMB1,189.699 billion, representing an increase of 8.30% as compared with the end of the previous year. The balance of micro-finance loans amounted to RMB445.109 billion, representing an increase of 9.86% as compared with the end of the previous year. The balance of consumption loans amounted to RMB131.005 billion, up by 5.91% as compared with the end of the previous year. As at the end of the reporting period, the Company had 7,202,600 retail loan customers, representing an increase of 12.15% as compared with the end of the previous year. The rapid expansion of customer base was mainly attributable to the light customer acquisition model through online resources.

As to the quality of assets, the Company managed to maintain a stable asset quality for retail loans by constantly optimising its policies for retail loans and enhancing its risk management capabilities. However, due to the impact of the pandemic, the Company still faces significant uncertainties in the future. As at the end of the reporting period, the balance of the special mention retail loans of the Company amounted to RMB27.816 billion, and its special mention retail loan ratio was 1.14%, down by 0.04 percentage point as compared with the end of the previous year. The balance of non-performing retail loans amounted to RMB20.172 billion, and the non-performing loan ratio was 0.83%, up by 0.10 percentage point as compared with the end of the previous year. Among retail non-performing loan portfolio, the non-performing ratio of micro-finance loans was 0.62%, down by 0.19 percentage point as compared with the end of the previous year due to accelerated disposal of the non-performing micro-finance loans; the non-performing ratio of consumption loans was 1.44%, up by 0.26 percentage point as compared with the end of the previous year. Excluding credit cards, the mortgage and pledged loans accounted for 75.27% of the new non-performing retail loans formed of the Company during the reporting period, with a mortgage and pledge rate of 35.27%. Given that the vast majority of such new non-performing retail loans were fully secured by collaterals, the final loss was not substantial.

As to risk management, the Company continued to optimise the structure of retail loan customers by strengthening the construction of risk control system and improving the post-loan management capabilities, while taking into account of changes in the external economic situation and the differences in different regions. In respect of strengthening the construction of risk control system, firstly, in terms of risk control model, the Company continuously improved the effect of self-built models, and introduced machine learning algorithms and models to promote the coverage of the risk control models to all processes and all products. Secondly, in terms of customer group selection, the Company insisted on selecting high-quality customers with a job and income in a stable industry as the major source of customer acquisition. Thirdly, in terms of data integration, the Company built a large credit platform by integrating the tags of internal and external customer to enrich risk identification dimensions and form a unified view of customer risks, so as to conduct accurate profiling of the customers. Fourthly, in terms of loan approval strategies, the Company used quantitative risk control technology to strictly set loan approval strategies. Fifthly, in terms of credit limit verification strategies, the Company used monthly mortgage-income and asset-liability models in full consideration of the leverage ratio of customers to reasonably verify the credit limit. In respect of improving post-loan management capabilities, firstly, the Company accelerated the construction of a digital post-loan management system; secondly, the Company inspected customer assets and liabilities, implemented different policies for different categories of customers, strengthened post-loan pre-warning management and accelerated collection and disposal, so as to ensure stable asset quality.

3.10.2 Wholesale finance

Business overview

During the reporting period, the Company achieved profit before tax from wholesale finance of RMB25.348 billion, representing an increase of 14.87% as compared with the corresponding period of the previous year. The net operating income from wholesale finance of the Company was RMB61.540 billion, representing an increase of 12.19% as compared with the corresponding period of the previous year, and accounting for 44.97% of the net operating income of the Company. Among them, net interest income of wholesale finance business amounted to RMB38.228 billion, and accounting for 62.12% of the net operating income of wholesale finance; benefiting from the significant year-on-year increase in operating income from asset management, custody, financial market and investment banking businesses, the net non-interest income of wholesale finance amounted to RMB23.312 billion, representing a year-on-year increase of 30.56%, and accounting for 37.88% of the net operating income of wholesale finance business, and 47.67% of the net non-interest income of the Company.

Wholesale customers

As at the end of the reporting period, the total number of corporate customers of the Company was 2,182,900, up by 4.03% as compared with the end of the previous year. The number of newly acquired corporate depositors during the reporting period was 195,800, contributing daily average deposits of RMB104.464 billion, among them, 13,100 newly acquired corporate depositors contributed daily average deposit of more than RMB500,000, and the proportion of the number of newly acquired corporate depositors that contributing daily average deposits of RMB500,000 and above increased by 0.50 percentage point as compared with the corresponding period of the previous year. The composition of the newly acquired corporate depositors was further optimised.

The Company has established the corporate customer service system featuring segmentation and classification-based management, as well as professional and dedicated management in respect of strategic customers, institutional customers, small-sized enterprise customers, financial institution customers and offshore customers. **With regards to its strategic customers**, the Company took advantage of the "Digital Bank" and embedded the relevant services in the capital chain, industrial chain and ecological chain of the enterprises to realise the professional management in the industry and the integrated service for the customers. As at the end of the reporting period, the number of the strategic customers under the Head Office of the Company was 278[7]; the balance of daily average proprietary deposits amounted to RMB693.401 billion, increasing by 16.70% as compared with the beginning of the year; the balance of general loans amounted to RMB583.838 billion, increasing by 25.13% as compared with the beginning of the year. The Company had 6,142[8] branch-level strategic customers. The daily average balance of the proprietary deposits amounted to RMB575.385 billion. The balance of general loans amounted to RMB289.043 billion. **With regards to its institutional customers**, the Company further deepened the "Head Office-to-Head Office" strategic cooperation with the national ministries and commissions, seized business cooperation opportunities in medical insurance, taxation and other areas, and by using the full-process service and full-cycle system for local governments' special debt as a starting point, the Company drove the full-chain operation of the special debt business covering the whole region. The Company strived to obtain the qualifications of trustee, custodian and investment manager of occupational annuity, and actively participated in the pilot project of developing the third pillar of the pension system. With regards to its expansion of convenient service scenarios, the Company accelerated the launch of the inquiry, withdrawal, and payment functions of provident fund, social insurance and others, and actively opened our Fintech capabilities to institutional customers. During the reporting period, the Company had 39,100 institutional customers, up by 10.45% as compared with the previous year, with an average daily deposit balance of RMB875.766 billion, representing a year-on-year increase of 7.80%. The market coverage rate of local governments' special debts issuance at provincial level increased to 97.22%, making the Company the "Principal Bank" and "First Bank" of special debt business in many provinces and cities. The Company has secured the qualification for offering the occupational annuity trust services in 29 provinces, with entrusted fund amounted to RMB63.5 billion. Moreover, the Company focused on the expansion of these convenience service scenarios of "provident fund, social insurance, taxation, non-taxation, pension, real estate, medical insurance, veterans", and has connected to 546 interfaces of convenient service scenarios to assist the improvement of MAU. **With regards to its small-sized enterprise customers**, during the reporting period, with the help of Fintech and aiming at "digital, online and smart" services, the Company focused on the three major customer groups of "supply chain, new growth engine of Qian Ying Zhan Yi (千鷹展翼) and basic customer group", and through the establishment of online customer acquisition channels, optimisation of account opening process, digital and centralised management of long-tail customer group, enrichment of online and offline non-stop convenient services for corporates and other measures, the Company established a new service model of "acquisition of customers in batches, centralised operation, online and offline integration" for small-sized enterprises. As at the end of the reporting period, the number of small-sized enterprise customers reached 2,072,600, representing an increase of 4.21% (calculated on the Bank's calibre) as compared with the beginning of this year. There are 26,306 customers of Qian Ying Zhan Yi (千鷹展翼), and the coverage rate of special fund-raising accounts for domestic listed companies during the reporting period was 37.93%, of which the coverage rate of fund-raising special accounts for listed companies on the Science and Technology Innovation Board was 45.65%. **With regards to its financial institution customers**, the Company subdivided the customer bases into strategic customers and basic customers, continued to carry out in-depth service of strategic financial institution customers under comprehensive service plans and used Fintech methods to quickly access to basic customers, so as to efficiently foster the value of its financial institution customers. As at the end of the reporting period, the numbers of strategic financial institution customers at the Head Office-level and branch-level reached 67 and 196, respectively. **With regards to its offshore customers**, the Company leveraged on the operating advantages for non-resident accounts, optimised the comprehensive service system for non-resident customers, and enhanced the service capabilities for non-resident customers. At the same time, the Company developed personalised and scenario-based cross-border financial products and service plans for key customer groups, and comprehensively improved customer experience by using Fintech methods.

---

7 The number of strategic customers at the Head Office level is that of the group customers as the strategic customers at the Head Office level served by the Company during the reporting period.

8 The number of strategic customers at the branch level is that of the corporate customers as the strategic customers at the branch level served by the Company during the reporting period.

Corporate loans

As at the end of the reporting period, total corporate loans of the Company amounted to RMB1,781.383 billion, representing an increase of 9.67% as compared with the end of the previous year and accounting for 39.53% of total loans and advances to customers of the Company, and representing an increase of 0.64 percentage point as compared with the end of the previous year. Among them, the balance of the medium- and long-term loans to domestic enterprises amounted to RMB943.276 billion, representing an increase of 16.32% as compared with the end of the previous year and accounting for 57.52% of the total loans to domestic enterprises, and representing an increase of 2.93 percentage points as compared with the end of the previous year. The non-performing loan ratio of our corporate loans was 1.87%, representing a decrease of 0.18 percentage point as compared with the end of the previous year; the weighted average default probability of the risk exposure of the domestic non-defaulting corporate customers was 0.85%, down by 0.14 percentage point as compared with the end of the previous year. The quality of corporate loan assets was relatively stable.

Since the underlying data is subject to adjustment or elimination as a result of change in classification of certain enterprises after they have grown larger in scale at the beginning of the year, the calibre of our large-, medium- and small-sized enterprises business at the beginning of the year was adjusted as compared to the end of the previous year. As at the end of the reporting period, the balance of the Company's loans granted to domestic large-sized enterprises amounted to RMB1,429.409 billion, representing an increase of 11.15% as compared with the beginning of the year, accounting for 87.17% of our total loans granted to domestic enterprises, up by 0.60 percentage point as compared with the beginning of the year; the non-performing loan ratio was 1.84%, down by 0.06 percentage point as compared with the beginning of the year. The balance of the Company's loans granted to domestic medium-sized enterprises amounted to RMB116.953 billion, representing a decrease of 12.19% as compared with the beginning of the year, and accounting for 7.13% of our total loans granted to domestic enterprises, down by 1.84 percentage points as compared with the beginning of the year; the non-performing loan ratio was 4.06%, down by 0.63 percentage point as compared with the beginning of the year. The balance of the loans granted to domestic small-sized enterprises amounted to RMB93.538 billion, representing an increase of 41.06% as compared with the beginning of the year, accounting for 5.70% of our total loans granted to domestic enterprises, up by 1.23 percentage points as compared with the beginning of the year; the non-performing loan ratio was 1.96%, down by 1.67 percentage points as compared with the beginning of the year.

During the reporting period, the Company steadily promoted granting of corporate loan and actively optimised corporate loan structure at the same time. Focusing on the major infrastructure projects in six core areas including Beijing-Tianjin-Hebei Area, Yangtze River Economic Belt, Xiong'an New District, Guangdong-Hong Kong-Macau Greater Bay Area, Hainan Province and Yangtze River Delta which were given strong support by the state, the Company enhanced its asset allocation. The Company also vigorously captured business opportunities in the capital market such as the mixed ownership reform of state-owned enterprises and refinancing of listed companies and privatisation, and made adjustment to its granting of loans in sectors such as real estate and local government financing platforms in accordance with regulatory guidance. As at the end of the reporting period, the balance of green loans of the Company was RMB213.376 billion, representing an increase of RMB36.603 billion as compared with the end of the previous year, and accounting for 11.98% of the total corporate loans; the balance of loans to strategic emerging industries was RMB146.016 billion, representing an increase of RMB269 million as compared with the end of the previous year, and accounting for 8.20% of the total corporate loans. For further details of loans extended to the sectors which are subject to the strict regulation of the nation, such as the real estate industry and the local government financing platforms, please refer to section 3.9.1.

During the reporting period, the Company made overall allocation of resources and set up a service network covering the whole supply chain industry by focusing on core enterprises and their upstream and downstream supply chain customers. At the same time, the Company actively promoted the optimisation of supply chain product system and risk control process, expedited the establishment of supply chain database and smart marketing platforms, and improved digital service capabilities for supply chain customers. The Company developed online financing products for small-sized enterprise customers based on institutional scenarios and established a "3+1" product system featuring "channel, scenario and data" + "product". Centering around the ecosphere of government authorities including fiscal authority, public resource trading center, custom authority and tax authority, the Company laid eyes on various scenarios such as government procurement, public resource trading and export tax rebate, and launched online Zhengcaidai (政採貸) version 2.0, Toubiaodai (投標貸) and Tuishui Kuaidai (退稅快貸) version 2.0. Spotlighting on the financial settlement scenario for small-sized enterprise customers, the Company launched Jiesuan Liuliang Dai (結算流量貸) based on the Interactions between Banks and Taxes (銀稅互動). In light of the complicated problems in the process of conducting credit business confronted by small-sized enterprise customers, including registration, authorisation, rating, assessment and due diligence, the Company promoted process optimisation, enhanced its centalised approval efficiency and continued to optimise customer experience.

The main purpose of the Company's syndicated loan business is to enhance interbank cooperation and information sharing, and to spread the risks associated with large-amount loans. As at the end of the reporting period, the balance of syndicated loans amounted to RMB247.903 billion, up by 8.01% as compared with the end of the previous year.

Bill business

During the reporting period, the Company continued to consolidate the customer base of bill business, optimised business process and accelerated online process, and achieved steady growth in the bill discounting business. During the reporting period, the Company had 80,756 customers of bill business, representing a year-on-year increase of 35.62%, and its bills direct discounting business amounted to RMB665.423 billion, representing a year-on-year increase of 10.36%, ranking second in the market in terms of business volume (data from China Banking Association). Among them, the bills online discounting business amounted to RMB157.112 billion, representing a year-on-year increase of 18.08%. As at the end of the reporting period, the bill discounting balance of the Company amounted to RMB280.704 billion, representing an increase of 24.82% from the end of the previous year.

During the reporting period, the Company actively adhered to the bill rediscounting monetary policy of the central bank. The business volume of bill rediscounting amounted to RMB97.335 billion, representing a year-on-year growth of 3.11%. Affected by the policy that the proportion of bill rediscounting conducted by the PBOC for local legal person financial institutions shall not be less than 50%, the discounted bill balance of the Company temporarily showed a downward trend. As at the end of the reporting period, the bill rediscounting balance of the Company amounted to RMB65.881 billion, representing a decrease of 22.78% from the end of the previous year, but the market share of the Company kept ranking first in the market (data from China Banking Association).

During the reporting period, benefiting from the growth of bill business market, and the increase of transactions regarding discounted bills transferred to other financial institutions, the discounted bills transferred to other financial institutions amounted to RMB592.177 billion, representing a year-on-year growth of 76.86%, ranking second in the market in terms of business volume (data from China Banking Association).

Corporate customer deposits

During the reporting period, the Company realised a high quality growth in corporate deposits through strengthening the comprehensive operation of customers and optimising the liability structure. As at the end of the reporting period, the balance of corporate customer deposits amounted to RMB3,354.190 billion, representing an increase of 13.45% as compared with the end of the previous year; the daily average balance amounted to RMB3,267.604 billion, representing an increase of 12.88% as compared with the previous year; the demand deposits accounted for 55.15% of the balance of the daily average deposits from our corporate customers, up by 0.49 percentage point as compared with the previous year. During the reporting period, the average cost ratio of deposits from corporate customers was 1.78%, up by 0.01 percentage point as compared with the previous whole year.

Transaction banking business

With respect to the settlement and cash management, the Company accelerated the integration of various collection products and deepened the synergy between corporate and personal businesses. Firstly, the Company developed All-in-one Net Payment (一網通支付), UnionPay Cloud QuickPass (銀聯雲閃付), WeChat Face Recognition Payment (微信人臉識別支付) and other payment channels to diversify the payment channels for corporate aggregated collection products, and continued to develop business in four major industries including insurance, medicine, fast consumption and education, as well as Smart Business District, Smart Industrial Park, Smart Medical Care and other scenarios with the linkage between corporate and personal businesses. During the reporting period, the business volume of corporate aggregated collection was RMB74.226 billion, representing a year-on-year increase of 21.63%. Secondly, the Company provided comprehensive solutions in the management of transaction funds splitting and reconciliation for the transactions entered into on the B2B platforms in vertical fields and new economy platforms in retail section. Thirdly, the Company closely monitored the policies on the supervision of funds from the presale of commercial properties and the supervision of wages of migrant workers, optimised services on fund supervision and payment management, and explored the digitisation, systematisation and convenience of fund supervision. Fourthly, the Company accelerated the upgrade of the treasury management platform and launched a super direct application programming interface (API) service covering all functional scenarios from account management, payment and settlement, billing and deduction to online banking interconnection. As at the end of the reporting period, the Company provided treasury management platform services to 3,796 group customers. The number of companies under the treasury management reached 84,300, and the number of transactions reached 10.2771 million during the reporting period.

In terms of trade finance, the Company was committed to developing a comprehensive supply chain financing service, and actively promoted the online migration of the whole process to improve service efficiency. For the operation of domestic trade financing business, firstly, the Company simultaneously optimised the operation process for the customers and the review process for granting finance loans, and the average time cost for supplier financing was reduced to less than 3 hours; secondly, the Company vigorously promoted the payment agency services under a business model of direct connection between the Bank and enterprises, and verified the business background through direct interaction between the banking system and the customer system. During the reporting period, a total of 696 supplier customers of the Company carried out financing through such model, with a financing amount of RMB4.645 billion; thirdly, the Company innovatively launched the"Instant Issuance of Letter of Guarantee (保函閃電開)" service domestically to meet the needs of small- and medium-sized enterprises for high-frequency, small-value and complete online issuance service. During the reporting period, the Company offered 1,950 "Instant Issuance of Letter of Guarantee (保函閃電開)" services to more than 1,000 customers, with an amount of RMB746 million; fourthly, as the first batch of pilot banks for the Electronic Letter of Credit Information Exchange System operated by the PBOC, the Company actively promoted the online migration of domestic letter of credit business. During the reporting period, the Company realised the inter-bank issuance of electronic letter of credit in China and the integrated online clearing of large-value payment systems. During the reporting period, the business volume of the Company's domestic trade financing amounted to RMB278.609 billion, representing a year-on-year increase of 36.99%. For the operation of international trade financing business, the Company actively responded to the impact of the pandemic, concerned about the risk exposure of export-oriented enterprises on supply chain management, and provided financial support for import and export enterprises to resume and stabilise production. During the reporting period, the business volume of the Company's international trade financing amounted to USD10.153 billion, representing a year-on-year increase of 27.21%.

With respect to its cross-border finance, the Company accelerated the promotion of the online migration of international business. Firstly, the Company comprehensively optimised the remittance process of online corporate banking, promoted the bulk payment of foreign exchange and the foreign exchange remittance services using electronic bills through online corporate banking, and actively developed paperless and automated remittance services. Secondly, the Company opened a green channel for domestic enterprises to purchase pandemic prevention materials across borders during the pandemic. During the reporting period, the onshore international settlements of the Company for corporate customers amounted to USD108.747 billion, representing a year-on-year increase of 51.31%. Thirdly, the Company cultivated the user habit of "online-focused and mobile-first" for corporate customers, and vigorously promoted the self-service foreign exchange settlement function of CMB Corporate APP. During the reporting period, the number of self-service foreign exchange settlement transactions on CMB Corporate APP was 7,737, representing an increase of 3,821 transactions over the previous year. Fourthly, the Company established a service platform for overseas corporate online banking and overseas cash management, which can provide settlement, financing, foreign exchange settlement and sales and foreign exchange transactions for the companies "going global" so as to help them lay a foundation and conduct ordinary business overseas. During the reporting period, the business volume of foreign exchange settlement and sales amounted to USD63.728 billion, representing a year-on-year increase of 9.97%.

Offshore banking business

The Company deepened the segmentation-based management of offshore customers, established the three major customer systems of offshore strategy, value and foundation, focused on the strategic customers of the Head Office and branches and the customers with new growth engines, and formulated scenario-based marketing service solutions based on the characteristics of different regions and industries. Focusing on the needs of domestic enterprises listing overseas, the Company gave full play to the advantages of "integrating investment banking and commercial banking" and "integrating domestic and overseas operations" to establish a professional service system covering the full life cycle of red-chip listings, with an aim to build a service brand for the overseas listing of red-chip companies with new growth engines.

In order to strengthen the advantages of offshore licenses, the Company continued to strengthen the overall management of the three types of non-resident accounts. With the intensive introduction of favourable regulatory policies, the Company improved the FT account system and formulated free trade zone service plans to support the construction of Hainan Free Trade Port, Guangdong-Hong Kong-Macao Greater Bay Area and Shanghai Lingang New Area. The Company actively carried out product innovation. During the reporting period, the Company launched special products such as NRA account negotiated RMB deposits and "full-function cross-border capital pool", which realised the digital transformation of offshore trade financing business.

At the same time, the Company continued to consolidate anti-money laundering management, strictly implemented the offshore customer acceptance policy and strengthened due diligence on customers to improve the health of the offshore customer base. The Company properly utilised Fintech to strengthen anti-money laundering work. The effectiveness and convenience of anti-money laundering work were improved through technical means such as the offshore account annual inspection system and the dynamic monitoring system for abnormal transactions suspected to be fraudulent, and the key indicators for evaluating offshore anti-money laundering were further optimised.

Investment banking business

During the reporting period, under the complex economic environment at home and abroad, the Company continued to improve its service capabilities of "integrating investment banking and commercial banking" based on the two scenarios of direct financing and capital market. By focusing on the operations of the strategic customers of the Head Office and branches, strengthening the dual engines of asset organising and asset sales, and adhering to the principle of customer first, the Company achieved a rapid growth in investment banking business while building core competitiveness.

With respect to its bonds underwriting business, the Company actively seized opportunities in the direct financing market in the first half of the year, strengthened sales and transaction services, and continued to promote systematic ability building. During the reporting period, the bonds with the Company as the lead underwriter amounted to RMB461.465 billion, representing a year-on-year growth of 60.32%. According to WIND statistics, in the first half of 2020, the Company ranked second in terms of volume of credit bonds (non-policy financial bonds included) with the Company as the lead underwriter. The Company actively participated in the issue of innovative bonds. During the reporting period, the Company successfully led the underwriting of the first batch of bonds for pandemic prevention and control, the first commercial mortgage-backed note (CMBN) for pandemic prevention and control and the first CMBN with a special purpose vehicle (SPV) structure in China.

With respect to its M&A financing business, under the unfavourable external situation, the Company actively changed its thinking, focused on customer experience and in-depth service, closely monitored opportunities in the capital market, promoted the research in key industries, and achieved growth in the M&A financial business amid headwinds. During the reporting period, the Company achieved M&A financing of RMB67.794 billion, and a series of major M&A transactions in the market, such as the privatisations of Beijing-Shanghai High-Speed Rail and Li & Fung were successfully conducted. With regard to M&A financial advisory business, the Company focused on two major customer groups, being state-owned enterprises and listed companies, and provided professional advisory services in the capital market. During the reporting period, the Company led the acquisition of listed companies by Yinchuan SASAC, and its ability in differentiated services was significantly improved.

With respect to its structural financing business, the Company strived to promote the creation of proprietary non-standardised corporate agency sales products not actively managed by the Company and the development of market-oriented debt-to-equity conversion business, complied with market demand to grasp the position of asset redirection, adhered to the principle of serving customers and actively innovated business model to broaden cooperative institutions. During the reporting period, the Company realised structural financing of RMB40.053 billion.

With respect to its market transaction business, the Company leveraged on Fintech to continue to promote the update and iteration of the "Zhao Tou Xing (招投星)" system and the "Zhao Tou Xing (招投星)" WeChat applet, making it a two-way trading platform for internal and external funds and assets to promote the rapid development of business. During the reporting period, the financing scale of market transactions (matching services) of the Company amounted to RMB102.942 billion, representing a year-on-year increase of 98.37%.

With respect to its corporate wealth management business, the Company actively grasped market opportunities with sufficient liquidity, continued to strengthen the building of sales system, fully utilised the advantages of the linkage between the asset organising and product sales through the channels of the Company, and promoted the transformation and innovation of corporate wealth management products based on the investment needs of the customers. During the reporting period, the Company achieved sales of corporate wealth management products of RMB1,299.338 billion, representing a year-on-year increase of 16.93%; the number of customers purchasing corporate wealth management products totalled 42,043, representing a year-on-year increase of 11.88%.

Financial institution business

With respect to its financial institutions asset and liability business, the Company continued to strengthen the service of financial institution business and met the liquidity management needs of the whole bank. Meanwhile, the Company formulated a desirable customer list on the basis of conducting the optimisation of internal ratings model in various types of major sub-customer groups such as banks and securities companies, and sought for more high-quality financial institution customers in a targeted way. As of the end of the reporting period, the balance of financial institution deposits of the Company amounted to RMB601.842 billion, representing an increase of 11.46% as compared with the end of the previous year. Among them, the total amount of financial institution demand deposits from fund clearing, settlement and depository service reported a balance of RMB499.304 billion, accounting for 82.96% of the total amount, representing an increase of 2.17 percentage points as compared with the end of the previous year. The Bank maintained a leading position in terms of scale and percentage of demand deposits among the small- and medium-sized banks in China and achieved a better deposit structure.

With respect to its depository service, the Company's security and future margin depository service was in stable operation, with third-party depository services extended to 102 securities companies and 11,313,500 customers secured at the end of the reporting period. In addition, the Company entered into cooperation with 85 securities companies on margin trading and short selling business, securing 426,700 customers at the end of the reporting period. Also, the Company entered into cooperation with 54 securities companies on stock options business, securing 32,800 customers at the end of the reporting period, and entered into cooperation with 129 future companies on fund transfer, securing 197,200 customers at the end of the reporting period.

With respect to interbank clearing, as at the end of the reporting period, the number of the cross-border RMB accounts opened by banks and other financial institutions with the Company accumulated to 265, ranking first among all small- and medium-sized banks in China (according to the data released by the PBOC). There were 220 customers which participated indirectly through the Company in the RMB Cross-border Interbank Payment System (CIPS), ranking second among all small- and medium-sized banks in China and third in the industry (according to the data released by the CIPS).

With respect to the businesses on interbank online service platform, as at the end of the reporting period, the number of financial institutions registered on the "Zhao Ying Tong (招赢通)" platform of the Company reached 2,656, and during the reporting period, the online business volume amounted to RMB649.249 billion.

Asset management business

As at the end of the reporting period, the balance of wealth management products under management by CMB Wealth Management, a wholly-owned subsidiary of the Company (excluding structured deposits)[9] amounted to RMB2.38 trillion, representing an increase of 8.68% as compared with the end of the previous year. Among them, off-balance sheet wealth management products accounted for 98.72%; the balance of the funds raised from off-balance sheet wealth management products ranked second in the market. The balance of new products[10] amounted to RMB1.09 trillion, representing an increase of 59.08% as compared with the end of the previous year, accounting for 45.80% of the balance of wealth management products (excluding structured deposits), up by 14.58 percentage points as compared with the end of the previous year.

During the reporting period, the Company made great efforts to support the independent operation of CMB Wealth Management, established and improved various mechanisms through collaboration, and promoted the transformation and upgrading of asset management business in compliance with the New Regulation on Asset Management. The Company's asset management business scored a number of achievements in the following aspects.

Firstly, the Company steadily promoted the independent operation of CMB Wealth Management. The Company initially built the top-level structure for the decision-making system of CMB Wealth Management, and strengthened the strategy formulation and strategy implementation of CMB Wealth Management. The Company continued to strengthen the cooperation with CMB Wealth Management, and accelerated the in-depth integration of collaborative marketing and business linkage based on the reasonable distribution of risks and returns. The official website of CMB Wealth Management has been formally launched, which, together with the WeChat official account of CMB Wealth Management constitutes the main channels for information release. Leveraging on festivals, solar terms and other themes, CMB Wealth Management continued to enjoy brand exposure with high frequency.

Secondly, the Company continued to transform and develop products and sales. During the reporting period, the Company developed 109 new products based on the product system of "Zhao Ying Ruizhi Zhuoyue (招贏睿智卓越)" subject to the requirements of the New Regulation on Asset Management and supporting policies. Under the premise of a smooth transition, the Company actively promoted the compliance reform of cash management products to accumulate experience for accelerating the subsequent reform of existing products. The Company made more efforts on the issuance and sales of fixed-income plus, equity, multi-assets and other products, which further improved the diversity and return of products and optimised product structure. Facing the challenge of social distancing and quarantine during the pandemic, the Company improved the digital capabilities of customer service and investor education through online marketing and brand promotion methods such as "Wealth Management at Home (宅理財)" and "Wealth Management Lecture Hall (理財大講堂)", and accelerated the transformation of sales models. The Company continued to expand the institutional customer base, broadened the sources of medium- and long-term funds and accelerated the development of "Private Fixed Investment (以募定投)".

Thirdly, the Company flexibly organised assets to improve investment returns. As at the end of the reporting period, wealth management funds invested in the bond market reported a balance of RMB1,851.083 billion, and the proportion of bond assets was 69.84%, rose by 1.89 percentage points as compared with the end of the previous year. The Company made non-standardised credit investments within the credit limit in strict compliance with regulatory guidance. As at the end of the reporting period, the balance of wealth management funds invested in non-standardised assets of the Company amounted to RMB234.038 billion[11]. By actively grasping the structural opportunities and resolutely increasing positions at the bottom of the equity market, the Company has created good relative returns.

---

9 The balance of wealth management products (excluding structured deposits) is the sum of customers' principal in the on- and off-balance sheet wealth management products and the changes in net value of net-value products as at the end of the reporting period.

10 New products are wealth management products in compliance with the relevant provisions of the New Regulation on Asset Management.

11 Statistics based on the caliber before the release of the "Rules for the Identification of Standardised Debt Assets (《標準化債權類資產認定規則》)".

Asset custody business

As at the end of the reporting period, the balance of assets under custody of the Company was RMB14.56 trillion, representing an increase of 10.05% compared to the end of the previous year, and ranked second in terms of balance and first in terms of increase in the domestic custody industry (according to the data released by China Banking Association). During the reporting period, the Company realised a custodian fee income of RMB2.179 billion, representing a year-on-year increase of 13.90%. The Company ranked fourth in terms of revenue in the domestic custody industry (according to the data released by China Banking Association).

During the reporting period, the Company dug deep into the business needs from customers in asset custody business, continued to develop business in key product areas, comprehensively improved its capabilities in systematic management, professional service and systematic support, and further enhanced customer experience and market competitiveness. Firstly, the Company transformed the model of asset custody business, organised and coordinated channel sales, investment, supporting services and other resources, and provided customers with a package and comprehensive custody service plan on the basis of one policy for one account. Secondly, the Company continued to optimise the business structure to increase investment for the expansion of business in mutual funds, bank financing, insurance, pensions and other key custody businesses. The custody scale of mutual funds exceeded RMB1 trillion for the first time. During the reporting period, the Company ranked first in terms of the scale of newly issued custody mutual fund in the industry (WIND public data). Thirdly, the Company actively responded to the national call and managed the first batch of charitable trusts for pandemic prevention and control under custody for free during the COVID-19 pandemic. The Company realised "cloud custody" by using Fintech to ensure efficient, stable and continuous operation of custody business. Fourthly, the Company ranked first in the evaluation of the custody banks for basic pension insurance funds by the National Council for Social Security Fund, demonstrating that its professional services were recognised by customers.

Financial markets business

During the reporting period, the situations of the domestic and foreign economies and financial market were relatively complex. Affected by various factors, the interest rate of the bond market fluctuated drastically. The RMB exchange rate first rose and then depreciated, and gradually stabilised to around 7. The Company adjusted the duration, position size and position structure of its asset portfolios in a timely manner, flexibly used multi-strategy tools and actively captured market opportunities to hedge and mitigate the impact of market fluctuations, which achieved good returns. At the same time, the Company actively promoted the in-depth application of Fintech to the investment and trading business in the financial market, and built a quantitative trading system based on algorithm strategies and high-performance systems to facilitate the development of investment and trading business. During the reporting period, the Company implemented a fully automated quantitative market-making trading strategy on the Shanghai Gold Exchange, which realised automatic market-making quotations for financial subjects such as gold and silver, and provided liquidity to the market. The accumulated trading volume exceeded RMB10.0 billion.

With respect to RMB bond investment, through in-depth research and analysis of domestic and foreign macro economic situations and policies, the Company judged market trends in advance to effectively capture market opportunities, manage and control market risks and credit risks. During the reporting period, the Company flexibly adjusted the portfolio duration of RMB bonds investment and actively conducted spread trading through range trading operations. At the same time, under the premise of effectively preventing credit risks, the Company adjusted its position structure according to market conditions to improve the portfolio yields. With respect to foreign currency bonds investment, the Company appropriately adjusted the portfolio duration of foreign currency bonds investment based on the judgment of the international economic situation and market trends. The Company also grasped the opportunities arising from fluctuation in the spread of credit bonds and increased range trading operation to effectively improve portfolio yields.

With respect to customer transaction business, the Company seized market opportunities in exchange rates and interest rates, customised transaction plans for customers to reduce risks and finance costs, actively promoted the construction of online transactions to help customers realise contactless business processing. Meanwhile, the Company continued to improve the "CMB Hedging (招銀避險)" service system. The "CMB Hedging (招銀避險)" derivative transaction module of online corporate banking has covered major corporate products such as forwards, swaps and options. Customers can complete entrustment applications and transactions through clicks, which significantly improved transaction efficiency. Thus, the customer experience was enhanced and the number of corporate customers in derivative transactions and the transaction volume increased continuously. Meanwhile, the Company leveraged on Fintech to continue to provide individual customers with precious metal allocation and transaction services, so as to meet the diversified needs of individual customers in investment and transaction.

During the reporting period, the trading volume of RMB exchange rate swaps amounted to USD349.813 billion, representing a year-on-year decrease of 15.47%, which was mainly due to the impact of the pandemic and other factors. The Company modestly controlled the transaction scale based on the liquidity of the foreign exchange market. The trading volume of derivative transaction services to the customers reached USD195.145 billion, representing a year-on-year increase of 44.33%. In addition, the Company actively participated in the two-way opening of the bond market to provide high-quality services to overseas investors, and won the "Bond Connect Top Market Maker" award from Bond Connect Company Limited.

3.10.3 Distribution channels

The Company provides products and services via multiple distribution channels. The distribution channels of the Company mainly consist of physical distribution channels and e-banking channels.

Physical distribution channels

The efficiently operated distribution network of the Company is primarily located in the major economic centers of China such as Yangtze River Delta, Pearl River Delta and Bohai Rim, and certain large- and medium-sized cities in other regions. As at the end of the reporting period, the Company had 141 branches, 1,705 sub-branches, one dedicated branch-level operation center (credit card center), one representative office, 2,943 self-service centers, 8,262 self-service machines and 15,725 visual counters in more than 130 cities of Mainland China. The Company also has a branch in Hong Kong; a branch and a representative office in New York, the United States; a branch in London, the UK; a branch in Singapore; a branch in Luxembourg; a representative office in Taipei and a branch in Sydney, Australia.

E-banking channels

Major retail e-banking channels

During the reporting period, the Company constantly improved the retail e-banking channels and further increased operational efficiency. As at the end of the reporting period, the Company's replacement rate of comprehensive service counters through the retail electronic channels was 98.22%; and the rate of rerouting customers from the service counters to visual counters was 94.85%.

CMB APP

During the reporting period, CMB APP continued to deepen the digital construction of the financial scenarios, created premium services in wealth management and credit, further upgraded the pan-financial scenarios in life and communities, and promoted the organic integration with the financial scenarios. During the fight against the pandemic, CMB APP released ten heart-warming services to quickly respond to the needs of customers for social security, utility payment, livelihood and customer service under physical quarantine. Meanwhile, with the establishment of the digital middle-office system, its advantages have gradually emerged, which not only facilitates the transformation of the retail banking business of the whole Bank, but also provides a better experience for users as many as 100 million.

As at the end of the reporting period, the number of CMB APP users in aggregate was 129 million, with 56,071,800 monthly active users, a total number of 3.111 billion logins and the average monthly logins of 11.31 per user during the reporting period. During the reporting period, CMB APP had 841 million transactions and a total transaction amount of RMB18.56 trillion, up by 5.52% and 11.34% respectively, as compared with the corresponding period of the previous year.

CMB Life APP for credit card

During the reporting period, based on CMB Life APP 8.0, the Company steadily promoted the construction of content ecosystem, quality e-commerce, life with automobile and other scenarios, continued to expand product dimensions, broadened the scope of cooperation, and maintained technical depth to strengthen the connection with users and merchants. During the fight against the pandemic, the Company used Fintech to launch the "CMB Anti-pandemic Life Circle (小招喵的抗疫生活圈)" on CMB Life APP to provide customers with intelligent customer service, online repayment, online education and other financial and life services at home. The Company initiated the "Forerunners' Alliance (逾越者聯盟)" through CMB Life APP for the merchants to facilitate the recovery of various consumer sectors such as catering, automobiles and e-commerce, taking concrete actions to overcome difficulties with cooperative merchants.

As at the end of the reporting period, the total number of CMB Life APP users was 98,423,700, of which non-credit card users accounted for 33.29%. During the reporting period, the maximum number of daily active users of CMB Life APP reached 8,135,500 and the number of monthly active users was 42,843,200 as at the end of the period. In terms of the number and online activity of users, CMB Life APP continued to outperform other credit card APPs in the banking industry.

Smart service system

As for the smart debit card service system, the Company used "China Merchants Bank" WeChat Official Account as an important channel for its brand promotion and business promotion. On the one hand, it maintained high-quality content output and high-frequency interactive operation, and continued to build a traffic pool with long-term business value. On the other hand, it continued to strengthen channel information service capabilities, and took advantage of the light volume and fast service characteristics of third-party channels to form an organic service ecosystem with strong connections with CMB APP. As at the end of the reporting period, the "China Merchants Bank" WeChat Official Account had accumulated 23,424,000 followers.

As for the smart credit card service system, the Company continued to explore the ecological layout of 1+N services of emerging channels by focusing on CMB Life APP and complementing with third-party channels. During the reporting period, the Company further enhanced the AI service and closed-loop service capabilities of "Xiao Zhao (小招)", the customer service assistant of CMB Life APP, accelerated the "scenario-based transformation" of the service ecosystem and continued to develop smart service products for our customers. Thus, the smart credit card service system has been improved. As at the end of the reporting period, the Company gained a total of 149 million fans through third-party credit card channels (mainly from WeChat, Alipay service window and official QQ account).

Network operation service

The Company's Network Operation Service Center provides instant, comprehensive, prompt and professional services to its customers through caring methods such as telephone, network and video.

As for telephone customer service, the Company constantly improved its service capability and customer experience. During the reporting period, the manual telephone access ratio reached 98.31%; the percentage of manual telephone responses within 20 seconds reached 94.73%; and the satisfaction ratio of its telephone customer service reached 99.76%. As for network service, the Company conformed to the trend of its customers increasingly moving to the mobile Internet, and improved remote consulting service capabilities such as online text interaction. At the same time, the Company accelerated the pace of evolution into intelligent services, deepened the training and learning of intelligent robots, and enhanced algorithm optimisation. During the reporting period, our online interactive services accounted for 91.54%[12] and our intelligent self-services accounted for 76.47%[13]. As for video service, during the reporting period, our visual counters received an average of 1,649,800 incoming calls per month, with the highest number of single day incoming calls reaching 112,600, showing high replacement effect of in-branch non-cash transactions.

12 Referring to the proportion of online text services in various types of remote consulting services.

13 Referring to the proportion of services undertaken by intelligent robots in various remote consulting services.

Major wholesale e-banking channels

Online corporate banking

The Company has comprehensively improved the customer service and operating capabilities of the electronic platform, with an aim of building online corporate banking into an open digital platform with multi-channel interoperability and user experience integration. As at the end of the reporting period, the number of online corporate banking customers of the Company reached 2,062,500, representing an increase of 5.53% as compared with the end of the previous year, of which the number of monthly active customers was 1,084,600, representing an increase of 8.05% as compared with the end of the previous year. The total number of online corporate banking transactions of the Company reached 115,482,200 and total value of transactions amounted to RMB59.10 trillion during the reporting period.

CMB Corporate APP

In order to meet the growing demands of customers for mobile finance, the Company built CMB Corporate APP that integrated account management, transaction payment and online foreign exchange services based on financial scenarios and non-financial scenarios. As at the end of the reporting period, the number of customers of CMB Corporate APP reached 1,164,500, representing an increase of 16.36% as compared with the end of the previous year, of which monthly active customers reached 450,600, representing an increase of 5.65% as compared with the end of the previous year. During the reporting period, the number of transactions made by customers through CMB Corporate APP amounted to 3,383,300, with a transaction value of RMB108.326 billion.

3.10.4 IT and R&D

During the reporting period, the Company continued to increase investment in Fintech to build a Fintech infrastructure for the future. Through the building of cloud computing, big data, artificial intelligence, blockchain, mobile Internet and other infrastructure, the relevant labour costs were saved and production capacity increased. The business development of the whole Bank is supported by three software centers in Shenzhen, Hangzhou and Chengdu and two data centers in Shenzhen and Shanghai. The Company has established a team comprised of technical and business staff to quickly respond to customer needs and improve customer service experience.

With respect to infrastructure construction, the Company promoted the construction of an infrastructure based on Cloud Native technology, accelerated the safe migration of applications to the cloud for the whole Bank and subsidiaries, and forged ahead with the migration of key business system applications to the cloud. The Company consolidated the basic platform of big data, promoted the construction of a unified data portal for the whole Bank, and continued to strengthen a middle office with strong data capability and publish high-quality data services for the business development of the whole Bank via the middle office. The Company strove to increase its competitive advantages in artificial intelligence by maintaining its exchange and cooperation with high-quality academic resources at home and abroad, facilitating the application and practice of artificial intelligence technology in product, marketing, risk control, operation, investment consulting and other fields, and promoting three major AI cloud services, being customer service cloud, public opinion cloud and visual cloud services. The Company improved two major platforms, being Blockchain as a Service (BaaS) and Open License Chain, and explored the application of blockchain in financial business, government services, people's livelihood and other fields. The Company established a new generation of data warehouse joint innovation laboratory to accelerate the pace to achieve the relevant research results from the Kunpeng Computing Joint Innovation Lab (鯤鵬計算聯合創新實驗室) and the distributed database joint innovation lab.

With respect to the development of application systems, the Company quickly responded to the impact of the pandemic and provided real-time pandemic data query, online diagnosis, online courses and other services through the CMB APP. Meanwhile, the Company comprehensively strengthened online and offline operation, and further optimised the functions of CMB APP and CMB Life APP for scenarios such as meal coupons, movie tickets, convenience, travel and aggregated payment. The Company promoted the mobile version of the wealth account manager work platform and the video cloud chain platform to help online marketing services and business processing. With further innovation in supply chain finance, industrial Internet and cash management, the Company provided technological support for the promotion of new infrastructure and businesses with momentum, so as to enhance the digital service capabilities of small-sized enterprise customers and small- and micro-sized enterprises. The Company invested and developed a supervision platform for off-campus training fund, with an aim of creating a comprehensive service platform after taking into account the needs of the training institutions as the business side (B-side) and the parents of the students as the customer side (C-side). The Company optimised its intelligent risk control system to enhance the digital risk control capability, accelerated the online process of high-frequency business and realised the issuance of letter of guarantee for full deposit within 60 seconds through its "Instant Issuance of Letter of Guarantee (保函閃電開)" service.

With respect to overseas support, the Head Office continued to coordinate the management and maintenance of the core business system of overseas branches and strengthened support for the business development of overseas branches to complete the construction of the overseas data middle office.

With respect to security and stability, the Company speeded up the development of capabilities of cloud data centers to improve the level of automation and intelligence. Under the backdrop of rapid growth of system scale and transaction volume, the overall system was on the smooth side, and the availability of core accounting system and backbone networks remained its leading position among industry peers.

3.10.5 Overseas branches

Hong Kong Branch

Established in 2002, the Hong Kong Branch is the first branch duly established overseas by the Company. As a full-licensed bank and a registered institution with the Securities and Futures Commission, the Hong Kong Branch may engage in comprehensive commercial banking businesses, including wholesale banking and retail banking. With regard to wholesale banking, the Hong Kong Branch provides enterprises located in Hong Kong with diversified corporate banking products and services, such as deposits, settlement, trade financing, bilateral loans, syndicated loans, cross-border M&A portfolio solutions, asset management and asset custody, and engages in transaction of funds, bond trading and foreign exchange trading with financial institutions, and conducts funds clearing and asset transfer with financial institution customers. With respect to retail banking, the Hong Kong Branch proactively develops featured retail banking services and provides cross-border personal banking services and private wealth management services for individual customers in Hong Kong and Mainland China. Featured products include "Hong Kong All-in-one Card" and "Hong Kong Bank-Securities Express".

In the first half of 2020, the Hong Kong Branch focused on the opportunities such as "The Belt and Road" initiative, RMB internationalisation and the construction of Guangdong-Hong Kong-Macao Greater Bay Area, greatly promoted cross-border business coordination, continuously developed the local customer base, constantly expanded its market share, and provided customers with strong financial support. Meanwhile, the Hong Kong Branch further strengthened risk compliance and internal basis management, constantly improved and innovated its product and service systems and strove to explore the asset operation model. As a result, all its businesses achieved stable development. During the reporting period, the Hong Kong Branch realised an operating income of HK$1.360 billion and a profit before tax of HK$968 million.

New York Branch

Established in 2008, the New York Branch of the Company is the first branch of Chinese banks approved in the U.S. since the US Foreign Bank Supervision Enhancement Act in 1991. The New York Branch is located in the global financial center and is committed to establishing a cross-border financial platform characterised by coordination between China and the U.S., so as to offer diversified and all-round banking services for the companies and high-net-value private banking customers in China and the U.S..

In the first half of 2020, our New York Branch adhered to the principle of "taking compliance as a priority and maintaining steady operation" and aimed to improve the comprehensive service capabilities of the featured cross-border financial platform. Great progress was achieved in expanding Sino-US bilateral investment and trade related business, enhancing strategic customer management and strengthening compliance management. During the reporting period, our New York Branch realised an operating income of USD36,296,600 and a profit before tax of USD19,721,600.

Singapore Branch

Established in 2013, the Singapore Branch of the Company is positioned as a significant cross-border financial platform in Southeast Asia. Based in Singapore and expanding to Southeast Asia, the Singapore Branch strives to provide all-round non-stop solutions for cross-border finance to the Chinese companies "going global" and the companies "brought in" located in Singapore and other Southeast Asian countries. Its major services and products include: funds settlement, deposit service, foreign exchange trading, coordination financing, trade financing, M&A loans, syndicated loans, real estate trust leveraged financing and delisting financing. Meanwhile, Singapore Branch also provides private banking products and value-added services with integrated investment and financing solutions, such as cash management, asset allocation and heritage of wealth to high-net-value customers.

In the first half of 2020, the Singapore Branch continued to adhere to the "Chinese element" and engaged in business related to China. With cross-border finance and wealth management as the core, the Singapore Branch focused on the strategic customers of the Head Office and branches as well as the private banking customers, and created differentiated competitive advantages. During the reporting period, the Singapore Branch realised a net operating income of USD9,637,400 and a profit before tax of USD4,383,900.

Luxembourg Branch

Established in 2015, the Luxembourg Branch of the Company is positioned as an important cross-border financial platform in European continent. It provides diversified services including corporate deposits, corporate loans, project financing, trade financing, M&A financing, M&A advisory, bond underwriting and asset management for the Chinese enterprises "going global" and the enterprises "brought in" from Europe. It is committed to establishing an operational platform of the Company in Europe on the basis of the superior businesses of the parent bank combined with the special advantages of Luxembourg.

In the first half of 2020, the Luxembourg Branch adjusted its development strategy in a timely manner to adapt itself to market changes, strengthened its cooperation with local financial institutions, and strove to expand financing channels and reduce capital costs. The Company achieved steady business growth through close cooperation with other banks and financial institutions at home and abroad. During the reporting period, our Luxembourg Branch realised an operating income of €6,825,200 and a profit before tax of €316,100.

London Branch

Established in 2016, the London Branch of the Company is the first branch approved to be established in the United Kingdom among all the PRC joint-stock commercial banks and also the first branch established in the United Kingdom directly by a bank in Mainland China since the founding of the PRC. It currently conducts corporate banking business and private banking business. With respect to corporate banking business, it provides customers with diversified corporate banking products and services, such as deposits, loans (including bilateral loans, syndicated loans and cross-border M&A financing) and trade finance products, such as making payments on behalf of customers (代付) and forfeiting (福費廷). It also engages in interbank transaction of funds, bonds and foreign exchange trading, and conducts funds clearing and asset transfer with other financial institution customers. The private banking business was approved by the competent financial regulatory authority in the United Kingdom in January 2020. It currently provides basic services such as settlement, fixed deposit, foreign exchange transactions, mortgage loans and insurance referrals to meet the needs of our high-net-value customers for cross-border business and value-added services.

In the first half of 2020, the London Branch returned to its origin, continued to optimise its customer structure, consolidated the development of cross-border service products, focused on the strategic customers of the Head Office and branches and achieved the steady development of various businesses. At the same time, the private banking license was approved at the beginning of the year, which complemented the key sectors of "One Body with Two Wings". During the reporting period, the London Branch realised an operating income of USD9,832,100 and a profit before tax of USD4,449,900.

Sydney Branch

Established in 2017, the Sydney Branch of the Company is the first branch approved to be established in Australia among all the PRC joint-stock commercial banks. It proactively participates in Sino-Australian cross-border investment and financing services, trade financing and settlement, exploitation of mineral resources and the development of quality infrastructure projects, and provides supporting services for "going-global" customers to lay out in Australia and New Zealand and for "brought-in" foreign leading enterprises to develop in China. At the same time, it steadily carried out private banking business in compliance with laws and regulations, and met the private banking customers' needs for global service and the cross-border non-financial value-added service. The establishment of the Sydney Branch further expanded and improved the Company's global presence, forming a global service network across four continents: Asia, Europe, America and Australia.

In the first half of 2020, by staying focused, patient and sharp and adhering to the business strategy of "Laying a foundation with characteristics", the Sydney Branch endeavoured to facilitate the development of various businesses, which resulted in a good operating situation with stable business, controllable risks and increased revenue. During the reporting period, the Sydney Branch realised an operating income of AUD11,014,500 and a profit before tax of AUD5,280,600.

3.10.6 CMB Wing Lung Group

Founded in 1933, CMB Wing Lung Bank has a registered capital of HK$1.161 billion, and is a wholly-owned subsidiary of the Company in Hong Kong. The principal operations of CMB Wing Lung Bank and its subsidiaries comprise deposit-taking, lending, private banking and wealth management, investment, securities, credit cards, NET banking, "CMB WLB Wintech (招商永隆銀行一點通)" mobile banking, global cash management, syndicated loans, corporate financing, documentary bills, leasing and hire purchase loans, foreign exchange, insurance agency, mandatory provident fund, insurance brokerage and general insurance underwriting, property management and trustee, nominee and asset management services. At present, CMB Wing Lung Bank has one head office, 33 branches and private banking centers in Hong Kong, four branches and sub-branches in Mainland China, one branch in Macau, and two branches located respectively in Los Angeles and San Francisco, the United States.

During the reporting period, CMB Wing Lung Group realised an attributable profit to shareholders of HK$1.771 billion and a net operating income of HK$3.246 billion, of which net interest income was HK$2.069 billion and net non-interest income was HK$1.177 billion. The cost-to-income ratio was 35.37%.

As at the end of the reporting period, the total assets of CMB Wing Lung Group amounted to HK$371.542 billion. Total equity attributable to shareholders amounted to HK$40.302 billion. Total loans and advances to customers (including trade bills) amounted to HK$193.972 billion. Deposits from customers amounted to HK$273.457 billion. The loan-to-deposit ratio was 64.52%. The non-performing loan ratio (including trade bills) was 0.41%.

For detailed financial information on CMB Wing Lung Group, please refer to the 2020 interim results of CMB Wing Lung Bank, which is published on the website of CMB Wing Lung Bank (www.cmbwinglungbank.com).

3.10.7 CMB Financial Leasing

CMB Financial Leasing is one of the five pilot bank-affiliated financial leasing firms approved by the State Council. It was established in 2008 and wholly owned by the Company with a registered capital of RMB6.0 billion. CMB Financial Leasing has adhered to its operation and development strategy of "professionalisation, digitalisation and internationalisation", carried out the mission of "supporting national strategy, serving the real economy and promoting industrial upgrading", and launched the financial solutions for the ten industries of aviation, shipping, energy, infrastructure, equipment manufacturing, environment, health industry and cultural tourism, public transportation, smart interconnection & logistics and leasing. It satisfies the lessees' different needs in respect of equipment procurement, sales promotion, asset revitalisation, balancing of tax liabilities and improvement of financial structure.

As at the end of the reporting period, the total assets of CMB Financial Leasing amounted to RMB196.052 billion, and its net assets amounted to RMB21.796 billion. It realised a net profit of RMB1.436 billion during the reporting period.

3.10.8 CMB International Capital

Established in 1993, CMB International Capital is a wholly-owned subsidiary of the Company in Hong Kong, with a registered capital of HK$4.129 billion. At present, the business scope of CMB International Capital and its subsidiaries mainly covers corporate finance, asset management, wealth management, stocks and structured finance.

As at the end of the reporting period, the total assets of CMB International Capital amounted to HK$36.698 billion, and its net assets amounted to HK$9.455 billion. During the reporting period, it realised a net profit of HK$699 million. During the reporting period, CMB International Capital gained 8.20% of underwriting services in the Hong Kong IPO market, ranking first in the Hong Kong capital market.

3.10.9 CMB Wealth Management

CMB Wealth Management was established and wholly owned by the Company with a registered capital of RMB5.0 billion, and was officially launched in November 2019.

CMB Wealth Management is based in the headquarter in Shenzhen. It upholds the values of "professionalism, conscientiousness, innovation, and coordination" and the brand appeal of "providing better answers to the future", and is committed to gradually establish an all-round asset management business model which focuses on fixed income investments with equity and alternative asset investments as the supplements, and provides customers with cross-market, multi-category wealth management product portfolios and asset management service options, so as to meet their diversified needs for asset management and their needs in preserving and increasing their wealth.

As at the end of the reporting period, the total assets of CMB Wealth Management amounted to RMB7.054 billion, and its net assets amounted to RMB6.522 billion. During the reporting period, it realised a net profit of RMB1.500 billion.

3.10.10 China Merchants Fund

Established in 2002, China Merchants Fund had a registered capital of RMB1.31 billion. As at the end of the reporting period, the Company held 55% of China Merchants Fund's shares. The business scope of China Merchants Fund covers fund establishment, fund management and other operations approved by the CSRC.

As at the end of the reporting period, the total assets of China Merchants Fund amounted to RMB7.552 billion, and its net assets amounted to RMB5.468 billion. The total size of the asset management business (including China Merchants Fund and its subsidiaries) amounted to RMB958.761 billion. It realised a net profit of RMB448 million during the reporting period.

3.10.11 CIGNA & CMB Life Insurance

CIGNA & CMB Life Insurance, a joint venture of the Company, was established in Shenzhen in 2003, and it is the first Sino-foreign joint venture life insurance company established after China's entry into the World Trade Organisation (WTO), with a registered capital of RMB2.8 billion. As at the end of the reporting period, the Company held 50% of CIGNA & CMB Life Insurance's shares. CIGNA & CMB Life Insurance is mainly engaged in insurance businesses such as life insurance, health insurance and accident injury insurance, as well as the reinsurance of the above insurances.

As at the end of the reporting period, the total assets of CIGNA & CMB Life Insurance amounted to RMB70.333 billion, and its net assets amounted to RMB8.627 billion. During the reporting period, CIGNA & CMB Life Insurance realised a net profit of RMB683 million.

3.10.12 Merchants Union Consumer Finance

Merchants Union Consumer Finance, a joint venture of the Company, was established in Shenzhen in 2015, and it is the first consumer finance company in China established under the framework of the Closer Economic Partnership Arrangement (CEPA), with a registered capital of RMB3.869 billion. As at the end of the reporting period, the Company and its wholly-owned subsidiary, CMB Wing Lung Bank, jointly hold 50% of equity interest in Merchants Union Consumer Finance. Merchants Union Consumer Finance is mainly engaged in the granting of personal consumption loans.

As at the end of the reporting period, the total assets of Merchants Union Consumer Finance amounted to RMB92.076 billion, and its net assets amounted to RMB9.938 billion. During the reporting period, Merchants Union Consumer Finance realised a net profit of RMB578 million. As at the end of the reporting period, Merchants Union Consumer Finance ranked first among the licensed consumer finance companies in terms of the volume of loans, and its asset quality was better than the average level of other licensed consumer finance companies.

3.11 Risk Management

The Company stepped up the construction of a risk management system focusing on risk-adjusted value creation under the principles of "Comprehensive, Professional, Independent and Balanced Management". The Risk and Compliance Management Committee of the Head Office is responsible for reviewing and determining the most significant bank-wide risk management policies on risk preferences, strategies, policies and authorisations approved by the Board of Directors.

During the reporting period, against the backdrop of complicated and volatile economic environment at home and abroad and the increasing risk in bank operations, the Company continued to improve its overall risk management system while proactively overcoming and preventing all kinds of risk.

3.11.1 Credit risk management

Credit risk refers to the risk arising from a bank's borrowers or counterparties failing to perform its obligations as agreed. Adhering to its management philosophy of "Quality Goes First Based on Compliance and Risk Control (合規為根、風險為本、質量為先)", and with the goal of "fostering a leading risk management bank", the Company promoted the risk management culture of "staying healthy, rational, proactive and comprehensive (穩健、理性、主動、全員)", stuck to the concept of balanced returns and risks and the prudent business strategy in which risks can ultimately be covered by capital, implemented a unified credit risk preference, optimised the life-cycle credit risk management processes, improved credit risk management tools, and fully improved risk management capabilities, so as to prevent and reduce credit risk loss.

During the reporting period, the Company closely followed the macro economic and financial situations, strictly abided by the bottom line, was open-minded and took various measures to root out potential risks, thereby effectively keeping asset quality stable. Firstly, the Company confronted the difficulties and dealt with the impact of the pandemic on asset quality. The Company conducted a comprehensive survey on industries and customers that were significantly affected by the pandemic, as well as key risks and hidden dangers, and deployed the control measure of "a specific policy for a specific customer". Also, the Company overcame unfavorable factors such as the pandemic, and accelerated the recovery of collection capabilities. It carried out multiple rounds of stress testing on the impact of the pandemic, and formulated emergency plan in advance. Secondly, the Company focused on openness, integration and value creation with risk management. The Company accelerated the research for the new growth engine industries, deepened industrial awareness, and promoted the organisation of new growth engine assets. By closely following the national economic regional strategy, the Company strengthened the economic research for Yangtze River Delta and other regions, improved regional credit policies, and led the Company to secure the leading position in both business development and risk management in Yangtze River Delta and other regions. The Company dynamically optimised the list of strategic customers, optimised the risk management system such as credit policies, systems and procedures for the strategic customers of the Head Office and branches, strengthened the research and risk management of listed companies, and established a comprehensive evaluation system for listed companies. Thirdly, the Company built a strong foundation and promoted the capacity building for risk systemisation. The Company established a credit risk rating model for financial institution customers, optimised credit access standards and pre-warning mechanisms, and continuously improved the systematic capability of risk management. Fourthly, the Company increased the channels for disposal of non-performing assets while effectively disposing of non-performing assets. The Company intensified the recovery of non-performing assets by cash collection while continuously promoting the write-off of non-performing assets and securitisation of assets. The Company proactively explored debt-to-equity conversion, made use of a number of methods to mitigate risk assets and achieved the effective and efficient disposal of non-performing assets based on compliance regulations. Fifthly, the Company strengthened scientific and technological empowerment and improved risk management efficiency. The Company improved the online risk control platform and established risk control models, so as to provide support for risk control decisions. Moreover, the Company continued to monitor the results of the intelligent rating models of non-financial companies and the intelligent risk pre-warning models, thereby further deepening the application of Fintech achievements.

For more information about the Company's credit risk management, please refer to Note 41(a) to the financial statements.

3.11.2 Management of large-scale risk exposure

In accordance with the "Management Measures for Large-Scale Risk Exposure of Commercial Banks" (CBIRC Order 2018 No. 1) (《商業銀行大額風險暴露管理辦法》(銀保監會2018年1號令)) issued by the CBIRC, large-scale risk exposure refers to the credit risk exposure (including various credit risk exposures in the banking book and trading book) to a single customer or a group of related customers of a commercial bank that exceeds 2.5% of its net Tier 1 capital. The Company has incorporated large-scale risk exposure management into its overall risk management system, and measured and dynamically monitored changes in large-scale risk exposure, so as to effectively controlled customer concentration risks. As at the end of the reporting period, other than customers with regulatory exemption, single non-financial institution customers, group non-financial institution customers, single financial institution customers and group financial institution customers of the Company that reached the standards of large-scale risk exposure were all in compliance with the regulatory requirements.

3.11.3 Country risk management

Country risks represent the risks of economic, political and social changes or developments in a country or region that may cause borrowers or debtors in that country or region to be unable or unwilling to fulfil their obligations to banks, or incur loss to commercial presences of the Company in that country or region, or other loss to the Company in that country or region. Country risk may arise from deteriorating economic conditions, political and social upheavals, nationalisation or expropriation of assets, and government repudiation of external indebtedness, foreign exchange controls and currency depreciation in a country or region.

Following the principles of soundness and prudence, the Company established a country risk management system compatible with strategic objectives, risk profile and complexity, and incorporated country risk management into its overall risk management system so as to promptly identify, measure, evaluate, monitor, report, control and mitigate country risks, assess the country risk ratings in a regular manner and implement limit management, while guiding business to tilt in favour of low-risk countries. Under the background of spreading pandemic overseas and constant international trade frictions, risks in some countries and regions have increased. Therefore, the Company strengthened risk monitoring and management in priority countries, dynamically updated country risk ratings based on risk changes, and strictly restricted business growth in high-risk countries. As at the end of the reporting period, the Company has made adequate allowances for country risks in accordance with the regulatory requirements. As a result, the country risks will not have material effect on the operations of the Company.

3.11.4 Market risk management

The Company's market risk arises from trading book and banking book, and the interest rate risk and exchange rate risk are the major market risks faced by the Company.

Interest rate risk management

Trading book

The Company uses various risk indicators, including volume indicators, market risk value indicators (VaR, covering interest rate risk factors of various currencies and durations relating to trading book business), interest rate stress testing loss indicators, interest-rate-sensitive indicators and accumulative loss indicators, to measure, monitor and manage the interest rate risk of trading book. The interest rate risk factors used for risk measurement cover all businesses under the trading book, and are comprised of around 140 interest rate indicators or bond yield curves. VaR includes general VaR and stressed VaR, which are both calculated using the historical simulation method and adopt a confidence coefficient of 99%, an observation period of 250 days and a holding period of 10 days. The interest rate stress testing scenarios include the parallel move, steep move and twisted change of interest rates at various degrees and various unfavorable market scenarios designed on the characteristics of investment portfolios. Among which, the extreme interest rate scenario may move up to 300 basis points and cover the extremely unfavorable conditions of the market. Major interest rate sensibility indicator reflects the duration of bonds and the change in the market value of bonds and interest rate derivatives PV01 (when an interest rate fluctuates unfavorably by 1 basis point). As for daily risk management, the annual scope of authorisation and the market risk limits for the interest rate risk businesses under the trading book are set in accordance with the risk appetite, operation plan and risk prediction of the Board of Directors at the beginning of the year for which the Market Risk Management Department is responsible for daily monitoring and continuous reporting.

In the first half of 2020, under the impact of the COVID-19 pandemic, the global financial market saw the most violent turbulence since the 2008 financial crisis, resulting in increasing frequency of the "Black Swan" events in the financial market, and collapse of the US stock market triggering the circuit breaker four times and the settlement price of crude oil futures dipping negative for the first time in the history, and experienced frequent switching from risk-off, risk-on to risk-off, which was fueled by the continued spread of pandemic overseas as the main trigger. Central banks in various countries generally stabilise the market by adopting loose monetary policies. The Federal Reserve cut its interest rates in a successive and prompt manner, which led to the yield of 10-year USD bonds hitting a record low of 0.3%. The total amount of RMB bonds in issue recorded a year-on-year increase, and interest rates in the bond market showed an overall downward trend. As at the end of the reporting period, the yield of 1-year treasury bonds dropped 19 basis points to 2.18% as compared with the end of the previous year, and the yield of 10-year treasury bonds dropped 31 basis points to 2.82% as compared with the end of the previous year. Since May, thanks to the improvement of economic data and upturn of macro fundamentals, the market expectations have shifted, and the yield curve of treasury bonds moved upward. The yield of 1-year treasury bonds and 10-year treasury bonds increased by 49 basis points and 23 basis points, respectively, in the second quarter.

The investment scope of the trading book of the Company focused on RMB bonds. During the pandemic, prudent investment strategies and targeted risk control measures were adopted by the Company to ensure that all interest rate risk indicators of the trading book fall within the target range.

Banking book

The Company mainly adopts the re-pricing gap analysis, duration analysis, benchmark-correlated analysis, scenario simulation and other methods to measure and analyse the interest rate risk of banking book on a monthly basis. The re-pricing gap analysis mainly monitors the distribution of re-pricing duration and mismatch of assets and liabilities; the duration analysis monitors the duration of major product types and the change in the duration gap of assets and liabilities of the whole Bank; the benchmark-correlated analysis assesses the benchmark risk existing between different pricing benchmark interest rate curves, as well as between the different duration points on each of such curves based on the benchmark-correlated coefficients calculated using our internal models; the scenario simulation is the major approach for the Company to conduct interest rate risk analysis and measurement, which comprises a number of ordinary scenarios and stress scenarios, including the interest rate benchmark impact, the parallel move and the change in the shape of yield curves, the extreme changes in interest rates in history, and the most possible changes in interest rates in the future as judged by experts and other scenarios. The net interest income (NII) for the future one year and the changes in economic value (EVE) indicator are calculated through simulation of the scenario of changes in interest rates. The NII fluctuation ratio and the EVE fluctuation ratio of certain scenarios are included into the interest rate risk limit system of the whole Bank. In addition, the internal limit indicator system is included into the standardised measurement indicators set out in the Guidelines on the Management of Interest Rate Risk of Banking Book of Commercial Banks (Revised) issued by the CBIRC.

During the reporting period, the Company paid close attention to changes in the external environment and internal interest rate risk exposure structure, made prediction and analysis of the trend of credit and market interest rates based on the macro quantitative model, and flexibly adjusted the active management strategy for interest rate risk. The Company, through the adjustments to the structure of on-balance sheet assets and liabilities and off-balance sheet interest rate derivatives, hedged against the rise in interest rate risk as a result of the switch of existing loan interest rates and the decline in LPR. As at the end of the reporting period, various on- and off-balance sheet management measures were implemented as scheduled, and the interest rate risks were under control within the annual interest rate risk management and control target range of the Company. The results of stress test also showed that various indicators still stayed within the limits and pre-warning values of the Company, and the interest rate risk of the banking book was generally controllable.

Exchange rate risk management

Trading book

The Company uses the risk indicators such as risk exposure indicator, market risk value indicator (VaR, covering foreign exchange rate risk factors of various currencies related to transactions on the trading book), the exchange loss indicator under stress test, option-sensitive indicator and accumulated loss indicator to conduct risk measurement and monitoring management. As for risk measurement, the selected exchange rate risk factor is applied on spot prices, forward prices and volatilities in all transaction currencies under the trading book. Market value risk indicators comprise general market value at risk and stress market value at risk, and are calculated using historical simulation based on a confidence coefficient of 99%, an observation period of 250 days and a holding period of 10 days. Exchange rate stress test scenarios cover 5%, 10%, 15% or more adverse changes in every transaction currency against RMB, and changed volatility of foreign exchange options. Major option-sensitive indicators include Delta, Gamma, Vega and other indicators. For daily management, we set annual limits on authority associated with exchange rate risks under the trading book and relevant market exposure at the beginning of the year according to the risk appetite, business planning and risk forecast of the Board of Directors, and delegated the Market Risk Management Department to perform daily monitoring and on-going reporting.

In the first half of 2020, the RMB exchange rate has been steady and fluctuated up and down within a reasonable range. Compared with the violent fluctuations of the USD and other foreign currencies, the RMB exchange rate kept the flexibility in two-way fluctuation, and the price of the USD to the RMB remained stable in the range of 6.96-7.18. Affected by the COVID-19 pandemic, economic environment at home and abroad was hit and the USD to the RMB encountered a relatively rapid upward trend, reaching a peak of 7.15. However, the pandemic prevention and control in China has been improved, in addition to the sufficient and stable foreign exchange reserve, which supported the positive economic fundamental in the long run, resulting in the USD to RMB gradually dropping below 7.1.

Under this background, the Company mainly obtained spread income through foreign exchange trading business on behalf of customers, and utilised system modules to dynamically monitor the exposure of proprietary trading, and adopted the stringent internal control and management during the pandemic and closely monitored the indicators such as sensitivity index and stop-loss. As at the end of the reporting period, all exchange rate risk indicators of trading book of the Company were within the target range.

Banking book

The data for measurement of exchange rate risk of banking book of the Company was derived mainly from database, and the Company mainly uses foreign exchange exposure analysis, scenario simulation analysis, stress test, and other methods for measurement and analysis. The foreign exchange exposure measurement uses the short-sided method, the correlation approach and the aggregation approach; scenario simulation and stress test analysis are two important exchange rate risk management tools of the Company for managing foreign exchange rate risk in respect of fluctuation of all currency exchange rates, including the standard scenario, historical scenario, forward scenario and stress scenario. Based on the forward exchange rate fluctuation and the scenario of historical extreme fluctuations, each scenario could simulate the impact on the Company's profit or loss. The effects of certain scenarios on the profit and loss and its percentage to net capital as a limit indicator are taken as reference in the daily management. The Company conducts back-testing and assessment on relevant model parameters on a regular basis to verify the effectiveness of measurement models.

The Company regularly measures and analyses foreign exchange exposure of banking book and scenario simulation results, monitors and reports exchange rate risk on a monthly basis under its quota limit framework, and adjusts its foreign exchange exposure accordingly based on the trend of foreign exchange movements, so as to mitigate the relevant foreign exchange risk of banking book. The Audit Department of the Company is responsible for overall auditing of our exchange rate risk.

During the reporting period, the Company paid close attention to exchange rate movements, took initiative to analyse the impact of exchange rate changes in light of the macro economic conditions at home and abroad, and proposed a balance sheet optimisation program as a scientific reference for the management's decision-making. In the first half of 2020, the RMB exchange rate experienced a vehement two-way fluctuation due to the volatility of economic fundamentals, USD liquidity, financial market fluctuations and uncertainty in the trading environment under the impact of the pandemic. The Company increased its efforts to monitor and analyse of foreign exchange exposure and imposed a stringent control over the scale of foreign exchange risk exposure. The Company was prudent about the exchange rate risk. As of the end of the reporting period, the size of the banking book of the Company's foreign exchange exposure was at a relatively low level. The exchange rate risk of the Company is generally stable with all the core limit indicators, general scenarios and stress testing results satisfying the regulatory limit requirement.

For more information about the Company's market risk management, please refer to Note 41(b) to the financial statements.

3.11.5 Operational risk management

Operational risk refers to the risk of loss arising from inappropriate or failed internal procedures, incompetent personnel or IT systems, or external events. In view of the various aspects and wide range of operational risks, the Company's operational risk management will, based on the principles of cost-revenue matching and input-output balance, vigorously strengthen the establishment of operational risk management system, implement internal control system, continue to carry out various businesses steadily and reduce or prevent operational risk losses with a certain level of cost. In the process of operational risk management, within the risk limits set by the Board of Directors, the Company will, through measures such as further improving the risk management mechanism, strengthening risk prevention and control in key areas, conducting risk monitoring and pre-warning, improving assessment and evaluation mechanism, and cultivating operational risk prevention culture, so as to further improve operational risk management capabilities and effectiveness, and prevent and reduce operational risk losses.

During the reporting period, in order to prevent loss arising from systematic operational risk and material operational risk, the Company continued to improve its operational risk management system. Firstly, the Company strengthened the management of risks associated with collaborative businesses and cooperative institutions, and developed risk management and control work program for collaborative businesses. Secondly, the Company intensified the risk management and control of business with "low credit risk" and prepared risk cases for publicity. Thirdly, the Company reinforced risk prevention and control in key areas and continued to carry out risk screening on stakeholder business, P2P, private equity funds, settlement facilitation, and electronic discounted business bills and other areas and made corresponding response. Fourthly, the Company made efforts to enhance the outsourcing-related risk management, review new outsourcing product offering in a prudent way, and launch outsourcing-risk screening. Fifthly, the Company deepened operational risk management requirements, formulated and issued operational risk guideline regarding key work and consolidated management, and further defined operational risk management requirements. Sixthly, the Company comprehensively strengthened IT risk and business continuity management, promptly deliver risk reminders in light of internal and external risk conditions and organised special assessments thereof, and completed annual business continuity plan, business continuity management work guideline and business continuity report under the influence of public opinion.

3.11.6 Liquidity risk management

Liquidity risk refers to the risk that the Company's unable to obtain sufficient funds at a reasonable cost in a timely manner to grow its assets, pay maturing debts and perform other payment obligations. The liquidity risk management of the Company is based on the principles of prudence, foresight and comprehensiveness, which is more appropriate for the current development stage of the Company. The current liquidity risk management policies and systems of the Company have basically satisfied the regulatory requirements and its own management needs.

Based on the principle of separating policy-making, strategy implementation and supervision of liquidity risk management, the Company puts in place a governing framework under which the roles, responsibilities and reporting lines of the Board of Directors, the Risk and Capital Management Committee, the Board of Supervisors, senior management, designated committees and relevant departments are segregated to ensure the effectiveness of liquidity risk management.

In the first half of 2020, the central bank maintained a prudent monetary policy and reasonably adequate liquidity. In response to the market environment and the liquidity profile of the Company, the Company implemented the following measures to enhance liquidity management. Firstly, the Company continued to promote the growth of deposits from customers, through measures such as strengthening the guiding of marketing strategies for key customer groups, strengthened the control of key timings, promoted the steady growth of low-cost deposits through various measures and guided the further decrease of liabilities and costs. Secondly, the Company dynamically controlled the exposure of credit assets, and continued to optimise the asset structure, in order to achieve balanced development of assets and liabilities. Thirdly, the Company strengthened active liability management in all aspects and channels, enhanced cooperation with counterparties, expanded diversified financing channels, and improved the financing capability of our treasury. Fourthly, the Company conducted in-depth refined forward-looking liquidity risk management. By using quantitative modeling and dynamic measurement and calculation, the Company enhanced its research and judgment in macro-economy and the dynamic prediction on the liquidity of the whole Bank, flexibly conducted short term and medium- to long-term active liability taking according to its own liquidity profile and market interest rate trend, so as to improve the proactive risk management of the liquidity risk. Fifthly, the Company moderately increased its investments in qualified high-quality bonds, maintained sufficient liquidity reserve, and further enhanced the ability to mitigate liquidity risk. Sixthly, the Company strengthened liquidity risk management of business lines. Specifically, as for standalone business lines such as bills business, wealth management business and offshore banking business, the Company set separate liquidity risk limit and enhanced the duration matching management of its assets and liabilities. Seventhly, the Company tested and improved the liquidity contingency plan and emergency plan, and effectively improved the ability to respond to liquidity risk events through regular liquidity risk emergency drills.

The Company has satisfied the relevant requirements of the "Administrative Measures on Liquidity Risk of Commercial Banks" issued by the CBIRC in May 2018. As at the end of the reporting period, the Company's liquidity coverage ratio was 138.34%, higher by 38.34 percentage points than the minimum requirement of the CBIRC. The net stable funding ratio was 119.98%, higher by 19.98 percentage points than the minimum requirement of the CBIRC; the liquidity ratio was 45.85%, higher by 20.85 percentage points than the minimum requirement of the CBIRC; and the liquidity matching ratio was 145.85%, higher by 45.85 percentage points than the minimum requirement of the CBIRC, indicating that the Company had sufficient funding sources to meet the needs of sustainable and healthy development of the business. 9% of the Company's total RMB deposits and 5% of the Company's total foreign currency deposits were required to be placed with the PBOC. In summary, the Company's liquidity indicators remained at healthy levels. Deposits maintained steady growth. Liquidity reserves were sufficient and overall liquidity was at a safe level.

For more information about the Company's liquidity risk management, please refer to Note 41(c) to the financial statements.

3.11.7 Reputational risk management

Reputational risk refers to the risk that the Company might be negatively evaluated by relevant stakeholders due to the Company's operations, management and other activities or external incidents. Reputational risk management is an important part of the corporate governance and the overall risk management system of the Company, covering all activities, operations and businesses undertaken by the Company and its subsidiaries. The Company established the reputational risk management system and formulated relevant requirements and took initiatives to effectively prevent the reputational risk and respond to any reputational incidents, so as to reduce loss and negative impact to the greatest extent.

During the reporting period, the Company continued to improve its reputational risk management capability through enhancing its pre-management capability of reputational risk under the overall risk management system and refining the risk alert mechanism to actively prevent reputational risk; and made respondence to public opinions in a timely manner, while speeding up the handling of negative public opinions and taking various risk mitigation measures to reduce negative impact to the greatest extent. During the reporting period, there was no material reputational risk event in the Company and the reputational risk across the whole Bank was controllable.

3.11.8 Compliance risk management

Compliance risk refers to the risk of being subject to legal sanctions, regulatory punishments, material financial losses, and reputational loss as a result of the failure to observe the laws, rules and standards. The Board of Directors of the Company is ultimately responsible for the compliance of the operating activities, and delegates the Risk and Capital Management Committee under the Board of Directors to supervise the compliance risk management. The Risk and Compliance Management Committee of the Head Office is the organisation to manage compliance risk of the whole company under the senior management. The Company set up three lines of defence for compliance risk management and the double-line reporting mechanism through the establishment of organisational management structure comprising the risk and compliance management committees, compliance supervisors, compliance officers and legal and compliance departments under the Head Office and its branches as well as compliance supervisors at branch and sub-branch levels, continuously improved risk management techniques and management procedures and established a complete and effective compliance risk management system to achieve effective control of compliance risks.

During the reporting period, the Company rigorously implemented regulatory policies, fulfilled requirements and comprehensively improved the systematic capability of compliance management by adopting the following measures: firstly, formulating and issuing the "Guidelines on Internal Control and Compliance Work of the Bank in 2020", mapping out plans for the management of compliance on internal control throughout the Bank; secondly, further deepening the rectification of market disorders in accordance with the requirements of the CBIRC and the Company's specific arrangements, thoroughly carrying out self-examination and self-correction by focusing on the major issues of market disorder in the banking industry and the key areas of regulation and inspection, which has continued to improve the long-term mechanism of compliance management; thirdly, strengthening the understanding and the circulation and delivery of new regulatory requirements, revising and improving relevant internal regulations according to new regulatory requirements in a timely manner and effectively implementing the system based on the practice, identifying and assessing the compliance risks associated with new products, new businesses and major projects, ensuring the business models are in line with regulatory orientation; fourthly, strengthening compliance education for employees, organising the leaders, compliance officers and compliance supervisors of each entity to conduct compliance seminars and warning case studies in an effort to continuously enhance employees' awareness on compliant operation and create an atmosphere of compliance for all employees; fifthly, improving employee behavior management system, revising the Administrative Measures on Employees' Abnormal Behaviors of China Merchants Bank, developing an employee behavior management system, while increasing its efforts to apply employees' behavior management tools such as keeping a list of minor violation points and name list of violating employees and conducting due diligence investigation on termination of employment to effectively implement employee behavior management; sixthly, setting up three lines of defense and an efficient and coordinated supervision and inspection mechanism on the basis of strengthening overall management, and integrating various inspections of business departments, risk departments, compliance departments and audit departments into joint inspections with unified organisation, unified entry and unified standard, and opening up the cooperation channel for inspection resources between the three lines of defense, so as to comprehensively improve the quality and efficiency of internal supervision and inspection; and seventhly, developing a "legal compliance portal" system, integrating internal control and compliance data resources, and building internal control and compliance data marts, so as to improve the capability of internal control and compliance data analysis, and promote the digital transformation of internal control and compliance management throughout the Bank.

3.11.9 Anti-money laundering management

The Company has established a relatively sound anti-money laundering internal control system. The Company has formulated a full set of anti-money laundering management system based on the requirements of relevant laws and regulations on anti-money laundering and its own actual conditions. It has also developed and launched a comparatively complete anti-money laundering monitoring system, established an anti-money laundering organisational system, and had a dedicated anti-money laundering team to ensure the sound operation of business throughout the Bank.

During the reporting period, the Company fulfilled its anti-money laundering obligations and took various measures to ensure the compliance and effectiveness of its anti-money laundering. These measures included but were not limited to: further improving the internal control system for anti-money laundering of the Company in accordance with the requirements of the "Guidelines for Risk Management of Money Laundering and Terrorism Financing for Legal Entities of Financial Institutions (Trial)", "Administrative Measures for Anti-Money Laundering and Anti-Terrorism Financing in Banking and Financial Institutions" and other regulatory documents as well as the actual risk profile of the Company. The Company completed the assessment of money laundering and sanctions risk of the Company for 2019, strengthened the assessment of money laundering risks associated with its businesses and products, and effectively embedded anti-money laundering compliance requirements into business processes and systems. The Company further carried out various risk screening and case re-investigations to prevent various money laundering risks, further promoted the application of AI in anti-money laundering to enhance the accuracy in identification of suspicious customers and the quality and efficiency of monitoring and analysis of suspicious cases, which enabled the recognition rate of high-risk transactions associated with money laundering to reach 95%, continuously optimised and promoted the customer due diligence platform for anti-money laundering and improved the customer due diligence processes. The Company continuously optimised the anti-money laundering monitoring systems, the name list management system for anti-money laundering and the risk rating systems to improve the effectiveness of anti-money laundering throughout the Bank. The Company further promoted and implemented the "Notice of the People's Bank of China on Strengthening the Identification of Anti-Money Laundering Customers" and other regulatory requirements, and continued to carry out beneficiary identification, suspicious transactions reporting, subsequent risk control and the management of customers associated with high risks.

3.12 Profit Appropriation

The profit appropriation plan for 2019

The profit appropriation plan of the Company for 2019 was considered and approved at its 2019 Annual General Meeting held on 23 June 2020.

10% of the audited net profit of the Company for 2019 of RMB86.085 billion, equivalent to RMB8.609 billion, was allocated to the statutory surplus reserve by the Company, while 1.5% of the total balance of the risk assets, equivalent to RMB10.002 billion, was appropriated to the general reserve. Based on the total share capital of A Shares and H Shares on the record date for implementation of the profit appropriation, the Company proposed to declare a cash dividend of RMB1.20 (tax included) for every share to all shareholders of the Company whose names appear on the register, payable in Renminbi for holders of A Shares and in Hong Kong Dollars for holders of H Shares. The retained profits will be carried forward to the next year. In 2019, the Company did not transfer any capital reserve into share capital.

The Board of Directors of the Company has already implemented the above-mentioned dividend appropriation plan. For further information, please refer to the relevant announcement(s) published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company, respectively.

Interim dividend appropriation for 2020

The Company would not distribute interim dividends for the first half of 2020, nor would it transfer any capital reserve into share capital (for January-June 2019: nil).

Important Events

4.1 Purchase, Sale or Redemption of Listed Shares of the Company

Neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the reporting period.

4.2 Disciplinary Actions Imposed on the Company, Directors, Supervisors or Senior Management

During the reporting period, none of the Company, its Directors, Supervisors or senior management was subject to investigation by relevant authorities or to mandatory measures imposed by judicial organs or disciplinary inspection authorities. None of them had been referred or handed over to judicial authorities or prosecuted for criminal liability, under investigation or administrative sanction by the CSRC, nor had they been prohibited from engagement in the securities markets, determined as unqualified, or been publicly censured by any stock exchange. The Company has not been penalised by other regulatory bodies which have significant impact on the business of the Company.

4.3 Explanation About the Integrity Profile of the Company

There has not been any significant court judgment with which the Company has not complied, nor has there been any outstanding debt of significant amount during the reporting period.

4.4 Significant Connected Transactions[14]

4.4.1 Overview of connected transactions

A majority of the continuing connected transactions of the Company met the de minimis exemption and the non-exempt continuing connected transactions fulfilled the reporting and announcement requirements under the Hong Kong Listing Rules.

4.4.2 Non-exempt continuing connected transactions

Pursuant to Chapter 14A of the Hong Kong Listing Rules, the non-exempt continuing connected transactions of the Company were those conducted by the Company with CMFM and its associates (hereinafter referred to as "CMFM Group"), and CM Securities and its associates (hereinafter referred to as "CM Securities Group"), respectively.

With the approval of the Board of Directors of the Company, on 3 December 2019, the Company announced that the annual caps for the continuing connected transactions with CMFM Group for the years of 2020, 2021 and 2022 were RMB1.4 billion, RMB1.6 billion and RMB1.8 billion, respectively. On 27 March 2018, the Company announced that the annual caps for the continuing connected transactions with CM Securities Group for the years of 2018, 2019 and 2020 were RMB500 million. For details of the above continuing connected transactions, please refer to the relevant announcements of the Company dated 3 December 2019 and 27 March 2018, respectively.

[14] "Connected Transaction(s)" and "Connected Parties" in this section are the terms of the Hong Kong Listing Rules.

CMFM Group

At the end of the reporting period, the Company and CM Securities held 55% and 45% of the equity interest in CMFM, respectively. Therefore, CMFM Group is a connected person of the Company under the Hong Kong Listing Rules. The fund distribution agency service provided by the Company to CMFM Group constituted the continuing connected transactions of the Company under the Hong Kong Listing Rules.

On 3 December 2019, the Company entered into a Business Co-operation Agreement with CMFM for a term commencing on 1 January 2020 and expiring on 31 December 2022. The agreement was entered into on an arm's length basis and calculated on normal commercial terms. CMFM Group shall calculate fees based on the rates specified in the fund offering documents and/or the offering prospectuses, and pay agency service fees to the Company in accordance with the agreement.

The annual cap for the continuing connected transactions between the Company and CMFM Group for 2020 was RMB1.4 billion, in respect of which the relevant percentage ratios calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules were not more than 5%. Therefore, these transactions would only be subject to the reporting, announcement and annual review requirements under the Hong Kong Listing Rules, and exempt from the independent shareholders' approval requirement.

During the reporting period, the continuing connected transactions between the Company and CMFM Group amounted to RMB508 million (unaudited).

CM Securities Group

At the end of the reporting period, China Merchants Group Ltd. indirectly held 29.97% of the equity interest in the Company (by way of equity interests held, right of control or relationship of parties acting in concert) and also held 44.09% of the equity interest in CM Securities. Therefore, CM Securities Group is a connected person of the Company under the Hong Kong Listing Rules. The third-party custodian accounts, sales of funds, account custodian, the agency sales for wealth management products and collective investment products and other services provided by the Company to CM Securities Group constituted the continuing connected transactions of the Company under the Hong Kong Listing Rules.

On 27 March 2018, the Company entered into a Business Co-operation Agreement with CM Securities for a term commencing on 1 January 2018 and expiring on 31 December 2020. The agreement was entered into on normal commercial principles after an arm's length negotiation, pursuant to which CM Securities Group shall pay the service fees to the Company at the normal market prices.

The annual cap for the continuing connected transactions between the Company and CM Securities Group for 2020 was RMB500 million, in respect of which the relevant percentage ratios calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules were not more than 5%. Therefore, these transactions would only be subject to the reporting, announcement and annual review requirements, and exempt from the independent shareholders' approval requirement under the Hong Kong Listing Rules.

During the reporting period, the continuing connected transactions between the Company and CM Securities Group amounted to RMB111 million (unaudited).

4.5 Material Litigations and Arbitrations

Several litigations were filed during the daily operation of the Company, most of which were filed proactively for the purpose of recovering non-performing loans. As at the end of the reporting period, there were 189 pending cases (including litigations and arbitrations) in which the Company was involved, with an aggregate of principal and interest of RMB1.293 billion. The Company believes that none of the above litigation and arbitration cases would have a significant adverse impact on the financial position or operating results of the Company.

4.6 Material Contracts and Their Performance

Significant events in respect of holding in custody, contracting, hiring or leasing of assets

During the reporting period, none of the material contracts of the Company involving holding in custody, contracting or hiring or leasing of any assets of other companies by the Company or vice versa was entered into beyond the normal business scope of banks.

Significant guarantees

Guarantee business falls within the Company's ordinary course of business. During the reporting period, save for the financial guarantees entered into in our normal business scope approved by the CBIRC, the Company did not have any other significant discloseable guarantees.

4.7 Use of Funds by Related Parties

During the reporting period, neither the substantial shareholders of the Company nor their related parties had used any funds of the Company for non-operating purposes, and none of them had used the funds of the Company through (among others) any related transactions not entered into on an arm's length basis.

4.8 The Engagement of Accounting Firms for 2020

Upon the approval at the 2019 Annual General Meeting of the Company, the Company engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP as the domestic accounting firm of the Company and its domestic subsidiaries for 2020 and engaged Deloitte Touche Tohmatsu, an overseas member of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the international accounting firm of the Company and its overseas subsidiaries for 2020. The term of the engagement is one year. For further details, please refer to the documents for 2019 Annual General Meeting and relevant announcements regarding the resolutions of the Company.

4.9 Social Responsibility

Adhering to its social responsibility philosophy of "striving for sustainable finance, enhancing sustainable value and contributing to sustainable development", the Company continued to improve its social responsibility management mechanism while actively communicating with its stakeholders, fulfilling its corporate social responsibility and making contributions to the sustainable development of the economy and the society. During the reporting period, the Company actively advocated the "Popularization of Financial Knowledge", "Prevention of Illegal Fund-raising", "Prevention of Illegal Foreign Exchange Margin Trading" and other promotional activities and strengthened the education on financial security for the financial consumers. It also constantly advocated the idea of "Monthly Donation" and "Happy Donation", promoted public charity for everybody, and explored the path of sustainable public charity activities.

Faced with the COVID-19 pandemic, the Company has united efforts to help Wuhan. The Company made a donation of RMB200 million to Wuhan Charity Federation immediately after the outbreak of the pandemic. Our employees also donated RMB6.9112 million (including both financial and non-financial donations). Meanwhile, the Company used its quality financial services to help fight the pandemic. While ensuring the safety of customers and employees, the Company provided quality financial services via online and offline channels. Moreover, fast-track approval was in position to increase the credit support for enterprises related to pandemic prevention. The Company also vigorously helped the resumption of work and production of enterprises, working together to tide over difficult times.

Environment information

During the reporting period, the Company adapted to the national policy orientation and followed the trend of domestic economic transformation while promoting green finance from the strategic perspective of the Bank, continuously improving the green credit policy, allocating credit resources towards environmental protection causes, and creating green value. For details of the granting of green loans of the Company, please refer to "Wholesale finance – Corporate loans" in Section 3.10.2. Meanwhile, the Company vigorously promoted the "paperless" operation process, made efforts to save energy and reduce emission, and constantly tried its best to reduce consumption of the resources and energy generated by the environment; the Company encouraged its employees to use office supplies in an environment-friendly manner and foster a low-carbon office culture; it continuously sponsored environment protection activities to arouse public awareness on environmental protection.

Targeted poverty alleviation

The Company resolutely implemented the decisions and arrangements of the Central Committee of CPC and the State Council on poverty alleviation, and regarded accurate and targeted poverty alleviation as its key political tasks, for which it has put together a leading group headed by the Secretary of the Party Committee and the President for coordinating the cross-division poverty alleviation efforts under the leadership of the Party Committee of the Company. The Company optimised poverty alleviation mechanism, focused on the difficulties of poverty alleviation, continuously increased the assistance and carried out innovation of poverty alleviation products to reinforce the accurate and targeted poverty alleviation efforts and fight the battle of accurate poverty alleviation in the financial sector by centering around the basic poverty alleviation standards known as "two no-worries and three guarantees (no worry about food and no worry about clothes, and guarantee of compulsory education, guarantee of basic medical care and guarantee of safe housing)" and adhering to the guideline of "really conducting poverty alleviation and helping the people really in need".

During the reporting period, the Company invested supporting funds of RMB44.1635 million and helped raising financial assistance of RMB1.7692 million in Wuding County and Yongren County, trained 485 grassroots officials and 1,608 technicians for them, purchased agricultural products worth RMB1.2018 million from poverty-stricken areas, and helped poverty-stricken areas to sell agricultural products worth RMB1.4149 million. The Company carried out projects to alleviate poverty through education, cultural development, industrial support, consumption, professional expertise and job creation, used the "party-building mechanism" to promote poverty alleviation and particularly focused on safe housing, healthcare and drinking water safety. During the reporting period, the Company granted accurate poverty alleviation loans amounting to RMB3.721 billion on a national scale, including RMB1.875 billion of individual loans and RMB1.846 billion of corporate loans.

Protecting the consumer interests

With the great attention from the Board of Directors and senior management, the Company conscientiously implemented the relevant laws, regulations and regulatory requirements for the protection of consumer interests, continued to deepen its efforts and understanding, actively implemented the responsibilities of protecting consumer interests in the operation, management and business processes throughout the Bank, safeguarded the legitimate rights and interests of consumers, and advanced the standardisation, specialisation and normalisation of its efforts in protecting the rights and interests of consumers.

In terms of system building, the Company continued to improve the system for the protection of consumer interests, promoted the improvement of the management system for the protection of consumer interests that integrating the entire process before, during and after the event, and established a system for the protection of consumer interests with the working procedures of the Consumer Rights Protection Committee as the upper structure design, the management measures for the protection of interests of consumers as the main body, and supplemented by a series of supporting systems and working mechanisms. In terms of full-process management and control, the Company actively integrated the concepts and requirements of protection of interests of consumers into the design and development of financial products and services, fully initiated the review of protection of interests of consumers for financial products and services, through the formulation of special systems, the development of review systems, the establishment of work lists and other measures, to effectively implement various regulatory requirements in the design, development, promotion, and sales of products and services, so as to ensure business operations are carried out in compliance with laws and regulations under the regulatory framework. In terms of internal education and training, the Company continued to carry out education and training of protection of interests of consumers for employees, with the trainees covering all middle-level and senior management members and grassroots business personnel related to the protection of interests of consumers. In terms of external education and publicity, the Company attached great importance to the publicity and education of financial knowledge. Leveraging on its official website, official accounts, video accounts, Weibo and other communication channels, the Company established a publicity system of "Internet + financial knowledge publicity and education", and constantly launched financial knowledge publicity and education contents in the forms of comics, graphics and micro movies, thereby becoming the first bank in the industry with an independent financial education brand and platform. In terms of technological innovation, the Company continued to explore the use of Fintech, was courageous to be the pioneer to introduce cutting-edge Fintech, and successfully completed the development of a consumer complaint management system. Through big data analysis, natural language processing and other technologies, the system successfully realised cross-system data docking, consolidation of complaint information, automatic classification of work orders, visualised chart presentation and real-time docking with regulatory systems, initially realised the refined management and standardised classification of consumer complaints, and further promoted the intelligent construction of complaint management.

4.10 Review of Interim Results

Deloitte Touche Tohmatsu, our external auditor, has reviewed the interim financial statements of the Company prepared in accordance with the International Accounting Standards and the disclosure requirements of the Hong Kong Listing Rules. In addition, the Audit Committee under the Board of Directors of the Company has reviewed and agreed with the financial results and financial statements of the Company for the period ended 30 June 2020.

4.11 Publication of Interim Report

The Company prepared the interim report in both English and Chinese versions in accordance with the International Accounting Standards and the Hong Kong Listing Rules. These reports are available on the websites of Hong Kong Stock Exchange and the Company. In the event of any discrepancies in interpretation between the English and Chinese versions, the Chinese version shall prevail.

The Company also prepared the interim report in Chinese version in accordance with the PRC Generally Accepted Accounting Principles and the preparation rules for interim reports of the CSRC. The report is available on the websites of Shanghai Stock Exchange and the Company.

Changes in Shares and Information on Shareholders

5.1 Changes in Ordinary Shares of the Company During the Reporting Period

		31 December 2019		Changes in the No. of shares during the reporting period	30 June 2020	
		No. of shares	Percentage (%)	No. of shares	No. of shares	Percentage (%)
1.	Shares subject to trading moratorium	–	–	–	–	–
2.	Shares not subject to trading moratorium	25,219,845,601	100.00	–	25,219,845,601	100.00
	(1) Ordinary shares in RMB (A Shares)	20,628,944,429	81.80	–	20,628,944,429	81.80
	(2) Foreign shares listed domestically	–	–	–	–	–
	(3) Foreign shares listed overseas (H Shares)	4,590,901,172	18.20	–	4,590,901,172	18.20
	(4) Others	–	–	–	–	–
3.	Total shares	25,219,845,601	100.00	–	25,219,845,601	100.00

As at the end of the reporting period, the Company had a total of 386,864 ordinary shareholders, including 354,507 holders of A Shares and 32,357 holders of H Shares. Neither the holders of A Shares nor the holders of H Shares are subject to trading moratorium.

Based on the publicly available information and so far as the Directors of the Company were aware, as at the end of the reporting period, the Company had met the public float requirement of the Hong Kong Listing Rules.

5.2 Top Ten Holders of Ordinary Shares and Top Ten Holders of Ordinary Shares Whose Shareholdings Are Not Subject to Trading Moratorium

Serial No.	Name of shareholders	Type of shareholders	Shares held at the end of the period (share)	Percentage of the total share capital (%)	Type of shares	Changes in the reporting period (share)	Number of shares subject to trading moratorium (share)	Shares pledged or frozen (share)
1	HKSCC Nominees Ltd.	Overseas legal person	4,548,951,759	18.04	H Shares not subject to trading moratorium	673,405	–	Unknown
2	China Merchants Steam Navigation Co., Ltd.	State-owned legal person	3,289,470,337	13.04	A Shares not subject to trading moratorium	–	–	–

Serial No.	Name of shareholders	Type of shareholders	Shares held at the end of the period (share)	Percentage of the total share capital (%)	Type of shares	Changes in the reporting period (share)	Number of shares subject to trading moratorium (share)	Shares pledged or frozen (share)
3	China Ocean Shipping Company Limited	State-owned legal person	1,574,729,111	6.24	A Shares not subject to trading moratorium	–	–	–
4	Hexie Health Insurance Co., Ltd. – Traditional – Ordinary insurance products	Domestic legal person	1,258,949,171	4.99	A Shares not subject to trading moratorium	–	–	–
5	Dajia Life Insurance Co., Ltd. – Universal products	Domestic legal person	1,258,949,100	4.99	A Shares not subject to trading moratorium	–	–	–
6	Shenzhen Yan Qing Investment and Development Company Ltd.	State-owned legal person	1,258,542,349	4.99	A Shares not subject to trading moratorium	–	–	–
7	China Merchants Finance Investment Holdings Co., Ltd.	State-owned legal person	1,147,377,415	4.55	A Shares not subject to trading moratorium	–	–	–
8	Shenzhen Chu Yuan Investment and Development Company Ltd.	State-owned legal person	944,013,171	3.74	A Shares not subject to trading moratorium	–	–	–
9	Hong Kong Securities Clearing Company Limited	Overseas legal person	943,914,888	3.74	A Shares not subject to trading moratorium	-73,411,273	–	–
10	China Securities Finance Corporation Limited	Domestic legal person	754,798,622	2.99	A Shares not subject to trading moratorium	–	–	–

Notes:

(1) Shares held by HKSCC Nominees Ltd. are the total shares in the accounts of holders of H Shares of China Merchants Bank trading on the transaction platform of HKSCC Nominees Ltd.. Hong Kong Securities Clearing Company Limited is an institution designated by others to hold shares on behalf of them as a nominal holder, and the shares held by it are the shares of China Merchants Bank acquired by investors through Shanghai-Hong Kong Stock Connect.

(2) Pursuant to the approval by CBIRC, Anbang Life Insurance Co., Ltd. has been renamed as Dajia Life Insurance Co., Ltd. and its controlling shareholder has been changed from Anbang Insurance Group Co., Ltd. to Dajia Insurance Group Co., Ltd.. For details, please refer to the announcement of the Company dated 28 August 2019. During the reporting period, the change of the names of its shareholders' accounts was completed at China Securities Depository & Clearing Corporation Ltd., Shanghai Branch.

(3) As at the end of the reporting period, of the aforesaid top 10 shareholders, HKSCC Nominees Ltd. is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited; China Merchants Steam Navigation Co., Ltd., Shenzhen Yan Qing Investment and Development Company Ltd., China Merchants Finance Investment Holdings Co., Ltd. and Shenzhen Chu Yuan Investment and Development Company Ltd. are all subsidiaries of China Merchants Group Ltd.. According to the announcement of the Company dated 23 March 2020, Hexie Health Insurance Co., Ltd. and Dajia Life Insurance Co., Ltd. ceased to constitute the relationship of acting in concert. The Company is not aware of any affiliated relationship or action in concert among other shareholders.

(4) The above holders of A Shares did not hold the shares of the Company through credit securities accounts.

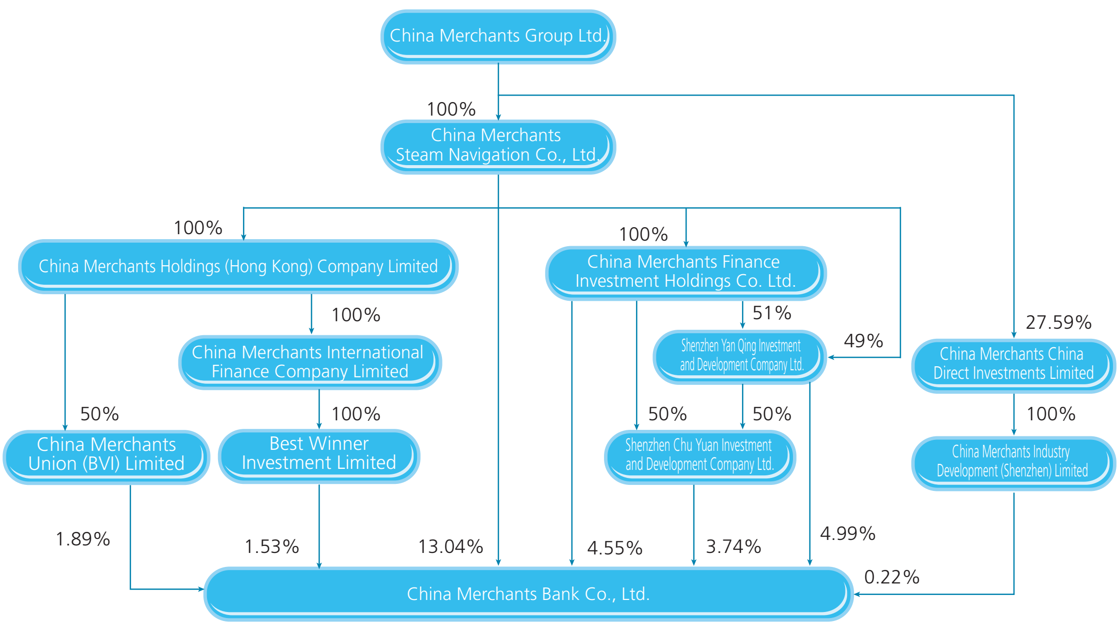
5.3 Information on Substantial Ordinary Shareholders

5.3.1 Information on the Company's largest shareholder

As at the end of the reporting period, China Merchants Group Ltd., through its subsidiaries, namely China Merchants Steam Navigation Co., Ltd., China Merchants Finance Investment Holdings Co., Ltd., Shenzhen Yan Qing Investment and Development Company Ltd., Shenzhen Chu Yuan Investment and Development Company Ltd., China Merchants Union (BVI) Limited, Best Winner Investment Limited and China Merchants Industry Development (Shenzhen) Limited, indirectly held an aggregate of 29.97% shares in the Company. There was no pledge of the shares of the Company. Specifically, China Merchants Steam Navigation Co., Ltd. (招商局輪船有限公司) directly held 13.04% shares in the Company, and is the largest shareholder of the Company (its predecessor, China Merchants Steam Navigation Co., Ltd. (招商局輪船股份有限公司), was founded on 11 October 1948). China Merchants Steam Navigation Co., Ltd. (招商局輪船有限公司) was incorporated in Beijing on 22 February 1992 with a registered capital of RMB7.0 billion, and its legal representative is Li Jianhong. It mainly engages in passenger and cargo shipping businesses; dockyard, warehouse and vehicle transportation; sale, purchase and supply of various transportation equipment, spare parts and materials; ship and passenger/goods shipping agency, international maritime cargo, etc.; as well as investment and management of transportation-related financial businesses including banking, securities and insurance.

China Merchants Group Ltd. directly holds 100% equity interests in China Merchants Steam Navigation Co., Ltd. and is the controlling shareholder of the Company's largest shareholder, with a registered capital of RMB16.9 billion. Its legal representative is Miao Jianmin. China Merchants Group Ltd. is a state-owned enterprise under the direct control of State-owned Assets Supervision and Administration Commission of the State Council. Its predecessor, China Merchants Steam Navigation Company, was founded in 1872, when China was in its late Qing Dynasty and was undergoing the Westernisation Movement. It was one of the enterprises which played a significant role in promoting the modernisation of China's national industries and commerce at that time. Nowadays, it has developed into a diversified conglomerate, with its businesses focusing on three core industries, namely integrated transportation, featured finance and comprehensive development of cities and industrial zones. It is realising the transformation from three main businesses to three major platforms of industrial operation, financial services, investment and capital operation.

The Company did not have any controlling shareholder and de facto controller. As at the end of the reporting period, the equity relationship among the Company, its largest shareholder and the controlling shareholder of its largest shareholder is illustrated as follows (in this report, any discrepancies between the total shown and the sum of the amounts listed are due to rounding):



5.3.2 Information on other shareholders holding more than 5% shares of the Company

As at the end of the reporting period, China COSCO Shipping Corporation Limited indirectly held an aggregate of 9.97% shares in the Company through its subsidiaries, namely China Ocean Shipping Company Limited, COSCO Shipping (Guangzhou) Co., Ltd., Guangzhou Haining Maritime Technology Consulting Co., Ltd. (廣州海寧海務技術諮詢有限公司), COSCO Shipping (Shanghai) Co., Ltd. (中遠海運（上海）有限公司), COSCO Shipping Investment Holdings Co., Limited and Sanding Oil Transportation Co., Ltd. (三鼎油品運輸有限公司). There was no pledge of the shares of the Company. Specifically, China Ocean Shipping Company Limited held 6.24% shares in the Company. China Ocean Shipping (Group) Company (the predecessor of China Ocean Shipping Company Limited) was established on 22 October 1983, with a registered capital of RMB16.191 billion. Its legal representative is Xu Lirong. The scope of its businesses includes: international shipping; ancillary business in international maritime transportation; acceptance of space booking, voyage charter and time charter from cargo owners at home and abroad; leasing, construction, trading and maintenance of vessels and containers and manufacture of related facilities; ship escrowing business; provision of ship materials, spare parts and communications services relating to shipping business at home and abroad; management of enterprises engaging in vessel and cargo agency business and seafarer assignment business.

China COSCO Shipping Corporation Limited held 100% equity interests in China Ocean Shipping Company Limited and is its controlling shareholder. Its de facto controller is the State-owned Assets Supervision and Administration Commission of the State Council. China COSCO Shipping Corporation Limited was established on 5 February 2016, with a registered capital of RMB11.0 billion. Its legal representative is Xu Lirong. The scope of its businesses includes: international shipping; ancillary business in international maritime transportation; imports and exports of goods and technology; marine, land, aviation international freight forwarding business; ship leasing; sales of ships, containers and steel products; offshore engineering equipment design; terminal and port investment; communication equipment sales, information and technical services; warehousing (except hazardous chemicals); engaged in technology development, technology transfer, technical consulting, technical services and equity investment funds in the field of shipping and spare parts.

5.3.3 Other substantial shareholders under the regulatory calibre

1. As at the end of the reporting period, Dajia Life Insurance Co., Ltd. held 4.99% shares in the Company, and is a shareholder which has appointed a Director in the Company. There was no pledge of the shares of the Company. The controlling shareholder of Dajia Life Insurance Co., Ltd. is Dajia Insurance Group Co., Ltd.. The controlling shareholder of Dajia Insurance Group Co., Ltd. is China Insurance Security Fund Co., Ltd. and the controlling shareholder of China Insurance Security Fund Co., Ltd. is the Ministry of Finance. Dajia Insurance Group Co., Ltd. was established on 25 June 2019, with a registered capital of RMB20.36 billion, and its legal representative is He Xiaofeng. The scope of its businesses includes: investments in and holding of the shares of insurance enterprises and other financial institutions; supervision and management of various domestic and international businesses of the invested enterprises under its control; the investment business and insurance fund utilisation business permitted under the PRC laws and regulations; the insurance business permitted by the CBIRC; and other businesses approved by the CBIRC and other relevant authorities of the PRC.

2. As at the end of the reporting period, China Communications Construction Group (Limited) through its subsidiaries, namely China Communications Construction Company Limited, CCCC Guangzhou Dredging Co., Ltd., CCCC Fourth Harbor Engineering Co., Ltd., CCCC Shanghai Dredging Co., Ltd., Zhen Hua (Shenzhen) Engineering Co., Ltd. and CCCC Third Harbor Consultants Co., Ltd. indirectly held an aggregate of 1.68% shares in the Company, and is a shareholder which has appointed a Supervisor in the Company. There was no pledge of the shares of the Company. China Communications Construction Group (Limited) was established on 8 December 2005, with a registered capital of RMB7.274 billion, and its legal representative is Liu Qitao. Its de facto controller is the State-owned Assets Supervision and Administration Commission of the State Council.

3. As at the end of the reporting period, SAIC Motor Corporation Limited held 1.23% shares in the Company and is a shareholder which has appointed a Supervisor in the Company. There was no pledge of the shares of the Company. SAIC Motor Corporation Limited was established on 16 April 1984, with a registered capital of RMB11.683 billion, and its legal representative is Chen Hong. Its de facto controller is the State-owned Assets Supervision and Administration Commission of Shanghai City.

4. As at the end of the reporting period, Hebei Port Group Co., Ltd. held 1.17% shares in the Company and is a shareholder which has appointed a Supervisor in the Company. There was no pledge of the shares of the Company. Hebei Port Group Co., Ltd. was established on 28 August 2002, with a registered capital of RMB8.0 billion. Its legal representative is Cao Ziyu and its de facto controller is the State-owned Assets Supervision and Administration Commission of Hebei Province.

5.4 Issuance and Listing of Securities

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

For details of the issuance and listing of preference shares of the Company, please refer to the section headed “Preference Shares” of this chapter.

During the reporting period, the Company did not have any corporate bonds listed on a stock exchange by way of public issuance.

For the issuance of other bonds of the Company and its subsidiaries, please refer to Note 32 to the financial statements.

The Company did not issue any internal staff shares.

5.5 Substantial Shareholders' Interests and Short Positions in the Company under Hong Kong Laws and Regulations

As at 30 June 2020, substantial shareholders had interests and short positions in the shares of the Company under Hong Kong laws and regulations as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO (in this report, any discrepancies between the total shown and the sum of the amounts listed are due to rounding):

Name of Substantial Shareholder	Class of shares	Long/short position	Capacity	No. of shares (shares)	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
China Merchants Group Ltd.	A	Long	Interest of controlled corporation	6,697,550,412			
		Long	Others	55,196,540			
				6,752,746,952	1	32.73	26.78
	H	Long	Interest of controlled corporation	806,680,423	1	17.57	3.20
China Merchants Steam Navigation Co., Ltd.	A	Long	Beneficial Owner	3,289,470,337			
		Long	Interest of controlled corporation	3,408,080,075			
		Long	Other	55,196,540			
				6,752,746,952	1	32.73	26.78
	H	Long	Interest of controlled corporation	806,680,423	1	17.57	3.20
China Merchants Finance Investment Holdings Co., Ltd.	A	Long	Beneficial Owner	1,147,377,415			
		Long	Interest of controlled corporation	2,202,555,520			
		Long	Other	55,196,540			
				3,405,129,475	1	16.51	13.50
Best Winner Investment Limited	A	Long	Beneficial Owner	58,147,140	1	0.28	0.23
	H	Long	Beneficial Owner	328,776,923	1	7.16	1.30
Shenzhen Yan Qing Investment and Development Company Ltd.	A	Long	Beneficial Owner	1,258,542,349			
		Long	Interest of controlled corporation	944,013,171			
				2,202,555,520	1	10.68	8.73
Hexie Health Insurance Co.,Ltd.	A	Long	Beneficial Owner	1,258,949,171		6.10	4.99
Dajia Life Insurance Co., Ltd.	A	Long	Beneficial Owner	1,258,949,100		6.10	4.99

Name of Substantial Shareholder	Class of shares	Long/short position	Capacity	No. of shares (shares)	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
Dajia Insurance Group Co., Ltd.	A	Long	Interest of controlled corporation	1,258,949,100		6.10	4.99
China Ocean Shipping Company Limited	A	Long	Beneficial Owner	1,574,729,111		7.63	6.24
Pagoda Tree Investment Company Limited (中國華馨投資有限公司)	H	Long	Interest of controlled corporation	477,903,500	2	10.41	1.89
Compass Investment Company Limited	H	Long	Interest of controlled corporation	477,903,500	2	10.41	1.89
CNIC Corporation Limited	H	Long	Interest of controlled corporation	477,903,500	2	10.41	1.89
Verise Holdings Company Limited	H	Long	Interest of controlled corporation	477,903,500	2	10.41	1.89
China Merchants Union (BVI) Limited	H	Long	Beneficial Owner	477,903,500	2	10.41	1.89
Citigroup Inc.	H	Long	Interest of controlled corporation	27,769,980			
		Long	Approved lending agent	344,911,305			
				372,681,285	3	8.11	1.48
		Short	Interest of controlled corporation	4,001,119	3	0.08	0.02
UBS Group AG	H	Long	Interest of controlled corporation	279,243,812	4	6.08	1.11
JPMorgan Chase & Co.	H	Long	Interest of controlled corporation	19,703,101			
		Long	Investment manager	138,868,132			
		Long	Person having a security interest in shares	413,657			
		Long	Trustee	24,235			
		Long	Approved lending agent	117,979,541			
				276,988,666	5	6.03	1.10
		Short	Interest of controlled corporation	13,166,774	5	0.28	0.05

Notes：

(1) For details of China Merchants Group Ltd. and its subsidiaries' interests in the Company, please refer to section 5.3.1 "Information on the Company's largest shareholder".

(2) Pagoda Tree Investment Company Limited was deemed to hold interests in the 477,903,500 H shares in the Company by virtue of its wholly-owned subsidiary of Compass Investment Company Limited:

(2.1) China Merchants Union (BVI) Limited held 477,903,500 H shares (long position) in the Company. Verise Holdings Company Limited was deemed to hold interests in the 477,903,500 H shares in the Company by virtue of holding the 50% interest in China Merchants Union (BVI) Limited.

(2.2) Verise Holdings Company Limited was wholly-owned by CNIC Corporation Limited. Therefore, CNIC Corporation Limited was deemed to hold interests in the 477,903,500 H shares in the Company.

(2.3) Compass Investment Company Limited (referred to in (2) above) was deemed to hold interests in the 477,903,500 H shares in the Company by virtue of holding the 98.9% interest in CNIC Corporation Limited.

The 477,903,500 H shares referred to in (2) and (2.1) to (2.3) above represented the same shares.

(3) Citigroup Inc. was deemed to hold a total of 372,681,285 H shares (long position) and 4,001,119 H shares (short position) in the Company by virtue of its control over a number of companies. The equity interests and short positions of Citigroup Inc. in the Company included a lending pool of 344,911,305 H shares. Besides, 7,876,720 H shares (long position) and 3,617,119 H shares (short position) were held through derivatives as follows:

2,465,680 H shares (long position) and 1,160,000 H shares (short position)	– through physically settled listed derivatives
600,000 H shares (long position) and 114,079 H shares (short position)	– through physically settled unlisted derivatives
4,811,040 H shares (long position) and 2,343,040 H shares (short position)	– through cash settled unlisted derivatives

(4) UBS Group AG was deemed to hold a total of 279,243,812 H shares (long position) in the Company by virtue of its control over a number of companies. The equity interests of UBS Group AG in the Company included 9,710,495 H shares (long position) which were held through derivatives as follows:

484,000 H shares (long position)	– through physically settled listed derivatives
7,000 H shares (long position)	– through cash settled listed derivatives
2,746,406 H shares (long position)	– through physically settled unlisted derivatives
6,473,089 H shares (long position)	– through cash settled unlisted derivatives

(5) JPMorgan Chase & Co. was deemed to hold a total of 276,988,666 H shares (long position) and 13,166,774 H shares (short position) in the Company by virtue of its control over a number of companies. The equity interests and short positions of JPMorgan Chase & Co. in the Company included a lending pool of 117,979,541 H shares. Besides, 12,533,879 H shares (long position) and 11,009,838 H shares (short position) were held through derivatives as follows:

2,031,000 H shares (long position) and 880,000 H shares (short position)	– through physically settled listed derivatives
231,500 H shares (long position) and 241,500 H shares (short position)	– through cash settled listed derivatives
554,000 H shares (long position) and 8,184,927 H shares (short position)	– through physically settled unlisted derivatives
9,717,379 H shares (long position) and 1,703,411 H shares (short position)	– through cash settled unlisted derivatives

Save as disclosed above, the Company is not aware of any other person (other than the Directors, Supervisors and chief executives (as defined in the Hong Kong Listing Rules) of the Company) who has any interests or short positions in the shares of the Company as at 30 June 2020 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

5.6 Preference Shares

5.6.1 Issuance and listing of preference shares

Pursuant to the approvals by the regulatory authorities, the Company made a non-public issuance of 50,000,000 non-cumulative perpetual offshore preference shares on 25 October 2017. The issuance price is USD20 each and the coupon dividend rate per annum is 4.40% (excluding tax, i.e., the actual dividend yield to be received by the holders of the preference shares is 4.40%). The offshore preference shares of the issuance were listed on Hong Kong Stock Exchange on 26 October 2017 (abbreviated name of shares: "CMB 17USDPREF"; stock code: 04614; number of listed shares: 50,000,000). The total proceeds from the issuance of the offshore preference shares amounted to USD1.0 billion and, after deduction of the expenses relating to the issuance, has fully been used to replenish the Company's additional Tier 1 Capital.

Pursuant to the approvals by the regulatory authorities, the Company made a non-public issuance of 275,000,000 domestic preference shares on 22 December 2017. The issuance price is RMB100 each and the coupon dividend rate per annum is 4.81% (including tax). The domestic preference shares of the issuance have been listed and traded on the integrated business platform of Shanghai Stock Exchange since 12 January 2018 (abbreviated name of shares:"Zhao Yin You 1 (招銀優1)"; stock code: 360028; number of listed shares: 275,000,000). The total proceeds from the issuance of the domestic preference shares amounted to RMB27.5 billion. The net proceeds after deduction of the expenses relating to the issuance, has fully been used to replenish the Company's additional Tier 1 Capital.

For details, please refer to the relevant announcement(s) published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company, respectively.

5.6.2 Number of shareholders of preference shares and their shareholdings

As at the end of the reporting period, the Company had a total of 13 holders of preference shares (or their nominees), including 1 holder of offshore preference shares (or its nominee) and 12 holders of domestic preference shares.

As at the end of the reporting period, the shareholdings of the Company's top ten holders of offshore preference shares (or their nominees) were as follows:

Serial No.	Name of shareholder	Type of shareholder	Type of shares	Changes in the reporting period (share)	Shares held at the end of the period (share)	Percentage of shareholdings (%)	Number of shares subject to trading moratorium (share)	Shares pledged or frozen (share)
1	The Bank of New York Depository (Nominees) Limited	Overseas legal person	Offshore preference share	–	50,000,000	100	–	Unknown

Notes:

(1) The shareholdings of holders of preference shares are calculated based on the information listed in the register of holders of preference shares maintained by the Company.

(2) As the issuance is an offshore non-public issuance, the information listed in the register of holders of preference shares is the information on the nominees of the placees.

(3) The Company is not aware of any affiliated relationship or action in concert among the above holders of preference shares and the top ten holders of ordinary shares.

(4) "Percentage of shareholdings" represents the percentage of the number of offshore preference shares held by the holders of preference shares to the total number of offshore preference shares.

As at the end of the reporting period, the shareholdings of the Company's top ten holders of domestic preference shares were as follows:

Serial No.	Name of shareholder	Type of shareholder	Type of shares	Changes in the reporting period (share)	Shares held at the end of the period (share)	Percentage of shareholdings (%)	Number of shares subject to trading moratorium (share)	Shares pledged or frozen (share)
1	China Mobile Communications Group Co., Ltd.	State-owned legal person	Domestic preference shares	–	106,000,000	38.55	–	–
2	CCB Trust Co., Ltd.	State-owned legal person	Domestic preference shares	–	30,000,000	10.91	–	–
3	BOC Asset Management Co., Ltd. (中銀資產管理有限公司)	Others	Domestic preference shares	–	25,000,000	9.09	–	–
4	China National Tobacco (Henan Province) Company	State-owned legal person	Domestic preference shares	–	20,000,000	7.27	–	–
	Ping An Property & Casualty Insurance Company of China, Ltd.	Others	Domestic preference shares	–	20,000,000	7.27	–	–
6	China Everbright Bank Company Limited	Others	Domestic preference shares	–	19,000,000	6.91	–	–
7	China National Tobacco (Sichuan Province) Company	State-owned legal person	Domestic preference shares	–	15,000,000	5.45	–	–
	China National Tobacco (Anhui Province) Company	State-owned legal person	Domestic preference shares	–	15,000,000	5.45	–	–
9	China Construction Bank Corporation, Guangdong Branch	State-owned legal person	Domestic preference shares	–	10,000,000	3.64	–	–
10	China National Tobacco (Liaoning Province) Company	State-owned legal person	Domestic preference shares	–	5,000,000	1.82	–	–
	Changjiang Pension Insurance Co., Ltd.	State-owned legal person	Domestic preference shares	–	5,000,000	1.82	–	–
	China Resources SZITIC Trust Co., Ltd.	State-owned legal person	Domestic preference shares	–	5,000,000	1.82	–	–

Notes:

(1) The shareholdings of preference shareholders are calculated based on the information listed in the register of holders of preference shares maintained by the Company.

(2) China National Tobacco (Henan Province) Company, China National Tobacco (Sichuan Province) Company, China National Tobacco (Anhui Province) Company and China National Tobacco (Liaoning Province) Company are all wholly-owned subsidiaries of China National Tobacco Corporation. Save for the above, the Company is not aware of any affiliated relationship or action in concert among the above holders of preference shares or between the above holders of preference shares and the Company's top ten holders of ordinary shares.

(3) "Percentage of shareholdings" represents the percentage of the number of domestic preference shares held by the holders of preference shares to the total number of domestic preference shares.

5.6.3 Dividend distribution of preference shares

During the reporting period, no distribution of dividend for preference shares was made by the Company.

5.6.4 Repurchase or conversion of preference shares

During the reporting period, there had been no repurchase and conversion of preference shares.

5.6.5 Restored voting rights of preference shares

During the reporting period, the voting rights of the Company's domestic and offshore preference shares in issue had not been restored.

5.6.6 Accounting policies for preference shares and the reason of adoption

The Company made accounting judgments over its preference shares then issued and outstanding in accordance with the requirements of the relevant accounting principles, including the "International Financial Reporting Standard 9 – Financial Instruments" and the "International Financial Reporting Standard 7 – Financial Instruments: Disclosures" promulgated by International Accounting Standards Board. As the preference shares issued and outstanding of the Company carry no obligation to deliver cash and cash equivalents, nor have they any contractual obligations to deliver a variable number of its own equity instruments for settlement, they were therefore measured as equity instruments.

Directors, Supervisors, Senior Management, Employees, and Organisational Structure

6.1 Directors, Supervisors and Senior Management

Name	Gender	Date of Birth (Y/M)	Title	Term of office	Shareholding at the beginning of the period (share)	Shareholding at the end of the period (share)
Li Jianhong	Male	1956.5	Chairman	2014.8 – (note 1)	–	–
			Non-Executive Director	2014.7 – (note 1)		
Fu Gangfeng	Male	1966.12	Vice Chairman	2018.7 – 2022.6	–	–
			Non-Executive Director	2010.8 – 2022.6		
Tian Huiyu	Male	1965.12	Executive Director	2013.8 – 2022.6	220,400	290,500
			President and Chief Executive Officer	2013.9 – 2022.6		
Zhou Song	Male	1972.4	Non-Executive Director	2018.10 – 2022.6	–	–
Hong Xiaoyuan	Male	1963.3	Non-Executive Director	2007.6 – 2022.6	–	–
Zhang Jian	Male	1964.10	Non-Executive Director	2016.11 – 2022.6	–	–
Su Min	Female	1968.2	Non-Executive Director	2014.9 – 2022.6	–	–
Wang Daxiong	Male	1960.12	Non-Executive Director	2016.11 – 2022.6	–	–
Luo Sheng	Male	1970.9	Non-Executive Director	2019.7 – 2022.6	–	–
Liu Jianjun	Male	1965.8	Executive Director	2019.8 – 2022.6	160,000	210,000
			Executive Vice President	2013.12 – 2022.6		
			Secretary of Board of Directors	2019.7 – 2022.6		
Wang Liang	Male	1965.12	Executive Director	2019.8 – 2022.6	160,000	220,000
			Executive Vice President	2015.1 – 2022.6		
			Chief Financial Officer	2019.4 – 2022.6		
Leung Kam Chung, Antony	Male	1952.1	Independent Non-Executive Director	2015.1 – (note 2)	–	–
Zhao Jun	Male	1962.9	Independent Non-Executive Director	2015.1 – (note 2)	–	–
Wong See Hong	Male	1953.6	Independent Non-Executive Director	2017.2 – 2022.6	–	–
Li Menggang	Male	1967.4	Independent Non-Executive Director	2018.11 – 2022.6	–	–
Liu Qiao	Male	1970.5	Independent Non-Executive Director	2018.11 – 2022.6	–	–
Tian Hongqi	Male	1957.5	Independent Non-Executive Director	2019.8 – 2022.6	–	–
Liu Yuan	Male	1962.1	Chairman of Board of Supervisors, Employee Supervisor	2014.8 – 2022.6	180,000	270,000
Peng Bihong	Male	1963.10	Shareholder Supervisor	2019.6 – 2022.6	–	–
Wen Jianguo	Male	1962.10	Shareholder Supervisor	2016.6 – 2022.6	–	–
Wu Heng	Male	1976.8	Shareholder Supervisor	2016.6 – 2022.6	–	–
Ding Huiping	Male	1956.6	External Supervisor	2016.6 – 2022.6	–	–
Han Zirong	Male	1963.7	External Supervisor	2016.6 – 2022.6	–	–
Xu Zhengjun	Male	1955.9	External Supervisor	2019.6 – 2022.6	–	–
Wang Wanqing	Male	1964.9	Employee Supervisor	2018.7 – 2022.6	121,000	151,000
Liu Xiaoming	Male	1963.11	Employee Supervisor	2019.6 – 2022.6	100,000	145,000
Xiong Liangjun	Male	1963.2	Secretary of the Party Discipline Committee	2014.7 – present	160,000	190,000
Wang Jianzhong	Male	1962.10	Executive Vice President	2019.4 – 2022.6	162,100	178,600
Shi Shunhua	Male	1962.12	Executive Vice President	2019.4 – 2022.6	165,000	245,000
Wang Yungui	Male	1963.6	Executive Vice President	2019.6 – 2022.6	160,000	160,000
Li Delin	Male	1974.12	Executive Assistant President	2019.4 – present	130,000	200,000
Liu Hui	Female	1970.5	Executive Assistant President	2019.4 – present	134,100	185,400
Tang Zhihong	Male	1960.3	Former Executive Vice President	2006.5 – 2020.4	241,400	241,400

Notes:

(1) Due to change of work arrangement, Mr. Li Jianhong resigned as the Chairman, Non-Executive Director, Chairman of the Strategy Committee of the Board and member of the Nomination Committee of the Board. In accordance with the relevant requirements of the Articles of Association of China Merchants Bank Co., Ltd., in order to ensure the soundness of corporate governance of the Company and the Company's normal operation, Mr. Li Jianhong will continue to perform the duties as the Chairman, Non-Executive Director, Chairman of the Strategy Committee of the Board and member of the Nomination Committee of the Board until the date on which the qualifications for serving as the new Non-Executive Director to be elected at the general meeting of the Company and the new Chairman to be elected at the Board meeting are approved by the CBIRC.

(2) Pursuant to the relevant requirements of the "Guiding Opinions on Establishing the Independent Director System in Listed Companies" (《關於在上市公司建立獨立董事制度的指導意見》), the term of office of independent directors shall not exceed six years. Therefore, the terms of office of Mr. Leung Kam Chung, Antony and Mr. Zhao Jun, both being Independent Directors, will expire earlier than the conclusion of the Eleventh Session of the Board of Directors.

(3) There was a change in the shareholdings of the Directors, Supervisors and senior management listed in the above table during the reporting period, which was due to an increase in their respective shareholdings.

(4) None of the Directors, Supervisors or senior management listed in the above table has been punished by the securities regulator(s) over the past three years.

(5) None of the Directors, Supervisors or senior management listed in the above table holds any share options of the Company or has been granted any of its restricted shares.

6.2 Appointment and Resignation of Directors, Supervisors and Senior Management

In April 2020, according to the relevant resolutions passed at the 10th meeting of the Eleventh Session of the Board of Directors of the Company, Mr. Tang Zhihong ceased to serve as an Executive Vice President of the Company due to age reason. For details of the above-mentioned matters, please refer to the relevant announcements published by the Company on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Company.

6.3 Changes in Information of Directors and Supervisors

1. Mr.Li Jianhong ceased to serve as the Chairman of China Merchants Group Ltd. since 10 July 2020.
2. Mr. Zhou Song concurrently serves as the Chairman of China Merchants Investment Development Co., Ltd..
3. Mr. Luo Sheng ceased to serve as the Deputy Head of the dedicated risk disposal team of CBIRC dispatched to Anbang Group.
4. Mr. Wong See Hong concurrently serves as an Independent Non-Executive Director of HDR Global Trading Limited and a member of the Financial Management Commission of the Hong Kong Administration Society (香港管理學會財務管理委員會).
5. Mr. Liu Qiao concurrently serves as a member of the Listing Committee of ChiNext of Shenzhen Stock Exchange.
6. Mr. Ding Huiping concurrently serves as an Independent Director of Beijing Dinghan Technology Group Co., Ltd. and ceased to concurrently serve as an Independent Director of Huadian Power International Corporation Limited.

6.4 Current Positions Held by Directors and Supervisors in the Shareholders' Companies

Name	Name of Company	Major Title	Term of Office
Li Jianhong	China Merchants Group Ltd.	Chairman	From July 2014 to July 2020
Fu Gangfeng	China COSCO Shipping Corporation Limited	Director and General Manager	From September 2019 up to now
Zhou Song	China Merchants Group Ltd.	Chief Accountant	From October 2018 up to now
Hong Xiaoyuan	China Merchants Group Ltd.	Assistant General Manager Director (Executive) of the Executive Committee of the China Merchants Financial Group/Platform	From September 2011 up to now From June 2018 up to now
Zhang Jian	China Merchants Group Ltd.	Chief Digital Officer Deputy Director (Executive) of the Executive Committee of the China Merchants Financial Group/Platform	From January 2019 up to now From June 2018 up to now
Su Min	China Merchants Group Ltd.	Deputy Director (Executive) of the Executive Committee of the China Merchants Financial Group/Platform	From June 2018 up to now
Wang Daxiong	COSCO SHIPPING Development Co., Ltd.	Chairman	From July 2019 up to now
Luo Sheng	Dajia Insurance Group Co., Ltd.	Proposed to serve as Deputy General Manager	His qualification is subject to the approval by the CBIRC
Peng Bihong	China Communications Construction Group Co., Ltd.	Chief Accountant	From September 2019 up to now
Wen Jianguo	Hebei Port Group Co., Ltd.	Director and Chief Accountant	From July 2009 up to now
Wu Heng	SAIC Motor Corporation Limited	General Manager of Finance Affairs Department	From August 2019 up to now

6.5 Interests and Short Positions of Directors, Supervisors and Chief Executives under Hong Kong Laws and Regulations

As at 30 June 2020, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (as defined in the SFO), which are required to be notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including the interests and short positions which the Directors, Supervisors and chief executives of the Company are taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Hong Kong Listing Rules, were as follows:

Name	Position	Class of shares	Long/short position	Capacity	No. of Shares (shares)	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
Tian Huiyu	Executive Director, President and Chief Executive Officer	A Share	Long position	Beneficial Owner	290,500	0.00141	0.00115
Zhou Song	Non-Executive Director	A Share	Long position	Interest of spouse	23,282	0.00011	0.00009
Liu Jianjun	Executive Director, Executive Vice President and Secretary of Board of Directors	A Share	Long position	Beneficial Owner	210,000	0.00102	0.00083
Wang Liang	Executive Director, Executive Vice President and Chief Financial Officer	A Share	Long position	Beneficial Owner	220,000	0.00107	0.00087
Liu Yuan	Chairman of Board of Supervisors, Employee Supervisor	A Share	Long position	Beneficial Owner	270,000	0.00131	0.00107
Wang Wanqing	Employee Supervisor	A Share	Long position	Beneficial Owner	151,000	0.00073	0.00060
Liu Xiaoming	Employee Supervisor	A Share	Long position	Beneficial Owner	145,000	0.00070	0.00057

6.6 Information on Employees

As of 30 June 2020, the Group had 88,535 employees[15] (including dispatched employees). The classification of our employees by profession is: 17,611 employees in corporate finance, 35,387 employees in retail finance, 4,410 employees in risk management, 14,364 employees in operation management, 8,119 employees in research and development, 895 employees in administrative and logistical support, and 7,749 employees in general management. The classification of our employees by educational background is: 20,938 employees with master's degrees and above, 58,423 employees with bachelor's degrees and 9,174 employees with junior college degrees or below.

15 Including employees of the Company, CMB Wing Lung Bank, CMB Financial Leasing, CMB International Capital, CMB Wealth Management, China Merchants Fund, CIGNA & CMB Life Insurance, Merchants Union Consumer, MBCloud and CMB Network Technology.

6.7 Branches and Representative Offices

Regions	Name of branches	Business address	Postal code	No. of branches	No. of staff	Asset scale (in millions of RMB)
Head Office	Head Office	7088 Shennan Boulevard, Shenzhen	518040	1	4,870	3,010,393
	Credit Card Center	686 Lai'an Road, Pudong New District, Shanghai	201201	1	6,170	625,871
Yangtze River Delta	Shanghai Branch	1088 Lujiazui Ring Road, Pudong New District, Shanghai	200120	92	4,822	281,283
	Shanghai Pilot Free Trade Zone Branch	6 Jilong Road, Waigaoqiao Bonded Area, Pudong New District, Shanghai	200131	1	15	37,041
	Nanjing Branch	199 Lushan Road, Jianye District, Nanjing	210005	81	3,027	193,389
	Hangzhou Branch	23 Hangda Road, Hangzhou	310007	71	2,697	200,614
	Ningbo Branch	342 Min'an East Road, Ningbo	315042	32	1,181	78,318
	Suzhou Branch	36 Wansheng Street, Industrial Park, Suzhou	215028	30	1,320	122,262
	Wuxi Branch	6-107, 6-108 1st Financial Street, Binhu District, Wuxi	214001	18	772	46,685
	Wenzhou Branch	Block 2, 4, 5, Hongshengjin Garden, Wuqiao Avenue, Lucheng District, Wenzhou	325000	13	535	35,217
	Nantong Branch	111 Gongnong Road, Nantong	226007	14	572	30,973
Bohai Rim	Beijing Representative Office	26/F, Building 3, No.1 Yuetan South Street, Xicheng District, Beijing	100045	1	12	–
	Beijing Branch	156 Fuxingmen Nei Dajie, Xicheng District, Beijing	100031	98	4,988	359,281
	Qingdao Branch	65 Hai'er Road, Laoshan District, Qingdao	266103	49	1,564	53,746
	Tianjin Branch	255 Guangdong Road and 9 Qianjin Road, Hexi District, Tianjin	300201	43	1,685	90,973
	Jinan Branch	7 Gongqingtuan Road, Jinan	250012	60	1,843	90,287
	Yantai Branch	66 Zhujiang Road, Economic & Technological Development Area, Yantai	264006	17	577	18,682
	Shijiazhuang Branch	172 Zhonghua Street South, Shijiazhuang	050000	14	458	24,368
	Tangshan Branch	45 Beixin Road West, Lubei District, Tangshan	063000	10	230	6,276
Pearl River Delta and West Side of Taiwan Strait	Guangzhou Branch	5 Huasui Road, Tianhe District, Guangzhou	510623	77	2,673	191,761
	Shenzhen Branch	2016 Shennan Boulevard, Futian District, Shenzhen	518001	118	5,071	418,911
	Fuzhou Branch	316 Jiangbinzhong Boulevard Road, Fuzhou	350014	34	1,201	64,756
	Xiamen Branch	18 Lingshiguan Road, Siming District, Xiamen	361012	31	975	58,503
	Quanzhou Branch	180 Jiangbin North Road, Fengze Street, Quanzhou	362800	17	498	24,286
	Dongguan Branch	200 Hongfu Road, Nancheng District, Dongguan	523000	28	884	49,433
	Foshan Branch	12 Denghu Road East, Guicheng Street, Nanhai District, Foshan	528200	28	1,041	61,127
North-eastern China	Shenyang Branch	12 Shiyiwei Road, Heping District, Shenyang	110003	61	1,637	48,473
	Dalian Branch	17 Renmin Road, Zhongshan District, Dalian	116001	37	1,225	43,042
	Harbin Branch	3 Zhongyang Avenue, Daoli District, Harbin	150010	38	1,098	40,561
	Changchun Branch	9999 Renmin Avenue, Nanguan District, Changchun	130022	25	696	21,966

Regions	Name of branches	Business address	Postal code	No. of branches	No. of staff	Asset scale (in millions of RMB)
Central China	Wuhan Branch	518 Jianshe Avenue, Wuhan	430022	126	2,719	151,731
	Nanchang Branch	468 Dieshan Road, Donghu District, Nanchang	330008	58	1,489	92,514
	Changsha Branch	766 Wuyi Avenue, Changsha	410005	44	1,516	58,888
	Hefei Branch	169 Funan Road, Hefei	230001	41	1,355	62,192
	Zhengzhou Branch	96 Nongye Road East, Zhengzhou	450018	47	1,327	77,525
	Taiyuan Branch	265 Nan Zhong Huan Road, Xiaodian District, Taiyuan	030012	28	857	32,113
	Haikou Branch	Building C, Haian Yihao, 1 Shimao Road North, Haikou	570125	9	332	13,200
Western China	Chengdu Branch	No. 1, the 3rd section of Renmin Road South, Wuhou District, Chengdu	610000	55	1,678	73,179
	Lanzhou Branch	9 Qingyang Road, Chengguan District, Lanzhou	730030	29	923	33,577
	Xi'an Branch	1 Gaoxin No.2 Road, Xi'an	710075	68	1,929	94,951
	Chongqing Branch	88 Xingguang Road, New North District, Chongqing	401121	49	1,679	97,772
	Urumchi Branch	2 Huanghe Road, Urumchi	830006	17	782	25,986
	Kunming Branch	1 Chongren Street, Wuhua District, Kunming	650021	52	1,325	58,838
	Hohhot Branch	9 Chilechuan Avenue, Saihan District, Huhhot	010098	22	619	27,278
	Nanning Branch	No.136-5 Minzu Avenue, Qingxiu District, Nanning	530028	21	547	33,839
	Guiyang Branch	284 Zhonghua Road North, Yunyan District, Guiyang	550001	16	462	26,046
	Yinchuan Branch	138 Beijingzhong Road, Jinfeng District, Yinchuan	750001	17	428	15,378
	Xining Branch	4 Xinning Road, Chengxi District, Xining	810000	10	286	10,622
Outside Mainland China	Hong Kong Branch	31/F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong	/	1	261	127,217
	USA Representative Office	23rd Floor, 535 Madison Avenue, New York, U.S.A	10022	1	1	/
	New York Branch	23rd Floor, 535 Madison Avenue, New York, U.S.A	10022	1	107	39,938
	Singapore Branch	1 Raffles Place, Tower2, #32-61, Singapore	048616	1	58	9,271
	Taipei Representative Office	333, Section 1, Jilong Road, Xinyi District, Taipei	11012	1	2	/
	Luxembourg Branch	20 Boulevard Royal, L-2449, Luxembourg	L-2449	1	42	9,567
	London Branch	18/F, 20 Fenchurch Street, London, UK	/	1	49	12,952
	Sydney Branch	L39, GPT, 1 Farrer Place, Sydney, NSW	/	1	37	2,549
Other assignments	/	/	/	/	28	/
	CMB Wing Lung Bank	45 Des Voeux Road Central, Hong Kong	/	/	2,024	HK$371,542
	CMB Financial Leasing	22/F, 1088 Lujiazui Ring Road, Shanghai	200120	/	300	196,052
	CMB International Capital	45-46/F, Champion Tower, 3 Garden Road, Central, Hong Kong	/	/	509	HK$36,698
	CMB Wealth Management	Level 17-20, CR Capital Tower, 2700 Keyuan South Road, Nanshan District, Shenzhen	518052	/	434	7,054
	China Merchants Fund	China Merchants Bank Tower, 7088 Shennan Boulevard, Shenzhen	518040	/	639	7,552
	CIGNA & CMB Life Insurance	Unit 3102, China Merchants Bank Tower, 7088 Shennan Boulevard, Shenzhen	518040	/	3,750	70,333
	Merchants Union Consumer	18/F, Building A4, Kexing Science Park, Nanshan District, Shenzhen	518000	/	967	92,076
	MBCloud	4/F, Building A, Wanrong Building, 1029 Nanhai Avenue, Shenzhen	518000	/	440	425
	CMB Network Technology	4/F, Building A, CMB Information R&D Building, Keji Zhongyi Road, Gaoxinzhong District, Nanshan District, Shenzhen	518057	/	4,297	462
Total	/	/	/	1,857	88,535	/

Corporate Governance

7.1 Overview of Corporate Governance

During the reporting period, the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the special committees under the Board of Directors and the Board of Supervisors of the Company functioned in an efficient manner, ensuring the prudent and compliant operation as well as the sustainable and healthy growth of the Company. During the reporting period, the Company held 1 Shareholders' General Meeting, 7 meetings of the Board of Directors, including 2 on-site meetings and 5 meetings voted through remote communication, at which 43 proposals were reviewed and 9 reports were delivered; held 17 meetings of the special committees under the Board of Directors, including 2 meetings of Strategic Committee, 5 meetings of Audit Committee, 2 meetings of Related Party Transactions Management and Consumer Rights Protection Committee, 4 meetings of Risk and Capital Management Committee, 2 meetings of Remuneration and Appraisal Committee, and 2 meetings of Nomination Committee, at which 61 proposals were reviewed and 14 reports were delivered; held 4 meetings of the Board of Supervisors, at which 19 proposals were reviewed and 12 reports were delivered; held 2 meetings of the special committees under the Board of Supervisors, including 1 meeting of the Nomination Committee and 1 meeting of the Supervisory Committee, at which 4 proposals were reviewed.

Having conducted thorough self-inspection, the Company was not aware of any non-compliance of its corporate governance practice during the reporting period with the requirements set out in the CSRC's regulatory documents governing the corporate governance of listed companies.

7.2 Information on Shareholders' General Meetings

During the reporting period, the Company convened 1 Shareholders' General Meeting, namely the 2019 Annual General Meeting held in Shenzhen on 23 June 2020. The notification, convening, holding and voting procedures of the meeting complied with relevant requirements of the Company Law of the People's Republic of China, the Articles of Association of China Merchants Bank Co., Ltd. and the Hong Kong Listing Rules. For details of the relevant resolutions reviewed at the meeting, please refer to the disclosure documents including the 2019 Annual General Meeting documents, the General Meeting Circulars and the announcements on resolutions published on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

7.3 Securities Transactions of Directors, Supervisors and Relevant Employees

The Company has adopted the Model Code set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct for Directors and Supervisors of the Company in respect of their dealings in the Company's securities. Having made specific enquiry, all the Directors and Supervisors of the Company have complied with the aforesaid Model Code during the reporting period.

The Company has also established the guidelines for the relevant employees' dealings in the Company's securities, which are no less exacting than the Model Code.

7.4 Compliance with the Corporate Governance Code

During the reporting period, the Company has applied the principles of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules, and has complied with all the code provisions and recommended best practices (if applicable).

7.5 Internal Control

During the reporting period, the Company adhered to the digital business model transformation and conscientiously implemented the policies of "empowering frontlines and reducing burden on grassroots (賦能減負)" and "openness and integration, so as to continue promoting the improvement and enhancement of internal management. We fully carried out an in-depth special campaign of improving the basic management, with focus on solving the basic management issues involving repeated misconducts after repeated investigations and affecting the efficiency of branches. We continued to strengthen the compliance training and case warning education for the employees, guided them to firmly establish the habit and awareness of compliance with laws, rules and disciplines, and actively fostered a compliance culture in which "we cannot violate regulations, dare not violate regulations, and are unwilling to violate regulations"; continued to conduct investigations on employees' abnormal behaviors and special investigations, identify and eliminate all kinds of potential risks in a timely manner. To copy with the impact of the COVID-19 pandemic, the Company further promoted the openness and sharing of the auditing "Hawk Eye"system to the Head Office business departments and the branches, organised the business lines and the branches to make full use of inspection tools, such as data model, audio and video recording and business image system, so as to continue to strengthen the off-site inspection and data verification, conscientiously perform the duty of business supervision, and effectively guarantee the compliance operation and healthy development of the Company's various businesses.

During the reporting period, the Company organised evaluation campaigns on the status of internal control of the whole Bank in 2019. As reviewed by the Board of Directors of the Company, no significant defects in terms of completeness, reasonableness and effectiveness were found in the Company's internal control system.

Report on Review of Interim Financial Report

Deloitte. 德勤

To the board of directors of China Merchants Bank Co., Ltd.
(A joint stock limited company incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim consolidated financial statements of China Merchants Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 102 to 189 which comprise the consolidated statement of financial position as of 30 June 2020 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-months period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these interim consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants
Hong Kong

28 August 2020

Unaudited Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

(Expressed in millions of Renminbi unless otherwise stated)

	Notes	Six months ended 30 June 2020	2019
Interest income	3	**153,685**	144,517
Interest expense	4	**(62,812)**	(57,110)
Net interest income		**90,873**	87,407
Fee and commission income	5	**45,611**	42,512
Fee and commission expense		**(3,342)**	(3,541)
Net fee and commission income		**42,269**	38,971
Other net income	6	**13,839**	11,252
– Disposal of financial instruments at amortised cost		**(145)**	(12)
Operating income		**146,981**	137,630
Operating expenses	7	**(44,882)**	(40,401)
Operating profit before impairment losses and taxation		**102,099**	97,229
Expected credit losses	8	**(40,443)**	(33,064)
Share of profits of joint ventures		**930**	721
Share of profits/(losses) of associates		**252**	(13)
Profit before taxation		**62,838**	64,873
Income tax	9	**(12,760)**	(14,015)
Profit for the period		**50,078**	50,858
Attributable to:			
Equity holders of the Bank		**49,788**	50,612
Non-controlling interests		**290**	246
Earnings per share			
Basic and diluted (RMB)	11	**1.97**	2.01

The notes on pages 110 to 189 form part of this interim financial report.

Unaudited Consolidated Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

(Expressed in millions of Renminbi unless otherwise stated)

	Notes	Six months ended 30 June 2020	2019
Profit for the period		**50,078**	50,858
Other comprehensive income for the period after tax and reclassification adjustments			
Items that may be reclassified subsequently to profit or loss			
Fair value loss on debt instruments measured at fair value through other comprehensive income		**(142)**	(339)
Net changes in expected credit losses of debt instruments measured at fair value through other comprehensive income		**845**	600
Net movement in cash flow hedge reserve		**(50)**	(97)
Equity-accounted investees-share of other comprehensive income		**250**	171
Exchange difference on translation of financial statements of foreign operations		**826**	23
Items that will not be reclassified subsequently to profit or loss			
Fair value gain on equity instruments measured at fair value through other comprehensive income		**108**	507
Remeasurement of defined benefit scheme redesigned through reserve		**(46)**	7
Other comprehensive income for the period, net of tax	10	**1,791**	872
Attributable to:			
Equity holders of the Bank		**1,705**	863
Non-controlling interests		**86**	9
Total comprehensive income for the period		**51,869**	51,730
Attributable to:			
Equity holders of the Bank		**51,493**	51,475
Non-controlling interests		**376**	255

The notes on pages 110 to 189 form part of this interim financial report.

Unaudited Consolidated Statement of Financial Position

At 30 June 2020

(Expressed in millions of Renminbi unless otherwise stated)

	Notes	30 June 2020	31 December 2019
Assets			
Cash		**12,947**	15,306
Precious metals		**8,781**	4,094
Balances with central banks	12	**481,892**	552,590
Balances with banks and other financial institutions	13	**96,100**	106,113
Placements with banks and other financial institutions	14	**256,072**	307,433
Amounts held under resale agreements	15	**226,318**	108,961
Loans and advances to customers	16	**4,618,104**	4,277,300
Investments at fair value through profit or loss	17(a)	**478,877**	398,276
Derivative financial assets	41(f)	**38,840**	24,219
Debt investments at amortised cost	17(b)	**1,047,534**	921,228
Debt investments at fair value through other comprehensive income	17(c)	**512,203**	478,856
Equity investments designated at fair value through other comprehensive income	17(d)	**6,777**	6,077
Interests in joint ventures	18	**11,126**	10,324
Interests in associates	19	**1,263**	460
Investment properties	20	**1,784**	1,925
Property and equipment	21	**68,650**	66,408
Right-of-use assets	22	**19,542**	20,000
Intangible assets	23	**4,878**	4,575
Goodwill	24	**9,954**	9,954
Deferred tax assets	25	**70,858**	65,151
Other assets		**59,326**	37,990
Total assets		**8,031,826**	7,417,240

The notes on pages 110 to 189 form part of this interim financial report.

	Notes	30 June 2020	31 December 2019
Liabilities			
Borrowing from central bank		**306,397**	359,175
Deposits from banks and other financial institutions	26	**622,658**	555,581
Placements from banks and other financial institutions	27	**194,482**	165,921
Financial liabilities at fair value through profit or loss	28	**43,964**	43,434
Derivative financial liabilities	41(f)	**38,814**	23,200
Amounts sold under repurchase agreements	29	**133,877**	63,233
Deposits from customers	30	**5,474,392**	4,874,981
Salaries and welfare payable		**16,857**	11,638
Tax payable		**18,127**	19,069
Contract liabilities		**6,586**	6,488
Lease liabilities		**14,357**	14,379
Provision	31	**8,040**	6,109
Debt securities issued	32	**412,399**	578,191
Deferred tax liabilities	25	**1,005**	956
Other liabilities		**100,850**	77,178
Total liabilities		**7,392,805**	6,799,533
Equity			
Share capital	33	**25,220**	25,220
Other equity instruments		**34,065**	34,065
Including: Preference shares	34	**34,065**	34,065
Capital reserve		**67,523**	67,523
Investment revaluation reserve	35	**9,917**	8,919
Hedging reserve		**(89)**	(39)
Surplus reserve		**62,291**	62,291
Regulatory general reserve		**89,455**	90,151
Retained profits		**341,843**	291,346
Proposed profit appropriations	36(b)	**–**	30,264
Exchange reserve		**2,305**	1,561
Total equity attributable to equity holders of the Bank		**632,530**	611,301
Non-controlling interests		**6,491**	6,406
– Non-controlling interest		**2,431**	2,427
– Perpetual capital instruments	43(a)	**4,060**	3,979
Total equity		**639,021**	617,707
Total equity and liabilities		**8,031,826**	7,417,240

The notes on pages 110 to 189 form part of this interim financial report.

Approved and authorised for issue by the Board of Directors on 28 August 2020.

Mr. Li Jianhong	Mr. Tian Huiyu	Company Chop
Director	*Director*	

Unaudited Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

(Expressed in millions of Renminbi unless otherwise stated)

		For the six months ended 30 June 2020													
		Total equity attributable to equity holders of the Bank											Non-controlling interests		
	Notes	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	Regulatory general reserve	Retained profits	Proposed profit appropriations	Exchange reserve	Subtotal	Perpetual capital instruments	Non-controlling interest	Total
At 1 January 2020		25,220	34,065	67,523	8,919	(39)	62,291	90,151	291,346	30,264	1,561	611,301	3,979	2,427	617,707
Changes in equity for the period		–	–	–	998	(50)	–	(696)	50,497	(30,264)	744	21,229	81	4	21,314
(a) Net profit for the period		–	–	–	–	–	–	–	49,788	–	–	49,788	123	167	50,078
(b) Other comprehensive income for the period	10	–	–	–	1,011	(50)	–	–	–	–	744	1,705	81	5	1,791
Total comprehensive income for the period		–	–	–	1,011	(50)	–	–	49,788	–	744	51,493	204	172	51,869
(c) Profit appropriations		–	–	–	–	–	–	(696)	696	(30,264)	–	(30,264)	(123)	(168)	(30,555)
(i) Appropriations to regulatory general reserve		–	–	–	–	–	–	275	(275)	–	–	–	–	–	–
(ii) Reversal of regulatory general reserve(note)		–	–	–	–	–	–	(971)	971	–	–	–	–	–	–
(iii) Dividends appropriations for the year 2019		–	–	–	–	–	–	–	–	(30,264)	–	(30,264)	–	(168)	(30,432)
(iv) Distribution to perpetual capital instruments	43(a)	–	–	–	–	–	–	–	–	–	–	–	(123)	–	(123)
(d) Transfers within equity upon disposal of equity instruments designated at FVTOCI		–	–	–	(13)	–	–	–	13	–	–	–	–	–	–
At 30 June 2020		25,220	34,065	67,523	9,917	(89)	62,291	89,455	341,843	–	2,305	632,530	4,060	2,431	639,021

Note: During the period ended 30 June 2020, CMB Wing Lung Bank Limited, one of wholly-owned subsidiaries of the Group reversed its regulatory general reserve by RMB971 million, in accordance with the latest regulatory requirements of the Hong Kong Monetary Authority.

The notes on pages 110 to 189 form part of this interim financial report.

		For the six months ended 30 June 2019													
		Total equity attributable to equity holders of the Bank											Non-controlling interests		
	Notes	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	Regulatory general reserve	Retained profits	Proposed profit appropriations	Exchange reserve	Subtotal	Perpetual capital instruments	Non-controlling interest	Total
At 1 January 2019		25,220	34,065	67,523	5,532	63	53,682	78,542	250,654	23,707	1,130	540,118	1,158	2,329	543,605
Changes in equity for the period		–	–	–	955	(97)	–	1,084	49,519	(23,707)	14	27,768	2,766	(144)	30,390
(a) Net profit for the period		–	–	–	–	–	–	–	50,612	–	–	50,612	32	214	50,858
(b) Other comprehensive income for the period	10	–	–	–	946	(97)	–	–	–	–	14	863	5	4	872
Total comprehensive income for the period		–	–	–	946	(97)	–	–	50,612	–	14	51,475	37	218	51,730
(c) Changes by the shareholder's equity		–	–	–	–	–	–	–	–	–	–	–	2,761	(227)	2,534
(i) Non-controlling shareholders' contribution to non-wholly owned subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	2	2
(ii) Decrease in non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–	(229)	(229)
(iii) Issuance of perpetual capital instruments		–	–	–	–	–	–	–	–	–	–	–	2,761	–	2,761
(d) Profit appropriations		–	–	–	–	–	–	1,084	(1,084)	(23,707)	–	(23,707)	(32)	(135)	(23,874)
(i) Appropriations to regulatory general reserve		–	–	–	–	–	–	1,084	(1,084)	–	–	–	–	–	–
(ii) Dividends appropriations for the year 2018		–	–	–	–	–	–	–	–	(23,707)	–	(23,707)	–	(135)	(23,842)
(iii) Distribution to perpetual capital instruments		–	–	–	–	–	–	–	–	–	–	–	(32)	–	(32)
(e) Transfers within equity upon disposal of equity instruments designated at FVTOCI		–	–	–	9	–	–	–	(9)	–	–	–	–	–	–
At 30 June 2019		25,220	34,065	67,523	6,487	(34)	53,682	79,626	300,173	–	1,144	567,886	3,924	2,185	573,995

The notes on pages 110 to 189 form part of this interim financial report.

Unaudited Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

(Expressed in millions of Renminbi unless otherwise stated)

	Six months ended 30 June	
	2020	2019
Operating activities		
Profit before tax	**62,838**	64,873
Adjustments for:		
– Impairment losses on loans and advances	**36,211**	29,512
– Impairment losses on investments and others	**4,232**	3,552
– Unwind of discount on loans and advances	**(98)**	(165)
– Depreciation of property and equipment and investment properties	**3,737**	2,924
– Depreciation of Right-of-use assets	**2,208**	2,154
– Amortisation of other assets	**629**	484
– Net gain on debt securities and equity investments	**(8,517)**	(733)
– Interest income on investments	**(25,008)**	(24,246)
– Interest expense on issued debt securities	**8,570**	8,177
– Share of (profits)/losses of associates	**(252)**	13
– Share of profits of joint ventures	**(930)**	(721)
– Net gains on disposal of property and equipment and other assets	**(17)**	(318)
– Interest expense on lease liabilities	**314**	261
Changes in:		
Balances with central bank	**22,634**	(19,758)
Loans and advances to customers	**(455,590)**	(392,572)
Other assets	**(20,070)**	(20,661)
Deposits from customers	**595,628**	299,064
Deposits and placements from banks and other financial institutions	**167,262**	65,313
Balances and placements with banks and other financial institutions with original maturity over 3 months	**(32,224)**	22,648
Borrowing from central bank	**(53,967)**	(69,050)
Other liabilities	**(33,834)**	(3,755)
Cash generated from/(used in) operating activities before income tax payment	**273,756**	(33,004)
Income tax paid	**(19,502)**	(22,019)
Net cash generated from/(used in) operating activities	**254,254**	(55,023)
Investing activities		
Payment for the purchases of investments	**(676,213)**	(461,031)
Payment for the purchases of property and equipment and other assets	**(8,898)**	(8,342)
Payment for investments in the subsidiaries, associates, joint venture	**(157)**	(28)
Proceeds from the disposals of investments	**471,464**	453,571
Gains received from investments	**33,571**	25,475
Proceeds from the disposals of subsidiaries, associates, joint venture	**328**	–
Proceeds from the disposals of property and equipment and other assets	**561**	1,426
Net cash (used in)/generated from investing activities	**(179,344)**	11,071

The notes on pages 110 to 189 form part of this interim financial report.

	Notes	Six months ended 30 June 2020	2019
Financing activities			
Proceeds from the issue of debt securities		**1,183**	11,053
Proceeds from the issue of negotiable interbank certificates of deposit		**79,711**	283,123
Proceeds from the issue of certificates of deposit		**15,250**	12,235
Proceeds from perpetual capital instruments		**–**	2,761
Proceeds from other financing activities		**2,374**	597
Repayment of negotiable interbank certificates of deposit		**(221,393)**	(203,859)
Repayment of certificates of deposit		**(15,258)**	(13,508)
Repayment of debt securities		**(27,948)**	(15,718)
Repayment of lease liabilities		**(2,022)**	(2,117)
Interest paid on perpetual bonds		**(123)**	(32)
Interest paid on financing activities		**(6,620)**	(5,156)
Repayments for other financing activities		**(1)**	(183)
Net cash (used in)/generated from financing activities		**(174,847)**	69,196
Net (decrease)/increase in cash and cash equivalents		**(99,937)**	25,244
Cash and cash equivalents as at 1 January		**589,675**	543,683
Effect of foreign exchange rate changes		**1,311**	338
Cash and cash equivalents as at 30 June	37(a)	**491,049**	569,265
Cash flows from operating activities include:			
Interest received		**127,813**	119,129
Interest paid		**49,738**	50,043

The notes on pages 110 to 189 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

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

1. General information

China Merchants Bank Co., Ltd. (the "Bank") is a commercial bank incorporated in Shenzhen, the People's Republic of China (the "PRC"). With the approval of the China Securities Regulatory Commission (the "CSRC") of the PRC, the A-Shares of the Bank were listed on Shanghai Stock Exchange on 9 April 2002. On 22 September 2006, the Bank's H-Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKEx").

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

As at 30 June 2020, apart from the Head Office, the Bank had 51 branches in Mainland China, Hong Kong, New York, Singapore, Luxembourg, London and Sydney. In addition, the Bank has three representative offices in Beijing, New York and Taipei.

The particulars of the Bank's major subsidiaries as at 30 June 2020 are set out below.

Name of company	Place of incorporation and operation	Particulars of the issued and paid up capital (in millions)	% of ownership held by the Bank	Principal activity	Economic nature	Chairman of the Board
CMB International Capital Holdings Corporation Limited ("CMBICHC")	Hong Kong	HKD4,129	100%	Financial advisory services	Limited company	Tian Huiyu
CMB Financial Leasing Company Limited ("CMBFLC")	Shanghai	RMB6,000	100%	Finance lease	Limited company	Shi Shunhua
CMB Wing Lung Bank Limited ("CMB WLB")	Hong Kong	HKD1,161	100%	Banking	Limited company	Zhu Qi
China Merchants Fund Management Co., Ltd. ("CMFM")	Shenzhen	RMB1,310	55%	Fund management	Limited company	Liu Hui
CMB Wealth Management Co., Ltd ("CMBWM")	Shenzhen	RMB5,000	100%	Asset management	Limited company	Liu Hui
China Merchants Europe S.A. ("CMB Europe S.A.")	Luxembourg	EUR50	100%	Banking	Limited company	Li Biao

Note: (i) CMB Europe S.A. is a wholly-owned subsidiary approved by the China Banking and Insurance Regulatory Commission Yin Jian Fu [2016] No. 460. It was formally established in November 2019 and is currently waiting for a commercial banking license from the Luxembourg financial regulatory authority (CSSF).

Significant event in the current interim period

The outbreak of the COVID-19 pandemic and subsequent pandemic prevention measures as well as travel restrictions imposed by many countries have had a negative impact on the global economy, business environment and directly and indirectly affected the operations of the Group. In response to the negative impact of the pandemic, the central bank has carried out a variety of monetary policies to guide financial institutions to increase financial support for the real economy. The Group actively responded and took measures to reduce the impact of the pandemic.

As affected by the pandemic, the Group's bank card fee income, settlement and clearing fee income, and insurance-agent income included in agency services fees income experienced different period-on-period declines, more details are disclosed in Note 5 to this unaudited consolidated financial statement. Affected by the pandemic, monetary policy has become more flexible and loose, market interest rates have fallen considerably, and the loan market quote rate (LPR) has also been lowered multiple times. The Group has actively adjusted its asset allocation strategy and achieved growth in net interest income and investment income, more details are disclosed in Note 3, Note 4 and Note 6 to this unaudited consolidated financial statement.

In terms of corporate loans, due to benefiting from the constant optimisation of customer structure by the Group, the impact on corporate credit business was relatively limited, so was the impact on quality of corporate loan assets. The retail credit business was hit relatively harder, and a reduced growth rate was seen at the end of the interim period, though the asset quality of small and micro loans and personal housing loans was stable and controllable. The credit card business has been affected by the pandemic considerably, and its carrying amount has declined and due to the combined effect of the pandemic and the risk of joint debt, the quality of credit card assets has also declined.

1. General information *(continued)*

Significant event in the current interim period *(continued)*

In view of the uncertainties in the development of the epidemic, the Group took the initiative to enhance its expected credit loss (ECL) provisions. When measuring ECL, the Group applied quantitative measures and expert experience judgments, on the basis of the original ECL model, and comprehensively considered, under different stress scenarios, the performance of macroeconomic indicators (such as GDP, industrial added value, import and export indicators, fiscal revenues and other related indicators) and the changes in internal behavioral indicators (such as early overdue indicators, late payments, and etc.).

2. Basis of preparation, principal accounting policies, accounting estimates and judgments

(a) Basis of preparation and principal accounting policies

This unaudited interim financial report has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This interim financial report also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the HKEx.

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

This interim financial report is unaudited but reviewed by the Audit Committee of the Board. This unaudited interim financial report is also reviewed by Deloitte Touche Tohmatsu in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs"), the Group's accounting policies and methods of computation applied in preparing this unaudited interim financial report are consistent with those applied in preparing the Group's annual consolidated financial statements for the year ended 31 December 2019.

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRS, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's unaudited interim consolidated financial statements:

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited interim consolidated financial statements.

(b) Accounting estimates and judgements

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The Group's significant accounting estimates and judgements applied in preparing this unaudited interim financial report are consistent with those applied in preparing the consolidated financial statements for the year ended 31 December 2019.

3. Interest income

	Six months ended 30 June	
	2020	2019
Loans and advances to customers	**118,376**	109,078
– Corporate loans	**41,687**	38,739
– Retail loans	**72,824**	66,144
– Discounted bills	**3,865**	4,195
Balances with central banks	**3,744**	3,807
Balances with banks and other financial institutions	**1,173**	962
Placements with banks and other financial institutions	**3,298**	4,218
Amounts held under resale agreements	**2,086**	2,206
Investments	**25,008**	24,246
– Debt investments at fair value through other comprehensive income	**6,899**	6,844
– Debt investments at amortised cost	**18,109**	17,402
Total	**153,685**	144,517

Note: For the six months ended 30 June 2020, included in the above is the interest income of RMB98 million accrued on impaired loans (for the six months ended 30 June 2019: RMB165 million) and nil for impaired debt securities investments (for the six months ended 30 June 2019: RMB5 million), and RMB4,507 million on loans and advances to customers at fair value through other comprehensive income (for the six months ended 30 June 2019: RMB4,752 million).

4. Interest expense

	Six months ended 30 June	
	2020	2019
Deposits from customers	**41,916**	34,113
Borrowing from central bank	**4,583**	4,880
Deposits from banks and other financial institutions	**4,118**	5,143
Placements from banks and other financial institutions	**2,628**	3,195
Amounts sold under repurchase agreements	**683**	1,341
Debt securities issued	**8,570**	8,177
Lease liabilities	**314**	261
Total	**62,812**	57,110

5. Fee and commission income

	Six months ended 30 June	
	2020	2019
Bank cards fees	**9,418**	9,654
Remittance and settlement fees	**6,362**	6,574
Agency services fees	**10,810**	8,168
Commissions from credit commitment and lending business	**3,654**	3,601
Commissions on trust and fiduciary activities	**13,558**	12,278
Others	**1,809**	2,237
Total	**45,611**	42,512

6. Other net income

	Six months ended 30 June 2020	2019
Profit (loss) from fair value change		
– financial instruments at FVTPL	**(1,628)**	418
– derivatives instruments	**(38)**	(258)
– precious metals	**498**	(172)
Investment income		
– financial instruments at FVTPL	**7,381**	5,374
– disposal of financial instruments at amortised cost	**(145)**	(12)
– disposal of debt instruments at FVTOCI	**2,967**	1,699
– gain on disposal of bills	**1,709**	1,222
– dividend income from equity investments designated at FVTOCI	**139**	153
– others	**6**	46
Exchange gain	**1,789**	1,326
Other income		
– lease income on operating leases	**2,591**	1,955
– insurance income	**211**	184
Others	**68**	539
Total	**13,839**	11,252

7. Operating expenses

	Six months ended 30 June 2020	2019
Staff costs		
– Salaries and bonuses	**20,284**	17,633
– Social insurance and corporate supplemental insurance	**3,680**	3,827
– Others	**3,619**	3,115
Subtotal	**27,583**	24,575
Tax and surcharges	**1,304**	1,143
Property, equipment and investment properties depreciation	**3,737**	2,924
Intangible assets amortisation	**586**	465
Right-of-use assets depreciation	**2,208**	2,154
Other general and administrative expenses	**9,321**	9,023
Subtotal	**17,156**	15,709
Charge for insurance claims	**143**	117
Total	**44,882**	40,401

8. Expected credit losses

	Six months ended 30 June 2020	2019
Loans and advances to customers	**36,211**	29,512
Amounts due from banks and other financial institutions	**672**	(194)
Investments		
– Debt investments at amortised cost	**(125)**	897
– Debt investments at FVTOCI	**1,303**	840
Expected credit losses relating to financial guarantees and loan commitments	**1,923**	1,740
Others	**459**	269
Total	**40,443**	33,064

9. Income tax

(a) Income tax in the unaudited consolidated statement of profit or loss represents:

	Six months ended 30 June 2020	2019
Current income tax expense		
– Mainland China	**18,041**	19,771
– Hong Kong	**580**	643
– Overseas	**101**	61
Subtotal	**18,722**	20,475
Deferred taxation	**(5,962)**	(6,460)
Total	**12,760**	14,015

(b) A reconciliation of income tax expense in the unaudited consolidated statement of profit or loss and that calculated at the applicable tax rate is as follows:

	Six months ended 30 June 2020	2019
Profit before taxation	**62,838**	64,873
Tax at the PRC statutory income tax rate of 25% (Six months ended 30 June 2019: 25%)	**15,709**	16,218
Tax effects of the following items:		
– Effects of non-deductible expenses	**845**	492
– Effects of non-taxable income	**(4,582)**	(3,775)
– Effects of different applicable rates of tax prevailing in other jurisdictions	**(361)**	(256)
– Transfer out of prior year deferred tax assets	**1,149**	1,336
Income tax expense	**12,760**	14,015

Notes:

(i) The applicable income tax rate for the Group's Mainland China operations is 25% for the six months ended 30 June 2020. (six months ended 30 June 2019: 25%).

(ii) Taxation for Hong Kong and overseas operations is charged at the applicable rates of tax prevailing in relevant regions.

10. Other comprehensive income

(a) Tax effects relating to each component of other comprehensive income

	Six months ended 30 June					
	2020			2019		
	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount
Items that may be reclassified to profit or loss						
– Fair value (loss)/gain on debt instruments measured at FVTOCI	(141)	(1)	(142)	(449)	110	(339)
– Net changes in expected credit losses of debt instruments measured at FVTOCI	1,119	(274)	845	757	(157)	600
– Net movement in cash flow hedge reserve	(60)	10	(50)	(116)	19	(97)
– Equity-accounted investees-share of other comprehensive income	250	–	250	171	–	171
– Exchange difference on translation of financial statements of foreign operations	826	–	826	23	–	23
Items that will not be reclassified subsequently to profit or loss						
– Fair value gain on equity instruments measured at FVTOCI	137	(29)	108	683	(176)	507
– Remeasurement of defined benefit scheme redesigned through reserve	(55)	9	(46)	9	(2)	7
Other comprehensive income	2,076	(285)	1,791	1,078	(206)	872

(b) Movements relating to the components of other comprehensive income

	Six months ended 30 June	
	2020	2019
Reserve changes in debt instruments at FVTOCI		
Changes in fair value recognised during the period	2,083	935
Reclassification adjustments for amounts transferred to profit or loss upon disposal	(2,225)	(1,274)
Net movement in the debt instrument revaluation reserve during the period recognised in other comprehensive income	(142)	(339)
Changes in expected credit losses in financial assets at FVTOCI		
Changes in expected credit losses recognised during the period	845	600
Net movement in the debt instrument revaluation reserve during the period recognised in other comprehensive income	845	600
Cash flow hedge		
Effective portion of changes in fair value of hedging instruments	(42)	(98)
Reclassification adjustment for realised gains(loss) transferred to profit or loss	(8)	1
Net movement in the hedging reserve during the period recognised in other comprehensive income	(50)	(97)
Equity instruments measured FVTOCI		
Changes in fair value recognised during the period	108	507
Net movement in the equity investment revaluation reserve during the period recognised in other comprehensive income	108	507

11. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2020 and 2019 is based on the net profit attributable to equity holders of the Bank and the weighted average number of shares in issue. There is no difference between basic and diluted earnings per share as there are no potentially dilutive shares outstanding during the six months ended 30 June 2020 and 2019.

	Six months ended 30 June	
	2020	2019
Net profit attributable to equity holders of the Bank (in million)	**49,788**	50,612
Weighted average number of shares in issue (in million) (note)	**25,220**	25,220
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)	**1.97**	2.01

Note:

The Bank issued non-cumulative preference shares in 2017. For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares declared in respect of the period should be deducted from the amounts attributable to equity holders of the Bank. There are no dividends on non-cumulative preference shares declared during the six months ended 30 June 2020 and 2019.

The conversion feature of preference shares is considered to be 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 diluted earnings per share calculation.

12. Balances with central banks

	30 June 2020	31 December 2019
Statutory deposit reserve (note (i))	**451,222**	472,533
Surplus deposit reserve (note (ii))	**27,090**	75,077
Fiscal deposits	**3,374**	4,697
Interest receivable	**206**	283
Total	**481,892**	552,590

Notes:

(i) Statutory deposit reserve funds are deposited with The People's Bank of China ("PBOC") and other central banks outside Mainland China as required and are not available for the Group's daily operations. The statutory deposit reserve funds of the Bank's institutions located in Mainland China are calculated at 9% and 5% for eligible RMB deposits and foreign currency deposits respectively as at 30 June 2020 (31 December 2019: 10.5% and 5% for eligible RMB deposits and foreign currency deposits respectively). Eligible deposits include deposits from government authorities and other organizations, retail deposits, corporate deposits, and net credit balances of entrusted business and RMB deposits placed by the financial institutions outside Mainland China.

(ii) Surplus deposit reserve maintained with the PBOC and central banks outside Mainland China is mainly for clearing purpose.

13. Balances with banks and other financial institutions

	30 June 2020	31 December 2019
Principal (a)	**96,364**	106,306
Impairment losses (a)(b)	**(380)**	(372)
Subtotal	**95,984**	105,934
Interest receivable	**116**	179
Total	**96,100**	106,113

(a) Analysed by nature of counterparties

	30 June 2020	31 December 2019
Balances in Mainland China		
– Banks	**46,982**	73,825
– Other financial institutions	**13,284**	2,484
Subtotal	**60,266**	76,309
Balances outside Mainland China		
– Banks	**35,436**	29,923
– Other financial institutions	**662**	74
Subtotal	**36,098**	29,997
Total	**96,364**	106,306
Less: Impairment allowances		
– Banks	**(302)**	(361)
– Other financial institutions	**(78)**	(11)
Subtotal	**(380)**	(372)
Total	**95,984**	105,934

(b) Movements of allowances for losses are as follows:

	2020	2019
Balance as at the beginning of the period/year	**372**	171
Charge for the period/year	**7**	201
Exchange difference	**1**	–
Balance as at 30 June/31 December	**380**	372

14. Placements with banks and other financial institutions

	30 June 2020	31 December 2019
Principal (a)	255,531	306,656
Impairment allowances (a)(c)	(376)	(338)
Subtotal	255,155	306,318
Interest receivable	917	1,115
Total	256,072	307,433

(a) Analysed by nature of counterparties

	30 June 2020	31 December 2019
Placements in Mainland China		
– Banks	35,601	80,251
– Other financial institutions	110,186	155,386
Subtotal	145,787	235,637
Placements outside Mainland China		
– Banks	109,744	71,019
Subtotal	109,744	71,019
Total	255,531	306,656
Less: Impairment allowances		
– Banks	(182)	(58)
– Other financial institutions	(194)	(280)
Subtotal	(376)	(338)
Total	255,155	306,318

(b) Analysed by contractual remaining maturity

	30 June 2020	31 December 2019
Maturing		
– Within one month (inclusive)	117,548	216,735
– Between one month and one year (inclusive)	125,763	75,796
– Over one year	11,844	13,787
Total	255,155	306,318

(c) Movements of allowances for impairment are as follows:

	2020	2019
Balance as at the beginning of the period/year	338	405
Charge/(Release) for the period/year	36	(68)
Exchange difference	2	1
Balance as at 30 June/31 December	376	338

15. Amounts held under resale agreements

	30 June 2020	31 December 2019
Principal (a)	**227,297**	109,353
Impairment allowances (a)(d)	**(1,025)**	(396)
Subtotal	**226,272**	108,957
Interest receivable	**46**	4
Total	**226,318**	108,961

(a) Analysed by nature of counterparties

	30 June 2020	31 December 2019
Amounts held under resale agreements in Mainland China		
– Banks	**10,093**	16,377
– Other financial institutions	**217,040**	92,955
Amounts held under resale agreements outside Mainland China		
– Other financial institutions	**164**	21
Subtotal	**227,297**	109,353
Less: Impairment allowances		
– Banks	**(217)**	(222)
– Other financial institutions	**(808)**	(174)
Subtotal	**(1,025)**	(396)
Total	**226,272**	108,957

(b) Analysed by contractual remaining maturity

	30 June 2020	31 December 2019
Maturing		
– Within one month (inclusive)	**225,366**	108,014
– Between one month and one year (inclusive)	**906**	943
Total	**226,272**	108,957

(c) Analysed by asset types

	30 June 2020	31 December 2019
Bonds	**222,492**	107,219
Bills	**3,780**	1,738
Total	**226,272**	108,957

(d) Movements of allowances for impairment are as follows:

	2020	2019
Balance as at the beginning of the period/year	**396**	737
Charge/(Release) for the period/year	**629**	(341)
Balance as at 30 June/31 December	**1,025**	396

16. Loans and advances to customers

(a) Loans and advances to customers

	30 June 2020	31 December 2019
Gross loans and advances to customers at amortised cost (i)	**4,485,160**	4,220,771
Interest receivable	**10,105**	9,514
Subtotal	**4,495,265**	4,230,285
Loss allowances of loans and advances to customers at amortised cost (i)	**(243,746)**	(222,756)
Loss allowances of interest receivable	**(134)**	(143)
Subtotal	**(243,880)**	(222,899)
Loans and advances to customers at amortised cost	**4,251,385**	4,007,386
Loans and advances to customers at FVTOCI (ii)	**359,742**	264,135
Loans and advances to customers at FVTPL (iii)	**6,977**	5,779
Total	**4,618,104**	4,277,300

(i) Loans and advances to customers at amortised cost

	30 June 2020	31 December 2019
Corporate loans and advances	**2,000,874**	1,858,130
Retail loans and advances	**2,484,152**	2,362,616
Discounted bills	**134**	25
Gross loans and advances to customers at amortised cost	**4,485,160**	4,220,771
Less: loss allowances		
– Stage 1 (12-month ECL)	**(161,119)**	(138,803)
– Stage 2 (Lifetime ECL-not credit-impaired)	**(34,100)**	(37,644)
– Stage 3 (Lifetime ECL-credit impaired)	**(48,527)**	(46,309)
Subtotal	**(243,746)**	(222,756)
Net loans and advances to customers at amortised cost	**4,241,414**	3,998,015

(ii) Loans and advances to customers at FVTOCI

	30 June 2020	31 December 2019
Corporate loans and advances	**63,291**	38,120
Discounted bills	**296,451**	226,015
Loans and advances to customers at FVTOCI	**359,742**	264,135
Loss allowances		
– Stage 1 (12-month ECL)	**(127)**	(213)
– Stage 2 (Lifetime ECL-not credit-impaired)	**(12)**	(117)
– Stage 3 (Lifetime ECL-credit impaired)	**(6)**	(11)
Subtotal	**(145)**	(341)

No loss allowance is recognised in the unaudited consolidated statement of financial position for loans and advances to customers at FVTOCI as the carrying amount is at fair value.

(iii) Loans and advances to customers at FVTPL

	30 June 2020	31 December 2019
Corporate loans and advances	**6,813**	5,744
Interest receivable	**164**	35
Subtotal	**6,977**	5,779

16. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers

(i) Analysed by industry sector and category:

Operations in Mainland China

	30 June 2020	31 December 2019
Transportation, storage and postal services	**385,222**	306,642
Property development	**351,962**	308,342
Manufacturing	**235,132**	240,717
Leasing and commercial services	**159,087**	144,377
Production and supply of electric power, heating power, gas and water	**157,676**	144,530
Wholesale and retail	**153,222**	151,278
Construction	**103,687**	95,279
Finance services	**68,401**	63,420
Water, environment and public utilities management	**51,392**	57,044
Telecommunications, software and IT services	**46,056**	51,406
Mining	**35,715**	29,744
Others	**63,186**	59,640
Corporate loans and advances subtotal	**1,810,738**	1,652,419
Discounted bills	**296,585**	226,040
Residential mortgage	**1,189,817**	1,098,673
Credit cards	**652,197**	670,922
Micro-finance loans	**445,117**	405,155
Others	**155,925**	152,193
Retail loans and advances subtotal	**2,443,056**	2,326,943
Gross loans and advances to customers	**4,550,379**	4,205,402

Operations outside Mainland China

	30 June 2020	31 December 2019
Finance services	**62,712**	63,286
Property development	**60,528**	60,035
Transportation, storage and postal services	**36,707**	30,567
Manufacturing	**25,872**	20,994
Leasing and commercial services	**21,553**	28,992
Wholesale and retail	**17,170**	11,579
Mining	**9,811**	9,445
Production and supply of electric power, heating power, gas and water	**9,018**	5,553
Telecommunications, software and IT services	**5,787**	4,494
Construction	**2,349**	2,196
Water, environment and public utilities management	**2,116**	1,219
Others	**6,617**	11,215
Corporate loans and advances subtotal	**260,240**	249,575
Residential mortgage	**10,557**	9,475
Credit cards	**146**	177
Micro-finance loans	**1,388**	625
Others	**29,005**	25,396
Retail loans and advances subtotal	**41,096**	35,673
Gross loans and advances to customers	**301,336**	285,248

As at 30 June 2020, over 90% of the Group's loans and advances to customers are originated in the People's Republic of China (31 December 2019: over 90%).

16. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers *(continued)*

(ii) Analysed by type of guarantees:

	30 June 2020	31 December 2019
Credit loans	**1,664,995**	1,535,977
Guaranteed loans	**718,866**	636,709
Collateralised loans	**1,847,733**	1,859,500
Pledged loans	**323,536**	232,424
Subtotal	**4,555,130**	4,264,610
Discounted bills	**296,585**	226,040
Gross amount of loans and advances to customers	**4,851,715**	4,490,650

(iii) Analysed by overdue term:

	30 June 2020				
	Overdue within 3 months	Overdue from 3 months up to 1 year	Overdue from 1 year up to 3 years	Overdue more than 3 years	Total overdue loans
Credit loans	**13,250**	**11,620**	**3,363**	**592**	**28,825**
Guaranteed loans	**2,904**	**2,925**	**6,447**	**2,435**	**14,711**
Collateralised loans	**4,544**	**4,814**	**3,620**	**1,916**	**14,894**
Pledged loans	**745**	**659**	**5,164**	**695**	**7,263**
Gross amount of loans and advances to customers	**21,443**	**20,018**	**18,594**	**5,638**	**65,693**

	31 December 2019				
	Overdue within 3 months	Overdue from 3 months up to 1 year	Overdue from 1 year up to 3 years	Overdue more than 3 years	Total overdue loans
Credit loans	10,953	10,259	1,745	677	23,634
Guaranteed loans	2,608	3,952	6,732	3,519	16,811
Collateralised loans	4,691	4,207	3,800	3,068	15,766
Pledged loans	647	1,870	4,380	255	7,152
Gross amount of loans and advances to customers	18,899	20,288	16,657	7,519	63,363

Note: Loans are classified as overdue when the principal or interest is overdue more than one day.

Among the above-mentioned overdue loans and advances to customers, collateralised loans and pledged loans that are overdue but not impaired at the date of financial reporting are as follows:

	30 June 2020	31 December 2019
Collateralised loans that are overdue but not impaired	**4,253**	3,904
Pledged loans that are overdue but not impaired	**590**	682
Total	**4,843**	4,586

16. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers *(continued)*

(iv) Analysed by ECL:

	30 June 2020			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit impaired)	Total
Loans and advances measured at amortised cost	**4,347,762**	**82,083**	**55,315**	**4,485,160**
Less: Loss allowances of loans and advances to customers at amortised cost	**(161,119)**	**(34,100)**	**(48,527)**	**(243,746)**
Net loans and advances to customers at amortised cost	**4,186,643**	**47,983**	**6,788**	**4,241,414**
Loans and advances to customers at FVTOCI	**359,309**	**420**	**13**	**359,742**
Loss allowances of loans and advances to customers at FVTOCI	**(127)**	**(12)**	**(6)**	**(145)**

	31 December 2019			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit impaired)	Total
Loans and advances measured at amortised cost	4,088,065	80,141	52,565	4,220,771
Less: Loss allowances of loans and advances to customers at amortised cost	(138,803)	(37,644)	(46,309)	(222,756)
Net loans and advances to customers at amortised cost	3,949,262	42,497	6,256	3,998,015
Loans and advances to customers at FVTOCI	263,144	972	19	264,135
Loss allowances of loans and advances to customers at FVTOCI	(213)	(117)	(11)	(341)

16. Loans and advances to customers *(continued)*

(c) Movements of allowances for impairment losses

(i) Reconciliation of allowance for expected credit loss measured at amortised cost:

	For the six months ended 30 June 2020			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit impaired)	Total
Balance as at 1 January 2020	138,803	37,644	46,309	222,756
Transfer to				
– Stage 1	2,045	(2,010)	(35)	–
– Stage 2	(523)	932	(409)	–
– Stage 3	(295)	(9,653)	9,948	–
Charge/(release) for the period	21,007	7,175	8,225	36,407
Write-offs/disposals	–	–	(20,490)	(20,490)
Unwinding of discount on allowance	–	–	(98)	(98)
Recovery of loans and advances written off	–	–	5,042	5,042
Exchange difference	82	12	35	129
Balance as at 30 June 2020	161,119	34,100	48,527	243,746

	For the year ended 31 December 2019			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit impaired)	Total
Balance as at 1 January 2019	105,978	38,517	47,277	191,772
Transfer to				
– Stage 1	3,108	(3,059)	(49)	–
– Stage 2	(605)	1,375	(770)	–
– Stage 3	(684)	(9,480)	10,164	–
Charge/(release) for the year	30,869	10,271	12,961	54,101
Write-offs/disposals	–	–	(32,201)	(32,201)
Unwinding of discount on allowance	–	–	(286)	(286)
Recovery of loans and advances written off	–	–	9,170	9,170
Exchange difference	137	20	43	200
Balance as at 31 December 2019	138,803	37,644	46,309	222,756

16. Loans and advances to customers *(continued)*

(c) Movements of allowance for impairment losses *(continued)*

(ii) Reconciliation of allowance for impairment losses measured at FVTOCI:

	2020	2019
Balance as at the beginning of the period/year	341	228
(Reversal)/charge for the period/year	(196)	113
Balance as at 30 June 2020/31 December 2019	145	341

(d) Finance leases receivable

The table below provides an analysis of finance leases receivable included in loans and advances to customers for leases of equipment in which the Group is a lessor:

	30 June 2020	31 December 2019
Total minimum leases receivable		
Within 1 year (inclusive)	24,674	30,035
Over 1 year but within 2 years (inclusive)	19,613	22,547
Over 2 years but within 3 years (inclusive)	13,747	17,072
Over 3 years but within 4 years (inclusive)	11,382	12,446
Over 4 years but within 5 years (inclusive)	7,085	8,880
Over 5 years	25,723	30,775
Subtotal	102,224	121,755
Unearned interest income	(15,895)	(17,822)
Present value of minimum leases receivable	86,329	103,933
Less: Impairment allowances		
– Stage 1 (12-month ECL)	(2,843)	(1,965)
– Stage 2 (Lifetime ECL-not credit-impaired)	(327)	(1,608)
– Stage 3 (Lifetime ECL-credit impaired)	(412)	(743)
Net investment in finance leases receivable	82,747	99,617

17. Investments

	Notes	30 June 2020	31 December 2019
Investments at fair value through profit or loss	17(a)	**478,877**	398,276
Derivative financial assets	41(f)	**38,840**	24,219
Debt investments at amortised cost	17(b)	**1,047,534**	921,228
Debt investments at FVTOCI	17(c)	**512,203**	478,856
Equity investments designated at FVTOCI	17(d)	**6,777**	6,077
Total		**2,084,231**	1,828,656

(a) Investments at fair value through profit or loss

	Notes	30 June 2020	31 December 2019
Investments measured at FVTPL	(i)	**475,426**	393,154
Investments designated at fair value through profit or loss	(ii)	**3,451**	5,122
Total		**478,877**	398,276

(i) Investments measured at FVTPL

Investments held for trading

	30 June 2020	31 December 2019
Bonds:		
Classified by issuer		
– Government bonds	**37,513**	24,787
– Bonds issued by policy banks	**18,951**	10,364
– Bonds issued by commercial banks and other financial institutions	**33,199**	20,641
– Other debt securities	**69,789**	52,922
Subtotal	**159,452**	108,714
Classified by listing		
– Listed in Mainland China	**138,990**	92,374
– Listed outside Mainland China	**18,313**	15,178
– Unlisted	**2,149**	1,162
Subtotal	**159,452**	108,714
Other investments:		
Classified by underlying assets		
– Equity investments	**128**	242
– Investments in funds	**3,959**	4,084
– Long position in precious metal contracts	**82**	183
Subtotal	**4,169**	4,509
Classified by listing		
– Listed in Mainland China	**109**	231
– Listed outside Mainland China	**82**	190
– Unlisted	**3,978**	4,088
Subtotal	**4,169**	4,509
Total investments held for trading	**163,621**	113,223

17. Investments *(continued)*

(a) Investments at fair value through profit or loss *(continued)*

(i) Investments measured at FVTPL *(continued)*

Other investments measured at FVTPL

	30 June 2020	31 December 2019
Bonds:		
Classified by issuer		
– Bonds issued by commercial banks and other financial institutions	5,960	4,294
– Other debt securities	5,253	5,126
Subtotal	11,213	9,420
Classified by listing		
– Listed in Mainland China	10,140	8,950
– Listed outside Mainland China	666	71
– Unlisted	407	399
Subtotal	11,213	9,420
Other investments:		
Classified by underlying assets		
– Non-standard assets – Bills	191,693	199,817
– Equity investments	3,093	2,215
– Investments in funds	104,839	67,615
– Wealth management products	967	864
Subtotal	300,592	270,511
Classified by listing		
– Listed in Mainland China	81	121
– Listed outside Mainland China	1,010	790
– Unlisted	299,501	269,600
Subtotal	300,592	270,511
Total other investments measured at FVTPL	311,805	279,931

(ii) Investments designated at fair value through profit or loss

	30 June 2020	31 December 2019
Bonds:		
Classified by issuer		
– Bonds issued by policy banks	80	79
– Bonds issued by commercial banks and other financial institutions	903	1,630
– Other debt securities	2,468	3,413
Total	3,451	5,122
Classified by listing		
– Listed outside Mainland China	3,436	4,830
– Unlisted	15	292
Total	3,451	5,122

The amounts of changes in the fair value of these investments that are attributable to changes in credit risks are considered not significant during the six months ended 30 June 2020 and the year ended 31 December 2019 and as at 30 June 2020 and 31 December 2019.

17. Investments *(continued)*

(b) Debt investments at amortised cost

	30 June 2020	31 December 2019
Debt investments at amortised cost (i)(ii)	**1,047,386**	921,467
Interest receivable	**14,135**	13,821
Subtotal	**1,061,521**	935,288
Loss allowances for principal (i)(ii)(iii)	**(13,927)**	(13,995)
Loss allowances for interest receivable	**(60)**	(65)
Subtotal	**(13,987)**	(14,060)
Total	**1,047,534**	921,228

(i) Debt investments at amortised cost by type:

	30 June 2020	31 December 2019
Bonds:		
Classified by issuer		
– Government bonds	**575,691**	498,310
– Bonds issued by policy banks	**251,001**	239,480
– Bonds issued by commercial banks and other financial institutions	**33,260**	33,026
– Other debt securities	**7,073**	7,354
Subtotal	**867,025**	778,170
Classified by listing		
– Listed in Mainland China	**862,331**	772,837
– Listed outside Mainland China	**2,379**	3,243
– Unlisted	**2,315**	2,090
Subtotal	**867,025**	778,170
Fair value for the listed bonds	**886,370**	794,212
Other investments:		
Classified by underlying assets		
– Non-standard assets – Bills	**45,838**	1,334
– Non-standard assets – Loans	**123,249**	138,749
– Non-standard assets – Creditor's beneficiary rights to other commercial banks	**10,695**	2,650
– Others	**579**	564
Subtotal	**180,361**	143,297
Classified by listing		
– Unlisted	**180,361**	143,297
Total	**1,047,386**	921,467
Less: loss allowances		
Stage 1 (12-month ECL)	**(10,031)**	(9,179)
Stage 2 (Lifetime ECL-not credit-impaired)	**(912)**	(283)
Stage 3 (Lifetime ECL-credit impaired)	**(2,984)**	(4,533)
Net debt investments at amortised cost	**1,033,459**	907,472

17. Investments *(continued)*

(b) Debt investments at amortised cost *(continued)*

(ii) Analysed by ECL:

	30 June 2020			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL – not credit-impaired)	–Stage 3 (Lifetime ECL – credit impaired)	Total
Debt investments at amortised cost	1,042,649	1,615	3,122	1,047,386
Less: Loss allowances of debt investments at amortised cost	(10,031)	(912)	(2,984)	(13,927)
Net debt investments at amortised cost	1,032,618	703	138	1,033,459

	31 December 2019			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL – not credit-impaired)	–Stage 3 (Lifetime ECL – credit impaired)	Total
Debt investments at amortised cost	916,206	580	4,681	921,467
Less: Loss allowances of debt investments at amortised cost	(9,179)	(283)	(4,533)	(13,995)
Net debt investments at amortised cost	907,027	297	148	907,472

(iii) Movements of allowances for impairment losses

	For the six months ended 30 June 2020			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL – not credit-impaired)	–Stage 3 (Lifetime ECL – credit impaired)	Total
Balance as at 1 January 2020	9,179	283	4,533	13,995
Transfer to :				
– Stage 1	–	–	–	–
– Stage 2	(192)	192	–	–
– Stage 3	–	–	–	–
Charge/(release)for the period (Note 8)	1,044	437	(1,606)	(125)
Recoveries of debt previously written off	–	–	54	54
Exchange difference	–	–	3	3
Balance as at 30 June 2020	10,031	912	2,984	13,927

17. Investments *(continued)*

(b) Debt investments at amortised cost *(continued)*

(iii) Movements of allowances for impairment losses *(continued)*

	For the year ended 31 December 2019			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL – not credit-impaired)	–Stage 3 (Lifetime ECL – credit impaired)	Total
Balance as at 1 January 2019	3,582	517	3,981	8,080
Transfer to :				
– Stage 1	1	(1)	–	–
– Stage 2	–	–	–	–
– Stage 3	(2)	(1)	3	–
Charge/(release) for the year	5,593	(232)	442	5,803
Write-offs	–	–	(2)	(2)
Recoveries of debt previously written off	–	–	105	105
Exchange difference	5	–	4	9
Balance as at 31 December 2019	9,179	283	4,533	13,995

(c) Debt investments at FVTOCI

	30 June 2020	31 December 2019
Debt investments at FVTOCI (i)	**506,559**	472,586
Interest receivable	**5,644**	6,270
Total	**512,203**	478,856
Impairment allowances of debt investments at FVTOCI (ii)	**(3,933)**	(2,600)
Impairment allowances of interest receivable	**(26)**	(18)
Total	**(3,959)**	(2,618)

No impairment allowances are recognised in the unaudited consolidated statement of financial position for debt investments at FVTOCI as the carrying amount is at fair value.

17. Investments *(continued)*

(c) Debt investments at FVTOCI *(continued)*

(i) Debt investments at FVTOCI by type:

	30 June 2020	31 December 2019
Bonds:		
Classified by issuer		
– Government bonds	**273,595**	260,092
– Bonds issued by policy banks	**61,700**	66,318
– Bonds issued by commercial banks and other financial institutions	**121,808**	102,750
– Other debt securities	**49,456**	43,426
Total	**506,559**	472,586
Classified by listing		
– Listed in Mainland China	**387,113**	323,090
– Listed outside Mainland China	**65,581**	54,995
– Unlisted	**53,865**	94,501
Total	**506,559**	472,586

(ii) Movements of allowances for impairment losses

	2020	2019
Balance as at the beginning of the period/year	**2,600**	1,897
Charge for the period/year	**1,303**	678
Write-offs	**–**	(3)
Exchange difference	**30**	28
Balance as at 30 June 2020/31 December 2019	**3,933**	2,600

(d) Equity investments designated at FVTOCI

	30 June 2020	31 December 2019
Repossessed equity instruments	**813**	625
Others	**5,964**	5,452
Total	**6,777**	6,077
Listed inside Mainland China	**97**	197
Listed outside Mainland China	**1,935**	2,131
Unlisted	**4,745**	3,749
Total	**6,777**	6,077

During the six months ended 30 June 2020, the fair value of the equity investments designated at FVTOCI at the date of derecognition was RMB269 million (for the year ended 31 December 2019: RMB112 million), the cumulative profit of RMB13 million (for the year ended 31 December 2019: the cumulative loss of RMB23 million) previously recognised in investment revaluation reserve was then transferred to retained profits.

18. Interests in joint ventures

	30 June 2020	31 December 2019
Share of net assets	**11,126**	10,324
Share of profits for the period	**930**	1,686
Share of other comprehensive income for the period	**265**	351

Details of the Group's interests in major joint ventures are as follows:

Name of joint ventures	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital (in thousands)	Group's effective interest	Percentage of ownership of the Bank	Percentage of ownership of the subsidiaries	Principal activity
CIGNA &CMB Life Insurance Company Limited (note (i))	Limited company	Shenzhen	RMB2,800,000	50.00%	50.00%	–	Life insurance business
Merchants Union Consumer Finance Company Limited. (note (ii))	Limited company	Shenzhen	RMB3,868,964	50.00%	24.15%	25.85%	Consumer finance

Notes:

(i) The Group holds 50.00% equity interests in CIGNA & CMB Life Insurance Company Limited ("CIGNA & CMB Life"), and Life Insurance Company of North America ("INA") holds the other 50.00% equity interests in CIGNA & CMB Life. The Bank and INA share the joint venture's profits, risks and losses based on their shareholding proportionally. The Bank's investment in CIGNA & CMB Life is accounted for as an investment in a joint venture.

(ii) CMB WLB, one of the Group's wholly-owned subsidiaries and China United Network Communications Limited ("CUNC"), a subsidiary of China Unicom Limited, jointly set up Merchants Union Consumer Finance Company Limited ("MUCFC"), and China Banking and Insurance Regulatory Commission ("CBIRC") (namely China Banking Regulatory Commission at that time) approved the operation of MUCFC on 3 March 2015. CMB WLB and CUNC each hold 50.00% equity interests in MUCFC and share the risks, profits and losses proportionally based on their shareholdings. In December 2017, the Group made an additional capital contribution of RMB600 million in MUCFC, and CUNC injected capital proportionally; after the capital injection, the capital of MUCFC increased to RMB2,859 million, with the Bank's shareholding percentage became 15%, and CMB WLB's shareholding percentage became 35%, the Group's total shareholding percentage remained unchanged. In December 2018, the Group made another capital contribution of RMB1,000 million in MUCFC, and CUNC injected capital proportionally. Since then, the Bank holds 24.15% and CMB WLB holds 25.85% of equity interest of MUCFC, respectively, and the Group's total shareholding percentage is 50%.

19. Interests in associates

	30 June 2020	31 December 2019
Share of net assets	**1,263**	460
Share of profits for the period/year	**252**	37
Share of other comprehensive (expense)/income for the period/year	**(15)**	17

The associates are unlisted corporate entities and none of which is individually material to the Group.

20. Investment properties

	2020	2019
Cost:		
At 1 January	**3,558**	3,488
Transfers (out)/in	**(130)**	32
Exchange difference	**38**	38
At 30 June/31 December	**3,466**	3,558
Accumulated depreciation:		
At 1 January	**1,633**	1,427
Depreciation	**85**	171
Transfers (out)/in	**(58)**	18
Exchange difference	**22**	17
At 30 June/31 December	**1,682**	1,633
Net book value:		
At 30 June/31 December	**1,784**	1,925
At 1 January	**1,925**	2,061

The Group's total future minimum leases receivable under non-cancellable operating leases are as follows:

	30 June 2020	31 December 2019
Within 1 year (inclusive)	**370**	414
1 year to 2 years (inclusive)	**247**	267
2 year to 3 years (inclusive)	**97**	148
3 year to 4 years (inclusive)	**72**	68
4 year to 5 years (inclusive)	**66**	64
Over 5 years	**399**	424
Total	**1,251**	1,385

21. Property and equipment

	Leasehold land and buildings	Construction in progress	Computer equipment	Leasehold improvements	Aircrafts, vessels and professional equipment	Motor vehicles and others	Total
Cost:							
At 1 January 2020	27,356	2,964	13,750	8,510	43,309	6,351	102,240
Additions	16	277	471	156	4,880	144	5,944
Reclassification and transfers	735	(782)	–	177	–	–	130
Disposals	–	–	(434)	(64)	(761)	(332)	(1,591)
Exchange difference	63	–	21	5	452	3	544
At 30 June 2020	28,170	2,459	13,808	8,784	47,880	6,166	107,267
Accumulated depreciation:							
At 1 January 2020	10,512	–	10,163	5,441	4,523	5,100	35,739
Depreciation	634	–	949	361	1,484	224	3,652
Reclassification and transfers	58	–	–	–	–	–	58
Disposals	–	–	(412)	(64)	(271)	(300)	(1,047)
Exchange difference	35	–	13	4	69	1	122
At 30 June 2020	11,239	–	10,713	5,742	5,805	5,025	38,524
Impairment loss:							
At 1 January 2020	–	–	–	–	93	–	93
Additions	–	–	–	–	–	–	–
At 30 June 2020	–	–	–	–	93	–	93
Net book value:							
At 30 June 2020	16,931	2,459	3,095	3,042	41,982	1,141	68,650
At 1 January 2020	16,844	2,964	3,587	3,069	38,693	1,251	66,408

21. Property and equipment *(continued)*

	Leasehold land and buildings	Construction in progress	Computer equipment	Leasehold improvements	Aircrafts, vessels and professional equipment	Motor vehicles and others	Total
Cost:							
At 1 January 2019	25,923	1,646	12,276	7,669	33,904	6,369	87,787
Additions	1,510	1,506	1,882	847	14,168	726	20,639
Reclassification and transfers	104	(188)	–	52	–	–	(32)
Disposals	(244)	–	(427)	(76)	(5,249)	(746)	(6,742)
Exchange difference	63	–	19	18	486	2	588
At 31 December 2019	27,356	2,964	13,750	8,510	43,309	6,351	102,240
Accumulated depreciation:							
At 1 January 2019	9,412	–	8,789	4,869	3,169	5,342	31,581
Depreciation	1,233	–	1,765	587	2,165	458	6,208
Reclassification and transfers	(18)	–	–	–	–	–	(18)
Disposals	(152)	–	(401)	(24)	(878)	(701)	(2,156)
Exchange difference	37	–	10	9	67	1	124
At 31 December 2019	10,512	–	10,163	5,441	4,523	5,100	35,739
Impairment loss:							
At 1 January 2019	–	–	–	–	–	–	–
Additions	–	–	–	–	93	–	93
At 31 December 2019	–	–	–	–	93	–	93
Net book value:							
At 31 December 2019	16,844	2,964	3,587	3,069	38,693	1,251	66,408
At 1 January 2019	16,511	1,646	3,487	2,800	30,735	1,027	56,206

(a) As at 30 June 2020, the Group has no significant unused property and equipment (31 December 2019: Nil).

(b) The Group's total future minimum leases receivable under non-cancellable operating leases are as follows:

	30 June 2020	31 December 2019
Within 1 year (inclusive)	**4,535**	4,740
1 year to 2 years (inclusive)	**4,247**	4,677
2 year to 3 years (inclusive)	**3,957**	4,427
3 year to 4 years (inclusive)	**3,454**	4,133
4 year to 5 years (inclusive)	**3,751**	3,456
Over 5 years	**12,908**	13,057
Total	**32,852**	34,490

22. Right-of-use assets

	Land use rights	Buildings	Computer equipment	Motor vehicles and others	Total
Cost:					
At 1 January 2020	5,968	18,602	3	18	24,591
Additions	–	2,028	1	2	2,031
Disposals	–	(553)	–	(7)	(560)
Exchange difference	6	–	–	–	6
At 30 June 2020	5,974	20,077	4	13	26,068
Accumulated depreciation:					
At 1 January 2020	830	3,755	1	5	4,591
Depreciation (note 7)	91	2,114	1	2	2,208
Disposals	–	(273)	–	(2)	(275)
Exchange difference	2	–	–	–	2
At 30 June 2020	923	5,596	2	5	6,526
Net carrying amount:					
At 30 June 2020	5,051	14,481	2	8	19,542
At 1 January 2019	5,138	14,847	2	13	20,000

	Land use rights	Buildings	Computer equipment	Motor vehicles and others	Total
Cost:					
At 1 January 2019	6,074	13,690	5	5	19,774
Additions	–	5,421	1	16	5,438
Disposals	(106)	(509)	(3)	(3)	(621)
At 31 December 2019	5,968	18,602	3	18	24,591
Accumulated depreciation:					
At 1 January 2019	662	–	–	–	662
Depreciation	185	4,173	1	5	4,364
Disposals	(17)	(418)	–	–	(435)
At 31 December 2019	830	3,755	1	5	4,591
Net carrying amount:					
At 31 December 2019	5,138	14,847	2	13	20,000
At 1 January 2019	5,412	13,690	5	5	19,112

23. Intangible assets

	Software and others	Core deposits	Total
Cost:			
At 1 January 2020	8,161	1,186	9,347
Additions	876	–	876
Exchange difference	2	22	24
At 30 June 2020	9,039	1,208	10,247
Amortisation:			
At 1 January 2020	4,294	478	4,772
Additions (Note 7)	565	21	586
Exchange difference	1	10	11
At 30 June 2020	4,860	509	5,369
Net book value:			
At 30 June 2020	4,179	699	4,878
At 1 January 2020	3,867	708	4,575

	Software and others	Core deposits	Total
Cost:			
At 1 January 2019	6,322	1,162	7,484
Additions	1,840	–	1,840
Disposals	(3)	–	(3)
Exchange difference	2	24	26
At 31 December 2019	8,161	1,186	9,347
Amortisation:			
At 1 January 2019	3,319	427	3,746
Additions	973	41	1,014
Disposals	–	–	–
Exchange difference	2	10	12
At 31 December 2019	4,294	478	4,772
Net book value:			
At 31 December 2019	3,867	708	4,575
At 1 January 2019	3,003	735	3,738

24. Goodwill

	As at 1 January 2020	As at 30 June 2020	Impairment loss at 1 January 2020 and 30 June 2020	Net value at 1 January 2020 and 30 June 2020
CMB WLB (note (i))	10,177	10,177	(579)	9,598
CMFM (note (ii))	355	355	–	355
Zhaoyin Internet (note (iii))	1	1	–	1
Total	10,533	10,533	(579)	9,954

Notes:

(i) On 30 September 2008, the Bank acquired a 53.12% equity interests of CMB WLB. On the acquisition date, the fair value of CMB WLB's identifiable net assets was RMB12,898 million, of which the Bank accounted for RMB6,851 million. A sum of RMB10,177 million being the excess of acquisition cost over the fair value of the identifiable net assets was recognised as goodwill.

(ii) On 28 November 2013, the Bank acquired a 55.00% equity interests of CMFM. On the acquisition date, the fair value of CMFM's identifiable net assets was RMB752 million of which the Bank accounted for RMB414 million. A sum of RMB355 million being the excess of acquisition cost 769 million over the fair value of the identifiable net assets was recognised as goodwill.

(iii) On 1 April 2015, CMBICHC acquired a 100% equity interests of Zhaoyin Internet Technology (Shenzhen) Corporation Limited ("Zhaoyin Internet"). On the acquisition date, the fair value of Zhaoyin Internet's identifiable net assets was RMB3 million. A sum of RMB1 million being the excess of acquisition cost over the fair value of the identifiable net assets was recognised as goodwill. Zhaoyin Internet's principal activities include development and sale of computer software and hardware, sale of communication equipment and office automation equipment, advisory service of computer technology and information.

25. Deferred tax assets and liabilities

	30 June 2020	31 December 2019
Deferred tax assets	**70,858**	65,151
Deferred tax liabilities	**(1,005)**	(956)
Net amount	**69,853**	64,195

(a) Analysed by nature of deferred tax assets and liabilities

The components of deferred tax assets/liabilities are as follows:

	30 June 2020		31 December 2019	
	Deductible/ (taxable) temporary difference	**Deferred tax**	Deductible/ (taxable) temporary difference	Deferred tax
Deferred tax assets				
Impairment allowances on loans and advances to customers at amortised cost and other assets	**254,839**	**63,549**	237,143	59,185
Financial assets at FVTOCI	**(9,072)**	**(2,276)**	(8,952)	(2,238)
Financial instruments at FVTPL	**1,557**	**386**	(1,263)	(316)
Salary and welfare payable	**29,315**	**7,329**	26,482	6,621
Others	**7,337**	**1,870**	7,580	1,899
Total	**283,976**	**70,858**	260,990	65,151
Deferred tax liabilities				
Impairment allowances on loans and advances to customers at amortised cost and other assets	**–**	**–**	291	47
Financial assets at FVTOCI	**4**	**1**	(29)	(6)
Financial instruments at FVTPL	**(93)**	**(23)**	11	3
Others	**(6,268)**	**(983)**	(6,376)	(1,000)
Total	**(6,357)**	**(1,005)**	(6,103)	(956)

25. Deferred tax assets, deferred tax liabilities *(continued)*

(b) Movements of deferred tax are as follows:

	Impairment allowances on loans and advances at amortised cost to customers and other assets	Financial assets at FVTOCI	Financial instruments at FVTPL	Salary and welfare payable	Others	Total
At 1 January 2020	59,232	(2,244)	(313)	6,621	899	64,195
Recognised in profit or loss	4,327	273	676	708	(22)	5,962
Recognised in other comprehensive Income	–	(304)	–	–	19	(285)
Exchange difference	(10)	–	–	–	(9)	(19)
At 30 June 2020	63,549	(2,275)	363	7,329	887	69,853

	Impairment allowances on loans and advances at amortised cost to customers and other assets	Financial assets at FVTOCI	Financial instruments at FVTPL	Salary and welfare payable	Others	Total
At 1 January 2019	51,718	(1,437)	1,911	4,646	325	57,163
Recognised in profit or loss	7,491	177	(2,224)	1,975	541	7,960
Recognised in other comprehensive Income	–	(984)	–	–	13	(971)
Exchange difference	23	–	–	–	20	43
At 31 December 2019	59,232	(2,244)	(313)	6,621	899	64,195

Note: No deferred tax liability has been recognised in respect of temporary differences associated with investments in subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

26. Deposits from banks and other financial institutions

	30 June 2020	31 December 2019
Principal(a)	621,524	553,684
Interest payable	1,134	1,897
Total	622,658	555,581

(a) Analysed by nature of counterparties

	30 June 2020	31 December 2019
In Mainland China		
– Banks	104,146	60,111
– Other financial institutions	509,815	478,894
Subtotal	613,961	539,005
Outside Mainland China		
– Banks	7,103	14,638
– Other financial institutions	460	41
Subtotal	7,563	14,679
Total	621,524	553,684

27. Placements from banks and other financial institutions

	30 June 2020	31 December 2019
Principal (a)	194,139	165,403
Interest payable	343	518
Total	194,482	165,921

(a) Analysed by nature of counterparties

	30 June 2020	31 December 2019
In Mainland China		
– Banks	77,723	77,526
– Other financial institutions	43,072	9,138
Subtotal	120,795	86,664
Outside Mainland China		
– Banks	73,061	78,739
– Other financial institutions	283	–
Subtotal	73,344	78,739
Total	194,139	165,403

28. Financial liabilities at fair value through profit or loss

	30 June 2020	31 December 2019
Financial liabilities held for trading (a)	**19,777**	14,888
Financial liabilities designated at fair value through profit or loss (b)	**24,187**	28,546
Total	**43,964**	43,434

(a) Financial liabilities held for trading

	30 June 2020	31 December 2019
Financial liabilities related to precious metal	**18,459**	13,701
Short selling securities	**1,318**	1,187
Total	**19,777**	14,888

(b) Financial liabilities designated at fair value through profit or loss

	30 June 2020	31 December 2019
In Mainland China		
– Precious metal contracts with other banks	**1,614**	9,217
– Others	**12,217**	9,092
Outside Mainland China		
– Certificates of deposit issued	**636**	767
– Debt securities issued	**9,467**	9,237
– Others	**253**	233
Total	**24,187**	28,546

As at 30 June 2020 and 31 December 2019, the difference between the fair values of the Group's financial liabilities designated at fair value through profit or loss and the contractual payable amount at maturity is not material. The amounts of changes in the fair value that are attributable to changes in credit risk of these liabilities are not significant during the six months ended 30 June 2020 and the year ended 31 December 2019 and as at 30 June 2020 and 31 December 2019.

29. Amounts sold under repurchase agreements

	30 June 2020	31 December 2019
Principal (a) (b)	**133,793**	63,107
Interest payable	**84**	126
Total	**133,877**	63,233

(a) Analysed by nature of counterparties

	30 June 2020	31 December 2019
In Mainland China		
– Banks	**122,639**	59,383
– Other financial institutions	**2,875**	480
Subtotal	**125,514**	59,863
Outside Mainland China		
– Banks	**6,017**	1,845
– Other financial institutions	**2,262**	1,399
Subtotal	**8,279**	3,244
Total	**133,793**	63,107

(b) Analysed by asset types

	30 June 2020	31 December 2019
Debt securities		
– PRC government bonds	**44,036**	30,962
– Bonds issued by policy banks	**52,019**	21,941
– Bonds issued by commercial banks and other financial institutions	**4,363**	493
– Other debt securities	**4,350**	3,337
Subtotal	**104,768**	56,733
Discounted bills	**29,025**	6,374
Total	**133,793**	63,107

30. Deposits from customers

	30 June 2020	31 December 2019
Principal (a)	**5,440,050**	4,844,422
Interest payable	**34,342**	30,559
Total	**5,474,392**	4,874,981

(a) Analysed by nature of counterparties

	30 June 2020	31 December 2019
Corporate customers		
– Demand deposits	**2,053,534**	1,692,068
– Time deposits	**1,408,019**	1,346,033
Subtotal	**3,461,553**	3,038,101
Retail customers		
– Demand deposits	**1,316,773**	1,171,221
– Time deposits	**661,724**	635,100
Subtotal	**1,978,497**	1,806,321
Total	**5,440,050**	4,844,422

31. Provision

	30 June 2020	31 December 2019
Expected credit loss provision	**7,047**	5,116
Others	**993**	993
Total	**8,040**	6,109

Expected credit loss provisions for loan commitments and financial guarantee contracts are as follows:

	30 June 2020			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL – not credit-impaired)	–Stage 3 (Lifetime ECL – credit impaired)	Total
Expected credit loss provision	**5,498**	**1,113**	**436**	**7,047**

	31 December 2019			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL – not credit-impaired)	–Stage 3 (Lifetime ECL – credit impaired)	Total
Expected credit loss provision	3,396	1,307	413	5,116

32. Debt securities issued

	Notes	30 June 2020	31 December 2019
Subordinated notes issued	(a)	**34,508**	34,469
Long-term debt securities issued	(b)	**139,226**	165,602
Negotiable interbank certificates of deposit		**207,601**	349,284
Certificates of deposit issued		**26,360**	26,007
Interest payable		**4,704**	2,829
Total		**412,399**	578,191

(a) Subordinated notes issued

At the end of the reporting period, subordinated notes issued by the Bank were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Discount or premium amortisation	Repayment during the period	Ending balance
Fixed rate bond	180 months	28 Dec 2012	5.20	RMB11,700	11,693	(2)	–	11,691
Fixed rate bond	120 months	15 Nov 2018	4.65	RMB20,000	19,993	(2)	–	19,991
Total					31,686	(4)	–	31,682

At the end of the reporting period, subordinated note issued by CMB WLB was as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange rate fluctuation (RMB in million)	Ending balance (RMB in million)
Fixed to floating rate notes	120 months	22 Nov 2017	3.75 (for the first 5 years); T*+1.75% (from 6 year onwards, if the notes are not called by the Bank)	USD400	2,783	–	43	2,826
Total					2,783	–	43	2,826

* T represents the 5-year US Treasury rate.

32. Debt securities issued *(continued)*

(b) Long-term debt securities issued

At the end of reporting period, long-term debt securities issued by the Bank were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issuance during the period (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange rate fluctuation (RMB in million)	Repayment during the period (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	36 months	22 May 2017	4.20	RMB18,000	17,991	–	9	–	(18,000)	–
Medium term note	36 months	12 Jun 2017	3M Libor+0.825	USD800	5,579	–	–	80	(5,659)	–
Fixed rate bond	36 months	14 Sep 2017	4.30	RMB12,000	11,994	–	3	–	–	11,997
Fixed rate bond	36 months	17 Aug 2018	3.95	RMB30,000	29,973	–	7	–	–	29,980
Medium term note	36 months	12 Jun 2019	0.25	EUR300	2,341	–	1	35	–	2,377
Medium term note	36 months	19 Jun 2019	3M Libor+0.74	USD600	4,173	–	2	61	–	4,236
Fixed rate bond	36 months	5 Jul 2019	3.45	RMB30,000	29,990	–	5	–	–	29,995
Fixed rate bond	36 months	4 Sep 2019	2.64	USD60	418	–	–	6	–	424
Fixed rate bond	36 months	24 Sep 2019	3.33	RMB20,000	19,994	–	2	–	–	19,996
Total					122,453	–	29	182	(23,659)	99,005

At the end of the reporting period, long-term debt securities issued by CMBFLC were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issuance during the period (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange rate fluctuation (RMB in million)	Repayment during the period (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	60 months	29 Nov 2016	3.25	USD900	6,268	–	3	90	–	6,361
Fixed rate bond	36 months	15 Mar 2017	4.50	RMB4,000	3,999	–	1	–	(4,000)	–
Fixed rate bond (note (i))	36 months	5 Jul 2017	4.80	RMB1,500	1,499	–	1	–	–	1,500
Fixed rate bond (note (ii))	36 months	20 Jul 2017	4.89	RMB2,500	2,499	–	1	–	–	2,500
Fixed rate bond	36 months	3 Aug 2017	4.60	RMB2,000	1,999	–	1	–	–	2,000
Fixed rate bond (note (iii))	36 months	14 Mar 2018	5.24	RMB4,000	3,995	–	2	–	–	3,997
Fixed rate bond (note (iv))	36 months	9 May 2018	4.80	RMB4,000	3,995	–	2	–	–	3,997
Fixed rate bond	36 months	16 Jul 2018	4.50	RMB4,000	3,994	–	2	–	–	3,996
Fixed rate bond (note (v))	36 months	14 Mar 2019	3.50	RMB1,500	1,497	–	–	–	–	1,497
Fixed rate bond (note (vi))	60 months	14 Mar 2019	4.00	RMB500	499	–	–	–	–	499
Fixed rate bond	36 months	28 May 2019	3.68	RMB3,000	2,993	–	1	–	–	2,994
Fixed rate bond (note (vii))	60 months	25 Jun 2019	3.12	USD900	6,231	–	5	90	–	6,326
Fixed rate bond (note (viii))	120 months	25 Jun 2019	3.69	USD100	692	–	1	9	–	702
Fixed rate bond	36 months	17 Jul 2019	3.60	RMB3,000	2,992	–	2	–	–	2,994
Fixed rate bond	12 months	22 Nov 2019	2.72	USD50	349	–	–	5	–	354
Fixed rate bond	12 months	17 Apr 2020	1.73	USD40	–	283	(1)	1	–	283
Total					43,501	283	21	195	(4,000)	40,000

32. Debt securities issued *(continued)*

(b) Long-term debt securities *(continued)*

At the end of the reporting period, long-term debt securities issued by CMBFLC were as follows: *(continued)*

Notes:

(i) The Bank holds the bonds issued by CMBFLC amounted to Nil as of 30 June 2020 (31 December 2019: RMB300 million).

(ii) The Bank holds the bonds issued by CMBFLC amounted to Nil as of 30 June 2020 (31 December 2019: RMB200 million).

(iii) The Bank holds the bonds issued by CMBFLC amounted to RMB260 million as of 30 June 2020 (31 December 2019: RMB260 million).

(iv) The Bank holds the bonds issued by CMBFLC amounted to RMB140 million as of 30 June 2020 (31 December 2019: RMB140 million).

(v) The Bank holds the bonds issued by CMBFLC amounted to Nil as of 30 June 2020 (31 December 2019: RMB300 million).

(vi) The Bank holds the bonds issued by CMBFLC amounted to Nil as of 30 June 2020 (31 December 2019: RMB100 million).

(vii) The Bank holds the bonds issued by China Merchant Bank International Lease Management Limited. (CMBILM), a wholly-owned subsidiary of CMBFLC amounted to USD58 million, equivalent to RMB409 million as of 30 June 2020 (31 December 2019: USD50 million, equivalent to RMB348 million).

(viii) The Bank holds the bonds issued by CMBILM amounted to USD44 million, equivalent to RMB308 million as of 30 June 2020 (31 December 2019: USD43 million, equivalent to RMB300 million).

As at the end of the reporting period, long-term debt securities issued by CMBI were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issuance during the period (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange rate fluctuation (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	36 months	9 Jul 2018	3.72	USD300	2,090	–	–	32	2,122
Total					2,090	–	–	32	2,122

33. Share capital

By type of shares:

	30 June 2020	31 December 2019
Listed shares		
– A-Shares	**20,629**	20,629
– H-Shares	**4,591**	4,591
Total	**25,220**	25,220

All H-Shares are ordinary shares and rank pari passu with the A-Shares. There is no restriction condition on these shares.

	Share Capital	
	No. of shares (in million)	Amount
At 1 January 2020 and at 30 June 2020	**25,220**	**25,220**

34. Preference shares

	30 June 2020 No. (millions of shares)	30 June 2020 Amount	31 December 2019 No. (millions of shares)	31 December 2019 Amount
Issuance of Offshore Preference Shares in 2017 (note (i))	**50**	**6,597**	50	6,597
Issuance of Domestic Preference Shares in 2017 (note (ii))	**275**	**27,468**	275	27,468
Total	**325**	**34,065**	325	34,065

Notes:

(i) Pursuant to the approvals by the relevant authorities in China, the Bank issued the US Dollar settled non-cumulative Offshore Preference Shares in the aggregate par value of USD1,000 million on 25 October 2017. Each Offshore Preference Share has a par value of USD20 and 50 million Offshore Preference Shares were issued in total. The initial dividend rate is 4.40% and is subsequently subject to reset per agreement, but not exceed 16.68%. Dividends on the Offshore Preference Shares shall be paid out by cash, which shall be priced and announced in RMB. Save for such dividend at the agreed dividend pay-out ratio, the holders of the above Preference Shares shall not be entitled to share in the distribution of the remaining profits of the Bank together with the holders of the ordinary shares. The Bank shall be entitled to cancel any dividend on Preference Shares, and such cancellation shall not be deemed a default. In the event that the Bank cancels the distribution of part or all of the dividends on the Preference Shares, the Bank will not distribute any profit to holders of ordinary shares during the period from the date when the shareholders' general meeting adopts relevant resolution to the restoration of full dividend payment to the holders of Preference Shares. The dividends on Preference Shares are non-cumulative, that is, the Bank will not distribute the dividends that was cancelled in prior years to the holders of Preference Shares.

The Offshore Preference Shares have no maturity dates. However, after the fifth anniversary of the issuance date, subject to the satisfaction of the redemption conditions and the approval of the CBIRC, all or part of the Offshore Preference Shares may be redeemed at the discretion of the Bank, but the Bank does not have the obligation to redeem Preference Shares. The holders of Preference Shares do not have the right to demand the Bank to redeem Preference Shares and shall not expect that Preference Shares will be redeemed.

(ii) Pursuant to the approvals by the relevant authorities in China, the Bank issued the US Dollar settled non-cumulative Domestic Preference Shares in the aggregate par value of RMB27,500 million on 18 December 2017. Each Domestic Preference Share has a par value of RMB100 and 275 million Domestic Preference Shares were issued in total. The initial dividend rate is 4.81% and is subsequently subject to reset per agreement, but shall not exceed 16.68%. Dividends on the Domestic Preference Shares shall be paid out by cash. Save for such dividend at the agreed dividend pay-out ratio, the holders of the above Preference Shares shall not be entitled to share in the distribution of the remaining profits of the Bank together with the holders of the ordinary shares. The Bank shall be entitled to cancel any dividend on Domestic Preference Shares, and such cancellation shall not be deemed a default. In the event that the Bank cancels the distribution of part or all of the dividends on the Domestic Preference Shares, the Bank will not distribute any profit to holders of ordinary shares during the period from the date when the shareholders' general meeting adopts relevant resolution to the restoration of full dividend payment to the holders of Domestic Preference Shares. The dividends on Domestic Preference Shares are non-cumulative, that is, the Bank will not distribute the dividends that be cancelled in prior years to Domestic Preference Shares holders.

The Domestic Preference Shares have no maturity date. However, after the fifth anniversary of the issuance date, subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, all or part of the Domestic Preference Shares may be redeemed at the discretion of the Bank, but the Bank does not have the obligation to redeem preference shares. The holders of Domestic Preference Shares do not have the right to demand the Bank to redeem the Domestic Preference Shares and shall not expect that Domestic Preference Shares will be redeemed.

Both Domestic and Offshore Preference Shares have clauses that state certain events would trigger mandatory conversion, those clauses are as follows:

(1) Upon the occurrence of any additional Tier-1 Capital Instrument Trigger Event, that is, the Core Tier-1 Capital Adequacy Ratio drops to 5.125% or below, the Bank shall have the right to convert, without the approval of the holders of Preference Shares, part or all of the Preference Shares then issued and outstanding into Ordinary A Shares based on the total par value of the Preference Shares in order to restore the Core Tier- 1 Capital Adequacy Ratio of the Bank to above 5.125%. In the case of partial conversion, the Preference Shares shall be converted on a pro rata basis and on identical conditions.

(2) Upon the occurrence of a Tier-2 Capital Trigger Event, the Bank shall have the right to convert, without the approval of the holders of Preference Shares, all of the Preference Shares then issued and outstanding into Ordinary A Shares based on the total par value of the Preference Shares. A Tier-2 Capital Trigger Event means the earlier of the following events: 1) CBIRC having concluded that without a conversion or write-off, the Bank would become non-viable, and 2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

Upon the occurrence of the above mandatory conversion events, the Bank shall report to the CBIRC for review and determination and shall fulfill the relevant information disclosure responsibilities of the Securities Law, the CSRC and Hong Kong's laws and regulations such as making provisional reports or announcements in accordance with relevant regulatory requirements.

35. Investment revaluation reserve

	30 June 2020	31 December 2019
Debt instruments measured at fair value through other comprehensive income	6,653	5,954
Fair value gain on equity instruments measured at fair value through other comprehensive income	2,704	2,609
Remeasurement of defined benefit liability	(16)	30
Equity-accounted investees share of other comprehensive income	576	326
Total	9,917	8,919

36. Profit appropriations

(a) Dividends declared/distributed by shareholders

	Six months ended 30 June 2020	Year ended 31 December 2019
Dividends in 2019, approved and declared RMB1.20 per shares	30,264	–
Dividends in 2018, approved and distributed RMB0.94 per shares	–	23,707

(b) Proposed profit appropriations

	Six months ended 30 June 2020	Year ended 31 December 2019
Statutory surplus reserve	–	8,609
Regulatory general reserve	275	11,609
Reversal of regulatory general reserve	(971)	–
Dividends		
– cash dividend: Nil (2019: RMB1.20 per shares)	–	30,264
Total	(696)	50,482

The profit appropriation for the year ended 31 December 2019 was proposed in accordance with the resolution passed at the meeting of the Board of Directors held on 20 March 2020 and approved by the 2019 annual general meeting held on 23 June 2020.

37. Notes to unaudited consolidated statement of cash flows

(a) Analysis of the balances of cash and cash equivalents (with original maturity within 3 months):

	30 June 2020	30 June 2019
Cash and balances with central bank	40,037	89,352
Balance with banks and other financial institutions	73,165	75,179
Placements with banks and other financial institutions	118,304	108,812
Amounts held under resale agreements	225,683	259,527
Debt securities investments and discounted bills	33,860	36,395
Total	491,049	569,265

(b) Significant non-cash transactions

There are no significant non-cash transactions during the six months ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

38. Operating segments

The Group's principal business is the provision of deposit and loan business, treasury business, asset management and other financial services for retail and wholesale customers.

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geographies. The reportable segments information was as follows:

– Wholesale finance business

The financial services for the corporate clients, government agencies and financial institutions includes: loan and deposit service, settlement and cash management service, trade finance and offshore business, investment banking business, inter-bank business comprised of lending and buy-back, asset custody business, financial market business, and other services.

– Retail finance business

The financial services to retail customers includes lending and deposit taking activities, bank card business, wealth management services, private banking and other services.

– Other business

Other business covers investment properties, businesses in subsidiaries (except for CMB WLB), associates and joint ventures, and other relevant businesses. None of these segments meets any of the quantitative thresholds so far for determining reportable segments.

For the purpose of operating segment analysis, external net interest income/expense represents the net interest income earned or expense incurred on banking services provided to external parties. Internal net interest income/expense represents the assumed profit or loss by the internal funds transfer pricing mechanism which has taken into account the structure and market returns of the assets and liabilities portfolio. Cost allocation is based on direct costs attributable to each reporting segment and apportion to the relevant factors.

The accounting policies of the operating segments are the same as the Group's accounting policies. Operating segment income represents income generated from external customers. Inter-segment transactions are eliminated. No customer contributed 10% or more to the Group's revenue for the six months ended 30 June 2020 and 2019. Internal transactions are conducted on fair value basis.

38. Operating segments *(continued)*

(a) Segment results, assets and liabilities

	Wholesale finance business		Retail finance business		Other business		Total	
	Six months ended 30 June							
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
External net interest income	**8,761**	12,410	**61,183**	56,104	**20,929**	18,893	**90,873**	87,407
Internal net interest income/(expense)	**30,124**	25,732	**(8,654)**	(6,916)	**(21,470)**	(18,816)	**–**	–
Net interest income	**38,885**	38,142	**52,529**	49,188	**(541)**	77	**90,873**	87,407
Net fee and commission income	**13,577**	10,861	**25,536**	25,531	**3,156**	2,579	**42,269**	38,971
Other net income	**10,247**	7,237	**700**	629	**2,892**	3,386	**13,839**	11,252
Operating income	**62,709**	56,240	**78,765**	75,348	**5,507**	6,042	**146,981**	137,630
Operating expenses								
– Property, equipment and investment properties depreciation	**(877)**	(751)	**(1,273)**	(1,164)	**(1,587)**	(1,009)	**(3,737)**	(2,924)
– Right-of-use assets depreciation	**(895)**	(840)	**(1,216)**	(1,240)	**(97)**	(74)	**(2,208)**	(2,154)
– Others	**(15,496)**	(14,360)	**(21,418)**	(19,482)	**(2,023)**	(1,481)	**(38,937)**	(35,323)
Subtotal	**(17,268)**	(15,951)	**(23,907)**	(21,886)	**(3,707)**	(2,564)	**(44,882)**	(40,401)
Reportable segment profit before expected credit losses	**45,441**	40,289	**54,858**	53,462	**1,800**	3,478	**102,099**	97,229
Expected credit losses	**(19,173)**	(17,139)	**(20,980)**	(14,642)	**(290)**	(1,283)	**(40,443)**	(33,064)
Share of profit of associates and joint ventures	**–**	–	**–**	–	**1,182**	708	**1,182**	708
Reportable segment profit before tax	**26,268**	23,150	**33,878**	38,820	**2,692**	2,903	**62,838**	64,873
Capital expenditure (note)	**738**	1,277	**1,005**	1,885	**5,083**	4,367	**6,826**	7,529

Note: Capital expenditure represents the amount incurred for acquiring long-term segment assets.

	Wholesale financial business		Retail financial business		Other business		Total	
	30 June 2020	31 December 2019	**30 June 2020**	31 December 2019	**30 June 2020**	31 December 2019	**30 June 2020**	31 December 2019
Reportable segment assets	**3,839,541**	3,449,567	**2,420,313**	2,307,439	**1,680,180**	1,576,810	**7,940,034**	7,333,816
Reportable segment liabilities	**4,322,501**	3,737,661	**2,016,974**	1,846,913	**946,775**	1,147,923	**7,286,250**	6,732,497
Interest in associates and joint ventures	**–**	–	**–**	–	**12,389**	10,784	**12,389**	10,784

38. Operating segments *(continued)*

(b) Reconciliations of reportable segments operating income, profit or loss, assets, liabilities and other material items

	Six months ended 30 June	
	2020	2019
Total operating income for reportable segments	**146,981**	**137,630**
Total profit before taxation for reportable segments	**62,838**	64,873

	30 June 2020	31 December 2019
Assets		
Total assets for reportable segments	**7,940,034**	7,333,816
Goodwill	**9,954**	9,954
Intangible assets	**699**	708
Deferred tax assets	**70,858**	65,151
Other unallocated assets	**10,281**	7,611
Consolidated total assets	**8,031,826**	7,417,240
Liabilities		
Total liabilities for reportable segments	**7,286,250**	6,732,497
Tax payable	**18,127**	19,069
Other unallocated liabilities	**88,428**	47,967
Consolidated total liabilities	**7,392,805**	6,799,533

38. Operating segments *(continued)*

(c) Geographical segments

The Group operates principally in the PRC with branches located in major provinces, autonomous regions and municipalities directly under the central government. The Group also has branches operation in Hong Kong, New York, Singapore, London, Sydney and Luxembourg, subsidiaries operating in Hong Kong, Shanghai, Shenzhen, and Luxembourg, and representative offices in Beijing, New York and Taipei.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches, subsidiaries that generate the revenue. Segment assets and non-current assets are allocated based on the geographical location of the underlying assets.

To support the Bank's operations and management's assessments, the geographical segments are defined as follows:

– "Headquarters" refers to the Group headquarters, special purpose vehicles at the branch level which are directly under the headquarters, associates and joint ventures, including the headquarters and credit card centres, etc.;

– "Yangtze River Delta region" refers to branches in Shanghai municipality, Zhejiang province and Jiangsu province;

– "Bohai Rim region" refers to branches and representative offices in Beijing municipality, Tianjin municipality, Shandong province and Hebei province;

– "Pearl River Delta and West Coast region" refers to branches in Guangdong province and Fujian province;

– "Northeast region" refers to branches in Liaoning province, Heilongjiang province and Jilin province;

– "Central region" refers to branches in Henan province, Anhui province, Hunan province, Hubei province, Jiangxi province, Shanxi province and Hainan province;

– "Western region" refers to branches in Sichuan province, Chongqing municipality, Guizhou province, Yunnan province, Shaanxi province, Gansu province, Ningxia Hui Autonomous region, Xinjiang Uyghur autonomous region, Guangxi Zhuang autonomous region, Inner Mongolia autonomous region, Qinghai province and Tibet autonomous region;

– "Overseas" refers to overseas branches in Hong Kong, New York, Singapore, Luxembourg, London, Sydney and representative offices in New York, and Taipei; and

– "Subsidiaries" refers to subsidiaries wholly owned or controlled by the Group, including CMB WLB, CMBICHC, CMBFLC, CMFM, CMBWM, CMB Europe S.A., etc.

	Total assets		Total liabilities		Non-current assets		Operating income		Profit before tax	
Geographical information	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019	Six months ended 30 June 2020	Six months ended 30 June 2019	Six months ended 30 June 2020	Six months ended 30 June 2019
Headquarter	**3,566,715**	3,306,057	**3,073,389**	2,856,659	**39,510**	37,821	**62,164**	57,074	**3,575**	11,944
Yangtze River Delta region	**1,025,282**	912,227	**1,014,056**	893,454	**5,775**	6,177	**18,090**	17,458	**13,407**	13,497
Bohai Rim region	**643,613**	582,344	**634,699**	570,647	**4,341**	4,701	**14,924**	13,798	**11,377**	7,463
Pearl River Delta and West Coast region	**868,108**	795,968	**858,291**	778,866	**4,141**	4,556	**16,843**	16,398	**12,292**	11,848
Northeast region	**154,042**	150,072	**153,431**	147,584	**1,837**	2,006	**3,042**	3,235	**966**	2,487
Central region	**488,163**	457,081	**483,526**	449,597	**4,053**	4,344	**9,332**	8,634	**6,162**	4,560
Western region	**497,466**	444,856	**492,285**	436,575	**4,151**	4,692	**9,265**	8,792	**6,380**	5,629
Overseas	**201,470**	238,988	**196,494**	233,402	**1,183**	1,344	**1,708**	1,793	**1,067**	1,079
Subsidiaries	**586,967**	529,647	**486,634**	432,749	**52,206**	48,005	**11,613**	10,448	**7,612**	6,366
Total	**8,031,826**	7,417,240	**7,392,805**	6,799,533	**117,197**	113,646	**146,981**	137,630	**62,838**	64,873

Note: Non-current assets include interests in joint ventures, interests in associates, property and equipment, investment properties, intangible assets, right-of-use assets, goodwill and etc.

39. Contingent liabilities and commitments

(a) Credit commitments

At any given time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Bills of acceptance represent undertakings by the Group to pay bills of exchange drawn by customers. The Group expects most bills of acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of loan commitments and financial guarantees by category are set out in the following table. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum potential loss that would be recognised at the end of the reporting period if counterparties default.

	30 June 2020			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL – not credit-impaired)	–Stage 3 (Lifetime ECL – credit impaired)	Total
Contractual amount				
Irrevocable guarantees	**209,531**	**815**	**278**	**210,624**
Of which : Financial guarantees	**101,371**	**669**	**3**	**102,043**
Non-financial guarantees	**108,160**	**146**	**275**	**108,581**
Irrevocable letters of credit	**119,307**	**632**	**3**	**119,942**
Bills of acceptances	**296,864**	**1,995**	**144**	**299,003**
Irrevocable loan commitments	**182,244**	**1,573**	**19**	**183,836**
– with an original maturity within 1 year (inclusive)	**104,494**	**182**	**19**	**104,695**
– with an original maturity over 1 year	**77,750**	**1,391**	**–**	**79,141**
Credit card commitments	**1,010,960**	**6,431**	**93**	**1,017,484**
Others	**74,291**	**60**	**–**	**74,351**
Total	**1,893,197**	**11,506**	**537**	**1,905,240**

	31 December 2019			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL – not credit-impaired)	–Stage 3 (Lifetime ECL – credit impaired)	Total
Contractual amount				
Irrevocable guarantees	200,021	1,129	277	201,427
Of which : Financial guarantees	101,477	951	3	102,431
Non-financial guarantees	98,544	178	274	98,996
Irrevocable letters of credit	80,354	788	56	81,198
Bills of acceptances	269,055	3,630	77	272,762
Irrevocable loan commitments	187,404	334	284	188,022
– with an original maturity within 1 year (inclusive)	100,090	143	71	100,304
– with an original maturity over 1 year	87,314	191	213	87,718
Credit card commitments	954,555	6,130	100	960,785
Others	75,119	–	–	75,119
Total	1,766,508	12,011	794	1,779,313

39. Contingent liabilities and commitments *(continued)*

(a) Credit commitments *(continued)*

As at 30 June 2020, the Group's irrevocable letters of credit includes sight letters of credit of RMB9,981 million (31 December 2019: RMB9,368 million), usance letters of credit of RMB5,620 million (31 December 2019: RMB2,068 million), other commitments of RMB104,341 million (31 December 2019: RMB69,762 million).

Irrevocable loan commitments include credit limits granted to offshore customers by overseas branches, subsidiaries and onshore and offshore syndicated loans etc.

These loan commitments and financial guarantees have off-balance-sheet credit risk. Before the commitments are fulfilled or expired, management assesses and makes allowances for expected credit losses accordingly. As the facilities may expire without being drawn upon, the total contractual amounts is not representative of expected future cash outflows.

Apart from the irrevocable loan commitments, the Group had loan commitments of 3,185,228 million at 30 June 2020 (31 December 2019: RMB2,829,535 million) which are unconditionally cancellable by the Group or automatically cancellable due to deterioration in the creditworthiness of the borrower as stipulated in respective lending agreements. The Group does not assume any risks on the unused credit limits for these loan commitments. As a result, such balances are not included in the loan commitments and financial guarantees disclosed above.

	30 June 2020	31 December 2019
Credit risk weighted amounts of loan commitments and financial guarantees	**489,762**	444,075

The Group calculated the credit risk weighted amount of its loan commitments and financial guarantees in accordance with the requirements of the Administrative Measures on Capital of Commercial Banks (Trial) issued by the CBIRC. The amount within the scope approved by the CBIRC in April 2014 is calculated using the internal ratings-based approach, and the Standardised Approaches are used to calculate those not eligible to the internal ratings-based approach.

(b) Capital commitments

Authorised capital commitments were as follows:

	30 June 2020	31 December 2019
Contracted for	**15,389**	16,947
Authorised but not contracted for	**2,563**	320
Total	**17,952**	17,267

(c) Outstanding litigations

At 30 June 2020, the Group was a defendant in certain outstanding litigations with gross claims of RMB886 million (31 December 2019: RMB778 million) arising from its banking activities. The Board of Directors considers that no material losses would be incurred by the Group as a result of these outstanding litigations and therefore no provision has been made in the interim consolidated financial statements.

39. Contingent liabilities and commitments *(continued)*

(d) Redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back bonds underwritten by itself if the bond holders decide to redeem the bonds before maturity. The redemption prices for the bonds at any time before their maturity date are based on the coupon 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 issued by the MOF and the PBOC. The redemption prices may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at the end of the reporting period:

	30 June 2020	31 December 2019
Redemption obligations	**24,702**	27,363

The Group expects that the amount of redemption before the maturity date of these government bonds through the Group will not be material.

40. Transactions on behalf of customers

(a) Entrusted lending business

The Group's entrusted lending business refers to activities where principals such as government departments, business entities and individuals provide capital, and instruct the Group to lend it to the specified targets on their behalf in accordance with specific terms and conditions, and the Group is contracted to monitor loan usage and seek loan recovery. The entrusted lending business does not expose the Group to any credit risk. As instructed by these principals, the Group holds and manages underlying assets and liabilities only in the capacity of an agent, and charges handling fees for related services.

Entrusted lending are not assets of the Group and are not recognised in the unaudited consolidated statement of financial position. Income received and receivable for providing these services are recognised in the unaudited consolidated statement of profit or loss as fee and commission income.

At the end of the reporting period, the entrusted assets and liabilities were as follows:

	30 June 2020	31 December 2019
Entrusted loans	**294,722**	320,404
Entrusted funds	**(294,722)**	(320,404)

(b) Wealth management services

The Group's wealth management services to customers mainly represent sales of wealth management products to corporate and personal banking customers, and the funds received are invested in bonds, funds, entrusted loans and etc. The Group initiates those wealth management products, however, the investment risks associated with underlying assets are borne by the holders of the wealth management products. The Group does not consolidate these wealth management products. The Group earns commission for the provision of custody, sales and management services.

The wealth management products and funds obtained are not assets and liabilities of the Group and are not recognised in the unaudited consolidated statement of financial position. The funds obtained from wealth management services that have not yet been invested are recorded under other liabilities.

At the end of the reporting period, funds received from customers under unconsolidated non-principal-guaranteed wealth management services were as follows:

	30 June 2020	31 December 2019
Funds received from customers under wealth management services	**2,296,736**	2,098,944

41. Risk management

(a) Credit risk

Credit risk represents the potential losses that may arise from the failure of a counterparty or a debtor to meet its obligation or commitment to the Group. Credit risk increases when all counterparties are concentrated in a single industry or a geographical region, as different counterparties in the same region or industry may be affected by the same economic factors, which may eventually affect their repayment abilities.

The Group has designed its organisation framework, credit policies and processes with an objective to identify, evaluate and manage its credit risk effectively. The Risk and Capital Management Committee, set up and appointed by the Board of Directors is responsible for supervising and evaluating the set-up, organisational structure, work process and effectiveness of various risk management functions.

With respect to daily operations, the Risk Management Department, as directed by the Risk and Capital Management Committee, participates in, coordinates and monitors the work of other risk management functions, including each business unit and the Legal and Compliance Department. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring.

With respect to the credit risk management of corporate financial business, the Group formulates credit policy guideline, and enhances credit acceptance and exit policies for corporate and institutional clients, and implements limit control measures to improve the quality of credit exposure.

With respect to the credit risk management of retail financial business, the Group relies on credit assessment of applicants as the basis for loan approval. Customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The Group monitors post-lending conditions by focusing on borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the collection process according to standard retail loans collection procedures.

To mitigate risks, the Group requests customers to provide collateral and guarantees when necessary. Certain guidelines have been set for the acceptability of specific types of collateral or credit risk offset. Collateral structures and legal covenants are reviewed regularly to ensure that they can still cover the given risks and be consistent with market practices.

In respect of loan classification, the Group adopts a risk based loan classification methodology. Currently, the Group categorises its loans on a ten-grade loan classification basis in order to refine internal risk classification management (normal (grades 1-5), special-mentioned (grades 1-2), substandard, doubtful and loss).

The risks involved in loan commitments and financial guarantees are essentially the same as the credit risk involved in loans and advances to customers. These transactions are, therefore, subject to the same credit application, post-lending monitoring and collateral requirements as for customers applying for loans.

Concentration of credit risk: when certain number of customers are in the same business, located in the same geographical region or their industries share similar economic characteristics, their ability to meet their obligations may be affected by the same economic changes. The level of concentration of credit risk reflects the sensitivity of the Group's operating result to a specific industry or geographical region. To prevent concentration of credit risk, the Group has formulated the quota limit management policy to monitor and analyse the loan portfolio.

Analysis of loans and advances by industry and loan portfolio are stated in Note 16.

41. Risk management *(continued)*

(a) Credit risk *(continued)*

(i) Internal credit risk rating

The Group classifies credit risk based on probability of default. The Group classifies credit risk into 25 grades. The internal credit risk rating is based on the predicted default risk. Internal credit risk ratings are based on qualitative and quantitative factors. For customers of wholesale business include net profit growth rate, sales growth rate, industry, etc. For customers of retail business include maturity, ageing, mortgage rate, etc.

(ii) Significant increase in credit risk

The Group recognises lifetime ECL if there are significant increases in credit risk.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument and other items as at the reporting date with the date of initial recognition. In making this assessment, the Group considers an actual or expected significant deterioration in the financial instrument's internal credit risk rating (Note 41(a)(i)), as well as internal warning signal, the result of 5-tier loan classification and overdue information. The Group regularly reviews whether the evaluation criteria are applicable to the current situation.

For wholesale business, credit risk is considered as significantly increased if any of the following conditions is met: the 5-tier loan classification is special-mentioned; more than 30 days (inclusive) overdue; the internal credit risk rating of the customer has met the standard of downgrading; the early warning signal of the customer has reached a certain level; or the customer has other significant risk signals identified by the Group and etc.

For retail business, credit risk is considered as significantly increased if any of the following conditions is met: the 5-tier loan classification is special-mentioned; more than 30 days (inclusive) overdue; or the customer has other significant risk signals identified by the Group and etc.

For credit card business, credit risk is considered as significantly increased if any of the following conditions is met: the 5-tier loan classification is special-mentioned; more than 30 days (inclusive) overdue; the customer has early credit risk warning signals; or the customer has other significant risk signals identified by the Group and etc.

A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may not necessarily reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment.

The Group considers that a debt instrument has been credit impaired when its 5-tier loan classification is substandard, doubtful or loss or is more than 90 days overdue.

41. Risk management *(continued)*

(a) Credit risk *(continued)*

(iii) Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default (PD): is an estimate of the likelihood of default over 12 months or lifetime horizon;
- loss given default (LGD): is the proportion of the loss arising on default to the exposure at default;
- exposure at default (EAD): is the risk exposure on a debt instrument.

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect forward-looking information.

(iv) Incorporation of forward-looking information

According to the different risk characteristics of assets, the Group divides assets into different asset groups, identifies macro indicators related to credit risks, and establishes regression models to determine the correlations between the PD of each asset group and macro-economic factors.

The Group uses forward-looking information that is available without undue cost or effort, and predicts the macroeconomic assumptions. External information includes macroeconomic data, forecast information issued by government or regulatory agencies, for example, GDP, fixed asset investment, total social consumption and etc. The Group assigns weights of probabilities to different scenarios.

The Group forecasts macroeconomic indicators in the indicators pool periodically. Based on macroeconomic statistical analyzes and expert judgements, the Group determines the values and the weightings of those macroeconomic indicators under optimistic, neutral and pessimistic scenarios, and measures PD as a weighted average PD under the three scenarios. In combination of the dynamic LGD of different business, the Group calculates the forward-looking adjusted ECL.

(v) Groupings based on shared risk characteristics

The Group divides the primary business into wholesale business, retail business and credit card business. The asset groups are divided based on shared risk characteristics, and the reference indicators include scale, business type and collateral type.

(vi) Maximum exposure

The Group's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements is the carrying amount of the relevant financial assets (including derivatives) as disclosed in the unaudited consolidated statement of financial position and the contract amount of the off balance sheet items disclosed in Note 39(a). At 30 June 2020, the amount of the Group's maximum credit risk exposure is RMB9,726,263 million (31 December 2019: RMB8,997,378 million).

(vii) Renegotiated loans and advances to customers

The carrying amount of loans and advances that were credit impaired and the terms had been renegotiated was RMB23,949 million as at 30 June 2020 (31 December 2019: RMB25,022 million).

41. Risk management *(continued)*

(a) Credit risk *(continued)*

(viii) Credit quality of financial instruments

The staging analysis for loans and advances to customers and debt investments at amortised cost are disclosed in note 16 and note 17(b) respectively, the staging analysis for other financial instruments are as follows:

	30 June 2020							
	Principal				Expected credit loss			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL-not credit-impaired)	Stage 3 (Lifetime ECL-credit impaired)	Total	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL-not credit-impaired)	Stage 3 (Lifetime ECL-credit impaired)	Total
Cash and Balances with central banks	**494,633**	**–**	**–**	**494,633**	–	–	–	–
Balances with banks and other financial institutions	**96,353**	**–**	**11**	**96,364**	(369)	–	(11)	(380)
Placements with banks and other financial institutions	**255,531**	**–**	**–**	**255,531**	(376)	–	–	(376)
Amounts held under resale agreements	**227,157**	**–**	**140**	**227,297**	(885)	–	(140)	(1,025)
Debt investments at fair value through other comprehensive income	**506,073**	**143**	**343**	**506,559**	(2,854)	(94)	(985)	(3,933)

	31 December 2019							
	Principal				Expected credit loss			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL-not credit-impaired)	Stage 3 (Lifetime ECL-credit impaired)	Total	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL-not credit-impaired)	Stage 3 (Lifetime ECL-credit impaired)	Total
Cash and Balances with central banks	567,613	–	–	567,613	–	–	–	–
Balances with banks and other financial institutions	106,295	–	11	106,306	(361)	–	(11)	(372)
Placements with banks and other financial institutions	306,656	–	–	306,656	(338)	–	–	(338)
Amounts held under resale agreements	109,153	–	200	109,353	(196)	–	(200)	(396)
Debt investments at fair value through other comprehensive income	472,112	48	426	472,586	(1,667)	(5)	(928)	(2,600)

Note: The balances of the financial instruments disclosed above do not include interest receivable, which are mainly categorised in stage 1.

During the six months ended 30 June 2020 and the year ended 31 December 2019, there were no significant transfers of financial assets disclosed above among different stages.

41. Risk management *(continued)*

(b) Market risk

Market risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate and which may result in losses to the Group, because of changes in foreign exchange rates, interest rates, commodity prices, stock prices and other observable market factors. Interest rate and foreign exchange rate are the two major market risk factors relevant to the Group. The Group is exposed to market risk through the financial instruments under the trading book and banking book. The financial instruments under the trading book are held for trading purposes or for the purposes of hedging the risks arising from the trading book position, and these financial instruments are traded in active market. The financial instruments under the banking book are assets and liabilities held by the Group for stable and determinable return, or for the purposes of hedging the risks arising from the banking book position. The financial instruments under the banking book include both the Group's on-balance sheet and off-balance sheet exposure, and have relative stable market value.

(i) Interest rate risk

Interest rate risk arises from unfavourable changes in interest rates and maturity profiles which may result in loss to the income and market value of financial instruments and positions held by the Group.

(1) Trading book

According to the basic principles of risk management, the Group has built and continuously improved the market risk management system, and established the management process of market risk identification, measurement, monitoring, control and reporting, covering the interest rate, exchange rate, commodity and other risks involved in the trading book business. Under the market risk preference formulated by the board of directors, the Group manages the trading book, clearly identifies, accurately measures and effectively manages the trading book market risk, to ensure that the trading book risk exposure is within an acceptable range and achieve a reasonable balance of risk and return. The group constantly improve the risk-adjusted return level to achieve the maximum shareholder value.

The trading book market risk governance organization structure defines the responsibilities, division of labor and reporting routes of the board of directors, the board of directors risk and capital management committee, senior management and relevant departments of the bank, to achieve management objectives. The market risk management department is the Group's trading book market risk department, which is responsible for risk policy formulation and management.

According to the business and market risk management organization structure, the group establishes the trading book market risk quota management system. Formulated by the board of directors, the quantitative index is the limitation of highest level risk, which is transmitted from top to bottom and level by level. Within the scope of their authorization, management departments at all levels allocate and set quotas according to risk characteristics, product types and trading strategies, etc. The business department shall carry out the business according to the authorization and quota requirements, and the supervisory and administrative departments at all levels shall continuously monitor and report according to the quota management regulations.

The trading book market risk management adopts the scale index, loss limit index, sensitivity index, risk value index, pressure test index and other risk measurement indexes as the quota index, and sets the limit value by comprehensively considering the risk preference, risk tolerance, business operation strategy, risk return, management conditions and other factors.

The group uses valuation, sensitivity analysis, value-at-risk analysis, pressure test and other measurement methods to identify and quantify risk factors in the interest rate market. The group applies the market risk measurement model in daily risk management and takes market risk measurement as the basis of business planning, resource allocation, financial market business operation and risk management.

41. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk *(continued)*

(2) Banking book

The Group has established the governance and management framework according to the interest rate risk management policy for the banking book, which specified the roles, responsibilities and reporting lines of the Board of Directors, senior management, designated committees and relevant departments to ensure the effectiveness of interest rate risk management. Interest risk of the banking book of the Group is centrally managed by the Asset and Liability Management Department. The audit department is responsible for auditing.

The Group has mainly adopted scenario simulation analysis, re-pricing exposure analysis, duration analysis and stress testing for the measurement and analysis of interest rate risk under the banking book. Stress test is a form of scenario simulation used to assess the changes in NII and EVE indicators when there is an extreme fluctuation in interest rates. The Group conducts stress test on interest rate risk of banking book on a monthly basis. The results of stress test for the six months ended 30 June 2020 showed that the interest rate risk of banking book of the Company was generally stable with various indicators staying within the set limits.

The preference of the Group in respect of the interest rate risk in the banking book is neutrally prudent. Based on the risk measurement and monitoring results, the Group will propose the corresponding risk management policy at the regular meetings of the assets and liabilities management committee and through the reporting mechanism, and the Assets and Liabilities Management Department is responsible for its implementation. The major measures for risk management include the adjustment in business volume, duration structure and interest rate structure of on-balance sheet asset and liability business and the utilisation of off-balance sheet derivative tools to offset risk exposure.

The Group measures and monitors interest rate risk of banking book through the asset and liability management system. Major models and parameter assumptions used in the course of measurement shall be verified independently by the Risk Management Department before official use and shall be reviewed and verified regularly upon official use.

The following table indicates the expected next repricing dates (or maturity dates whichever are earlier) for assets and liabilities at the end of the reporting period.

	30 June 2020					
	Total	3 months or less (include overdue)	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing
Assets						
Cash and balances with central bank	494,633	481,686	–	–	–	12,947
Amounts due from banks and other financial institutions	577,411	475,279	90,136	11,510	486	–
Loans and advances to customers (note (i))	4,608,133	1,602,616	2,659,965	275,351	70,201	–
Investments (including derivatives)	2,064,512	337,446	386,998	783,658	499,040	57,370
Other assets (note (ii))	287,137	–	–	–	–	287,137
Total assets	8,031,826	2,897,027	3,137,099	1,070,519	569,727	357,454
Liabilities						
Amounts due to central bank, banks and other financial institutions	1,252,009	1,010,264	233,186	6,095	2,464	–
Deposits from customers	5,440,050	4,192,077	557,629	686,291	510	3,543
Financial liabilities at fair value through profit or loss (including derivatives)	82,778	617	3,786	7,651	71	70,653
Lease liabilities	14,357	1,030	2,751	8,399	2,177	–
Debt securities issued	407,695	123,890	135,060	113,843	34,902	–
Other liabilities (note (ii))	195,916	240	–	–	–	195,676
Total liabilities	7,392,805	5,328,118	932,412	822,279	40,124	269,872
Asset-liability gap	639,021	(2,431,091)	2,204,687	248,240	529,603	87,582

41. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk *(continued)*

(2) Banking book (continued)

	31 December 2019					
	Total	3 months or less (include overdue)	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing
Assets						
Cash and balances with central bank	567,613	552,307	–	–	–	15,306
Amounts due from banks and other financial institutions	521,209	454,186	57,023	10,000	–	–
Loans and advances to customers (note (i))	4,267,929	1,787,157	2,207,931	215,672	57,169	–
Investments (including derivatives)	1,808,630	273,258	348,706	742,595	403,762	40,309
Other assets (note (ii))	251,859	–	–	–	–	251,859
Total assets	7,417,240	3,066,908	2,613,660	968,267	460,931	307,474
Liabilities						
Amounts due to central bank, banks and other financial institutions	1,138,714	828,647	297,855	3,936	1,507	6,769
Deposits from customers	4,844,422	3,642,086	559,236	630,193	1,248	11,659
Financial liabilities at fair value through profit or loss (including derivatives)	66,634	415	201	10,093	–	55,925
Lease liabilities	14,379	1,003	2,729	8,436	2,211	–
Debt securities issued	575,362	117,570	302,061	120,869	34,862	–
Other liabilities (note (ii))	160,022	1,125	–	–	–	158,897
Total liabilities	6,799,533	4,590,846	1,162,082	773,527	39,828	233,250
Asset-liability gap	617,707	(1,523,938)	1,451,578	194,740	421,103	74,224

Notes:

(i) For loans and advances to customers, the "3 months or less" category includes overdue amounts as at 30 June 2020 and 31 December 2019, net of allowances for impairment losses. Overdue amounts represent loans of which the whole or part of the principals or interests were overdue.

(ii) Interest receivable and interest payable of financial instruments are included in "other assets" and "other liabilities" respectively.

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income and equity. The following table sets forth the results of the Group's interest rate sensitivity analysis on the assets and liabilities as at 30 June 2020 and 31 December 2019.

	30 June 2020		31 December 2019	
	Change in interest rates (in basis points)		Change in interest rates (in basis points)	
	25	**(25)**	25	(25)
(Decrease)/increase in annualised net interest income	**(3,535)**	**3,535**	(2,243)	2,243
(Decrease)/increase in equity	**(5,141)**	**6,182**	(3,701)	4,067

Actual changes in the Group's net interest income and equity resulting from increase or decrease in interest rates may differ from the results of this sensitivity analysis.

41. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Foreign exchange risk

Foreign exchange risk arises from the holding of foreign currency assets, liabilities and equity items, and the foreign currency and foreign currency derivative positions which may expose the Group to potential losses in the event of unfavourable foreign exchange rate movement. The financial assets and liabilities of the Group are denominated in RMB, and the other currencies are mainly USD and HKD. The Group has established its foreign exchange risk management and governance framework based on segregation of duty principle, which segregates the responsibilities of the establishment, execution and supervision of foreign exchange risk. This framework specified the roles, responsibilities and reporting lines of the board of directors, the board of supervisors, senior management, designated committees and relevant departments of the Bank in the management of foreign exchange risk. The Group takes a prudent strategy in the management of foreign exchange risk, and would not voluntarily take foreign exchange risk, which suits the current development of the Group. The current foreign exchange risk management policies and procedures of the Group fulfil the regulatory requirements and the requirements of the Group in the management of foreign exchange risk.

(1) Trading book

The Group has established a market risk structure and system of the trading book, which including exchange rate risk, to quantify the exchange rate risk of the trading book for unified management. The structure, process and method of exchange rate risk of trading book are consistent with the interest rate risk of trading book.

For management and risk measurement purpose, the Group adopts quantitative indicators such as exposure indicator, market value at risk indicator (VaR, including interest rate, foreign exchange rate, and commodity risk factors), exchange rate scenario stress test loss index, exchange rate sensitivity index, cumulative loss index, the management method includes conducting business entitlement, setting quota limits, daily monitoring and continuous reporting, etc.

(2) Banking book

The Group's foreign exchange risk under the banking book is overall managed by the Head Office. The Asset and Liability Management Department, as the treasurer of the Bank is in charge of the banking book foreign exchange risk management. The audit department is responsible for auditing. The treasurer is responsible to manage the foreign exchange risk under the banking book with a prudent approach and compliance with the regulatory requirements, and manage the foreign exchange risk through approaches such as management of transaction limits and adjustment of plans.

The banking book foreign exchange risk of the Group arises from the mismatch of the non-RMB assets and liabilities. The Group stringently monitors its foreign exchange risk exposures to manage its foreign exchange risk within acceptable limits.

The Group has adopted foreign exchange exposure analysis, scenario simulation analysis and stress testing for the measurement and analysis of foreign exchange risk. The Group regularly measures and analyses the foreign exchange risk exposure fluctuations, monitors and reports foreign exchange risk on a monthly basis under the limit framework, and adjusts the foreign exchange exposures based on the trend of foreign exchange rate movements to avoid the banking book foreign exchange risk.

The Group continued to strengthen bank account exchange rate risk monitoring and authorization management of quota limit to ensure that risks are controlled within a reasonable range.

41. Risk management *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that the Group is not able to obtain sufficient funds at a reasonable cost and in a timely manner to deal with the appreciation of asset growth, to meet the maturity obligations, or to perform other payment obligations.

In line with its liquidity risk management policies, the Group sets out and implements the principle of supervisory duty segregation. It also puts in place a governing framework under which the roles, responsibilities and reporting lines of the Board of Directors, the board of supervisors, senior management, designated committees and relevant departments to ensure the effectiveness of the liquidity risk management. The Board of Directors shall accept the ultimate responsibility for liquidity risk management, ensure the Company can effectively identify, measure, monitor and control liquidity risk and are responsible for determining liquidity risk level which the Group can withstand. The Risk and Capital Management Committee under the Board of Directors shall discharge responsibilities in liquidity risk management on behalf of the Board of Directors. The board of supervisors shall be responsible for the supervision and evaluation of the performance of the board of directors and senior management in the liquidity risk management and report to the general meeting of shareholders. The senior management (being the Executive Office of President of the Head Office) shall be responsible for the concrete management work relating to liquidity risk and developing a timely understanding of changes in liquidity risks, and shall report the same to the Board of Director. Assets and Liabilities Committee (ALCO) shall, under the authority of the senior management, exercise the corresponding liquidity risk management functions. The Assets and Liabilities Management Department of the Head Office is a day-to-day working body of ALCO, and shall be responsible for various concrete management work including formulating policies and procedures relating to liquidity risk management and conducting qualitative and quantitative analysis of liquidity risk. The Audit Department of the Head Office shall perform duties in respect of audit work of liquidity risk management, and conduct comprehensive audit on the Group's liquidity risk management.

The Group is prudent in managing the risk, which better suits its current development stage. Basically, the Group's existing liquidity risk management policies and systems meet regulatory requirements and its own management needs.

The Group's liquidity risk management is coordinated by Head Office with branches, subsidiaries acting in concert. The Asset and Liability Management Department acting as the treasurer of the Bank is in charge of routine liquidity risk management. The treasurer is responsible for managing liquidity on a prudent basis under regulatory requirement, and conducting centralised liquidity management through quota management, budget control, initiative debt management as well as internal fund transfer pricing.

The Group measures, monitors and identifies liquidity risk by short-term reserves as well as duration structures and contingencies. It monitors the limit indicators closely at fixed intervals. Specifically, the Group adopts information outsourced from Wind, Reuters and other systems as its external liquidity indicators, and uses self-developed liquidity risk management system to measure its internal liquidity indicators and cash flow statements.

The Group regularly conducts stress testing to assess its liquidity demand under extreme circumstances. Except for the annual stress testing requested by the regulatory authorities, the Group conducts monthly stress testing on the liquidity risk of domestic and foreign currencies. The Group sets up liquidity contingency plans and conducts liquidity contingency drills to strengthen the capability to liquidity crises.

41. Risk management *(continued)*

(c) Liquidity risk *(continued)*

Analysis of the Group's assets and liabilities by contractual remaining maturity is as follows:

	30 June 2020								
	Repayable on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	Indefinite	Overdue	Total
Cash and balances with central banks (note (i))	40,036	–	–	–	–	–	454,597	–	494,633
Amounts due from banks and other financial institutions	69,018	346,804	58,768	90,489	11,846	486	–	–	577,411
Loans and advances to customers	–	398,736	315,692	1,348,110	1,176,763	1,354,648	1,763	12,421	4,608,133
Investments (note (ii))									
– Financial assets at fair value through profit or loss (including derivatives)	6,105	141,699	59,495	180,148	107,340	20,819	2,096	15	517,717
– Debt investments at amortised cost	–	12,245	23,115	144,553	472,205	381,085	–	256	1,033,459
– Debt investments at fair value through other comprehensive income	1,779	20,052	29,146	85,855	269,114	100,346	–	267	506,559
– Equity investments designated at fair value through other comprehensive income	–	–	–	–	–	–	6,777	–	6,777
Other assets (note (iv))	40,984	13,761	14,307	9,918	12,810	5,667	186,520	3,170	287,137
Total assets	157,922	933,297	500,523	1,859,073	2,050,078	1,863,051	651,753	16,129	8,031,826
Amounts due to central bank, banks and other financial institutions	505,731	303,566	178,145	239,845	18,999	5,723	–	–	1,252,009
Deposits from customers (note (iii))	3,370,719	417,612	400,194	559,146	691,191	1,188	–	–	5,440,050
Financial liabilities at fair value through profit or loss (including derivatives)	13,025	7,514	4,689	17,106	32,664	7,780	–	–	82,778
Lease liabilities	–	429	601	2,751	8,399	2,177	–	–	14,357
Debt securities issued	–	45,356	78,180	135,413	116,670	32,076	–	–	407,695
Other liabilities (note (iv))	91,404	55,064	14,731	23,080	6,807	–	4,830	–	195,916
Total liabilities	3,980,879	829,541	676,540	977,341	874,730	48,944	4,830	–	7,392,805
(Short)/long position	(3,822,957)	103,756	(176,017)	881,732	1,175,348	1,814,107	646,923	16,129	639,021

41. Risk management *(continued)*

(c) Liquidity risk *(continued)*

	31 December 2019								
	Repayable on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	Indefinite	Overdue	Total
Cash and balances with central banks (note (i))	90,384	–	–	–	–	–	477,229	–	567,613
Amounts due from banks and other financial institutions	75,300	218,574	158,030	58,606	10,518	181	–	–	521,209
Loans and advances to customers	–	410,349	355,891	1,217,503	1,119,454	1,149,038	–	15,694	4,267,929
Investments (note (ii))									
– Investments at fair value through profit or loss (including derivatives)	4,734	99,890	58,515	165,452	76,875	15,486	1,528	15	422,495
– Debt investments at amortised cost	–	9,041	16,218	104,421	469,749	307,331	–	712	907,472
– Debt investments at fair value through other comprehensive income	1,863	10,046	20,669	113,062	243,113	83,407	–	426	472,586
– Equity investments designated at fair value through other comprehensive income	–	–	–	–	–	–	6,077	–	6,077
Other assets (note (iv))	26,894	8,405	7,167	12,207	15,644	8,005	169,626	3,911	251,859
Total assets	199,175	756,305	616,490	1,671,251	1,935,353	1,563,448	654,460	20,758	7,417,240
Amounts due to central bank, banks and other financial institutions	440,699	237,753	133,511	303,651	16,765	6,335	–	–	1,138,714
Deposits from customers (note (iii))	2,863,156	360,013	426,827	561,032	632,146	1,248	–	–	4,844,422
Financial liabilities at fair value through profit or loss (including derivatives)	9,391	13,029	7,754	6,806	23,558	6,096	–	–	66,634
Lease liabilities	–	527	476	2,729	8,436	2,211	–	–	14,379
Debt securities issued	–	12,008	105,563	302,062	120,867	34,862	–	–	575,362
Other liabilities (note (iv))	91,862	31,439	10,100	16,126	6,748	255	3,492	–	160,022
Total liabilities	3,405,108	654,769	684,231	1,192,406	808,520	51,007	3,492	–	6,799,533
(Short)/long position	(3,205,933)	101,536	(67,741)	478,845	1,126,833	1,512,441	650,968	20,758	617,707

Notes:

(i) For balances with central banks, the amounts with indefinite maturities represent statutory deposit reserves and fiscal balances maintained with the PBOC.

(ii) Investments at fair value through profit or loss included in investments do not represent the Group's intention to hold them to maturity.

(iii) The deposits from customers that are repayable on demand include matured time deposits which are pending for customers' instructions.

(iv) Interest receivable and interest payable of financial instruments are included in "other assets" and "other liabilities" respectively.

41. Risk management *(continued)*

(d) Operational risk

Operational risk arises from the direct and indirect loss due to technique, procedure, infrastructure and staff deficiency, as well as other risks which have effect on operation, which includes legal risk but the strategic risk and reputation risk are not included.

During the reporting period, through the strengthening of operational risk appraisal and assessment mechanisms, stepping up the identification, evaluation and monitoring of operational risk in key areas, the Group carried out a comprehensive special management of low-risk business. Starting with process, institution, employee and system, the Group focused on the existing problems of critical control segment, and measured these problems by management requirement's solidification and refinement. Meanwhile, further improvement on operational risk management framework and methods, developing operational risk assessment mechanism and strengthening operational risk management economic capital allocation mechanism can enhance the ability and effectiveness of operational risk's management in the Group. Now all major indexes can meet the requirements of the Group's risk preference.

In face of challenges from internal and external operations and management, the Group will, based on its risk preference, continue to upgrade its risk management skills, strengthen operational risk monitoring and controls, as well as endeavour to prevent and reduce operational risk losses.

(e) Capital management

The objectives of the Group's capital management are to:

- Keep capital adequacy ratios at reasonable levels, satisfy capital-specific regulatory provisions and policy requirements on an ongoing basis, and maintain a solid capital base in support of its business expansion, full implement social responsibility and strategic planning implementation for comprehensive and coordinated and sustainable growth;
- Comply with capital regulatory requirements, perform procedures to assess internal capital adequacy, openly disclose information related to capital management, fully cover all risks and ensure safe operation of the entire group;
- Put in place an economic capital-centred banking value management system by fully applying various risk-specific quantitative deliverables, enhance decision-making processes and management application regimes, strengthen capital restraint and capital incentive mechanisms, reinforce capabilities to facilitate client pricing and decision-making, and increase capital deployment efficiency;
- Reasonably use all kinds of capital instruments, continue to upgrade capital strengths, improve capital structures, raise capital quality, lower capital costs, and create the best returns to shareholders.

The Group manages its capital structure and adjusts it based on the economic condition and the risk characteristics of its operations. To maintain or adjust its capital structure, the Group may modify its profit distribution policy, issue or repurchase shares, additional tier-1 capital instruments, eligible tier-2 capital instruments, and convertible debentures. The Group's management regularly monitors capital adequacy ratio under an approach regulated by CBIRC. The Group and the Bank file required information to CBIRC half-yearly and quarterly.

41. Risk management *(continued)*

(e) Capital management *(continued)*

The Group's capital adequacy ratio calculation covers the Bank and its subsidiaries. The Bank's capital adequacy ratio calculation covers the Bank's all branches. As at 30 June 2020, the Group's subsidiaries that were within the scope of unaudited consolidated statements in respect of the capital adequacy ratio included: CMB WLB, CMBICHC, CMBFLC, CMFM, and CMBWM.

Since 1 January 2013, the Group has calculated its capital adequacy ratio in accordance with the CBIRC's Administrative Measures on the Capital of Commercial Banks (Trial) and other relevant regulations. On 18 April 2014, the CBIRC approved the Bank to adopt the advanced capital management approach. Within the scope of approval of the CBIRC, the Bank could calculate corporation and financial institutions risk exposure using the primary internal rating-based approach, retail risk exposure using the advanced internal rating-based approach, market risk using the internal model approach, and operational risk using the Standardised Approaches. At the same time, the CBIRC implemented a transition period for commercial banks approved to use the Internally-Modelled Based Approaches to calculate capital. During the transition period, the commercial banks should use both the Internally-Modelled Based Approaches and other approaches to calculate capital adequacy ratios, and comply with minimum capital requirements. During the period, the Group has complied with the capital requirement set by the regulators.

The Group's capital management focuses on the capital adequacy ratio management. The capital adequacy ratio reflects the Group's capability of sound operations and risk resisting. The Group's capital adequacy ratio management's objective is to carefully determine capital adequacy ratio, as legally required by regulators, according to actual risk profiles and with reference to capital adequacy ratio levels of globally leading market peers and the Group's operating conditions.

The Group adopts the scenario simulation and stress testing methods to forecast, plans and manages its capital adequacy ratio with considerations of factors such as strategic development planning, business expansion status, and risk movement trends.

(f) Use of derivatives

Derivatives include forwards, swaps and option transactions undertaken by the Group in the foreign exchange and interest rate markets.

The Group enters into interest rate, foreign currency and other financial derivative transactions for treasury business and its assets and liabilities management purpose. The Group's derivatives can be divided into held for trading derivatives, held for cash-flow-hedge derivatives and derivatives that are managed in conjunction with financial instruments designated at fair value through profit or loss.

The Group formulates appropriate hedging strategies and tools in light of the risk profile of interest rates or foreign exchange rates of its assets and liabilities, as well as its analyses and judgement regarding future movements of interest rates or foreign exchange rates.

The Group is exposed to foreign exchange risk when assets or liabilities are denominated in foreign currencies. Such risk can be offset through the use of foreign exchange forwards or foreign exchange options.

41. Risk management *(continued)*

(f) Use of derivatives *(continued)*

In cash flow hedges, the Group uses interest rate swaps as hedging instruments to hedge the interest rate risks arising from RMB loans and interbank assets portfolios.

The following tables provide an analysis of the notional amounts and the corresponding fair values of derivatives of the Group by remaining maturities at the end of the reporting period. The notional amounts of the derivatives indicate the transaction volume that has not been delivered at the end of the reporting period, and do not representing amounts at risk.

	30 June 2020						
	Notional amounts with remaining life of					Fair value	
	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total	Assets	Liabilities
Derivatives at fair value through profit or loss							
Interest rate derivatives							
Interest rate swaps	957,050	1,484,170	1,538,378	3,220	3,982,818	23,810	(23,638)
Bond forwards	145	–	106	–	251	18	(10)
Bond futures	100	–	–	–	100	–	–
Bond options	–	283	–	–	283	1	(3)
Subtotal	957,295	1,484,453	1,538,484	3,220	3,983,452	23,829	(23,651)
Currency derivatives							
Forwards	53,534	34,244	1,903	2,973	92,654	406	(373)
Foreign exchange swaps	528,579	498,473	17,748	1,181	1,045,981	6,727	(6,048)
Futures	–	2,377	–	–	2,377	–	–
Options	146,618	103,780	2,032	–	252,430	6,615	(7,467)
Subtotal	728,731	638,874	21,683	4,154	1,393,442	13,748	(13,888)
Other derivatives							
Equity options purchased	1,536	6,177	57,006	–	64,719	302	–
Equity options written	1,536	6,177	57,006	–	64,719	–	(259)
Commodity trading swaps	4,359	2,149	730	–	7,238	959	(908)
Credit default swaps	–	849	–	–	849	1	(3)
Subtotal	7,431	15,352	114,742	–	137,525	1,262	(1,170)
Cash flow hedge derivatives							
Interest rate derivatives							
Interest rate swaps	–	6,309	3,909	892	11,110	1	(33)
Derivatives managed in conjunction with financial instruments designated at fair value through profit or loss							
Interest rate derivatives							
Interest rate swaps	283	1,269	1,931	–	3,483	–	(71)
Currency derivatives							
Foreign exchange swaps	–	–	200	–	200	–	(1)
Subtotal	283	1,269	2,131	–	3,683	–	(72)
Total						38,840	(38,814)

41. Risk management *(continued)*

(f) Use of derivatives *(continued)*

	31 December 2019						
	Notional amounts with remaining life of					Fair value	
	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	More than 5 years	Total	Assets	Liabilities
Derivatives at fair value through profit or loss							
Interest rate derivatives							
Interest rate swaps	775,720	2,143,146	1,723,469	1,272	4,643,607	10,960	(10,676)
Bond forwards	488	348	35	–	871	17	(14)
Bond futures	10	–	–	–	10	–	–
Bond options	–	–	279	–	279	1	–
Subtotal	776,218	2,143,494	1,723,783	1,272	4,644,767	10,978	(10,690)
Currency derivatives							
Forwards	36,636	7,007	803	21,541	65,987	569	(477)
Foreign exchange swaps	428,898	390,664	12,541	1,315	833,418	8,595	(7,781)
Futures	380	2,564	–	–	2,944	–	–
Options	124,262	103,354	5,183	–	232,799	3,313	(3,498)
Subtotal	590,176	503,589	18,527	22,856	1,135,148	12,477	(11,756)
Other derivatives							
Equity options purchased	1,423	5,113	56,447	–	62,983	507	–
Equity options written	1,423	5,113	56,447	–	62,983	–	(507)
Commodity trading swaps	1,608	573	539	–	2,720	241	(213)
Credit default swaps	697	836	–	–	1,533	2	–
Subtotal	5,151	11,635	113,433	–	130,219	750	(720)
Cash flow hedge derivatives							
Interest rate derivatives							
Interest rate swaps	55	6,549	507	209	7,320	5	–
Derivatives managed in conjunction with financial instruments designated at fair value through profit or loss							
Interest rate derivatives							
Interest rate swaps	634	1,271	2,577	–	4,482	7	(34)
Currency derivatives							
Foreign exchange swaps	–	–	586	–	586	2	–
Subtotal	634	1,271	3,163	–	5,068	9	(34)
Total						24,219	(23,200)

There was no ineffective portion of cash flow hedges during the six months ended 30 June 2020 and the year ended 31 December 2019.

41. Risk management *(continued)*

(f) Use of derivatives *(continued)*

The credit risk weighted amounts in respect of these derivatives are as follows:

	30 June 2020	31 December 2019
Credit risk weighted assets of counterparties		
Interest rate derivatives	**457**	257
Currency derivatives	**5,686**	6,404
Other derivatives	**4,802**	4,439
Credit valuation adjustment risk weighted assets	**7,651**	10,517
Total	**18,596**	21,617

Note: Since 2019, the Group has calculated the exposure of derivatives according to the Notice of The Measures on Default Risk Weighted Assets of Counterparties In Respect Of Derivatives and the supporting rules issued by the CBIRC. These amounts have taken the effects of bilateral netting arrangements into account. The risk weighted amounts in respect of derivatives are calculated in accordance with the Administrative Measures on Capital of Commercial Banks (Trial) issued by CBIRC. The amount within the scope approved by CBIRC in April 2014 was calculated using the internal rating-based approach, and the Standardised Approaches are adopted to calculate those not eligible to the internal rating-based approach.

(g) Fair value information

(i) Financial instruments at fair value

A number of the Group's accounting and disclosures policies require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has established a control framework to govern the measurement of fair values. This includes a valuation team that resumes responsibility for overseeing all significant fair value measurements including three levels of fair values, and reports directly to the person in charge of accounting affairs.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to determine fair value, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuation meets the requirements of IFRSs, including the classification of levels in the fair value hierarchy.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques.

The following table presents the fair value information and the fair value hierarchy, at the end of the current interim reporting period, of the Group's assets and liabilities which are measured at fair value on a recurring basis at each balance sheet date. The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level of input that is significant to the entire fair value measurement. The levels are defined as follows:

– Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

– Level 2 inputs: other than quoted prices included in level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities inputs;

– Level 3 inputs: inputs that are unobservable for assets or liabilities.

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(i) Financial instruments at fair value *(continued)*

The Group recognises transfers among levels of the fair value hierarchy when they occur.

The Group's assets and liabilities measured at fair value are measured on a recurring basis. The Group does not have assets nor liabilities measured at fair value on a non-recurring basis.

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the levels in the fair value hierarchy:

	30 June 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Investments measured at FVTPL				
– Debt securities	20,367	149,034	1,264	170,665
– Long position in precious metal contracts	82	–	–	82
– Equity investments	1,194	25	2,002	3,221
– Investments in funds	6	108,234	558	108,798
– Wealth management products	–	–	967	967
– Non-standard assets – Bills	–	191,693	–	191,693
Subtotal	21,649	448,986	4,791	475,426
Investments designated at FVTPL				
– Debt securities	3,339	97	15	3,451
Derivative financial assets	–	38,840	–	38,840
Loans and advances to customers at FVTPL	–	–	6,977	6,977
Debt investments at FVTOCI	95,454	416,749	–	512,203
Loans and advances to customers at FVTOCI	–	304,817	54,925	359,742
Equity investments designated at FVTOCI	2,032	–	4,745	6,777
Total	122,474	1,209,489	71,453	1,403,416
Liabilities				
Financial liabilities held for trading				
– Precious metal relevant financial liabilities	18,459	–	–	18,459
– Short selling securities	1,318	–	–	1,318
Subtotal	19,777	–	–	19,777
Financial liabilities designated at FVTPL				
– Precious metal contracts with other banks	1,614	–	–	1,614
– Certificates of deposit issued	–	636	–	636
– Debt securities issued	9,467	–	–	9,467
– Others	–	7,687	4,783	12,470
Subtotal	11,081	8,323	4,783	24,187
Derivative financial liabilities	–	38,814	–	38,814
Total	30,858	47,137	4,783	82,778

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Investments measured at FVTPL				
– Debt securities	17,336	100,420	378	118,134
– Long position in precious metal contracts	183	–	–	183
– Equity investments	1,142	–	1,315	2,457
– Investments in funds	2,149	69,136	414	71,699
– Wealth management products	–	20	844	864
– Non-standard assets – Bills	–	199,817	–	199,817
Subtotal	20,810	369,393	2,951	393,154
Investments designated at FVTPL				
– Debt securities	4,830	275	17	5,122
Derivative financial assets	–	24,219	–	24,219
Loans and advances to customers at FVTPL	–	–	5,779	5,779
Debt investments at FVTOCI	104,530	374,326	–	478,856
Loans and advances to customers at FVTOCI	–	233,789	30,346	264,135
Equity investments designated at FVTOCI	2,329	–	3,748	6,077
Total	132,499	1,002,002	42,841	1,177,342
Liabilities				
Financial liabilities held for trading				
– Precious metal relevant financial liabilities	13,701	–	–	13,701
– Short selling securities	1,187	–	–	1,187
Subtotal	14,888	–	–	14,888
Financial liabilities designated at FVTPL				
– Precious metal contracts with other banks	9,217	–	–	9,217
– Certificates of deposit issued	–	767	–	767
– Debt securities issued	9,237	–	–	9,237
– Others	–	6,220	3,105	9,325
Subtotal	18,454	6,987	3,105	28,546
Derivative financial liabilities	–	23,200	–	23,200
Total	33,342	30,187	3,105	66,634

During the period there were no significant transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy.

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(1) Basis of determining the market prices for recurring fair value measurements categorised within Level 1

Bloomberg etc. are used for financial instruments with quoted prices in an active market.

(2) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurement categorised within Level 2

Fair value of RMB denominated bonds whose value is available on China bond pricing system on the valuation date is measured using the latest valuation results published by China bond pricing system.

Fair value of foreign currency bonds without quoted prices in an active market, is measured by using the comprehensive valuations issued by Bloomberg, etc.

Fair value of foreign exchange forwards contracts in derivative financial assets is measured by discounting the differences between the contract prices and market prices of the foreign exchange forwards contracts. The discount rates used are the applicable RMB denominated swap yield curve as at the end of the reporting period.

Fair value of foreign exchange options is measured using the Black-Scholes model, applying applicable foreign exchange spot rates, foreign exchange yield curves and exchange rate volatilities. The above market data used are quoted price in an active market, provided by Bloomberg, Reuters and other market information providers.

Fair value of interest rate swaps in derivative financial assets is measured by discounting the expected receivable or payable amounts under the assumption that these swaps had been terminated at the end of reporting date. The discount rates used are the related currency denominated swap yield curve as at the end of reporting period.

Dealing price of the investment fund derived from the net asset values of the investment funds with reference to observable quoted price in market is used as the basis of determining the market price for recurring fair value.

The fair value of loans and advances to customers at FVTOCI in Mainland China is measured based on discount interest-rate of bill business of rediscounted bills announced by Shanghai Commercial Bill Exchange; the Group uses 10-day average of discount interest-rate of bill business as the basis for calculating the value of discounted bills. The fair value of loans and advances to customers at FVTOCI outside Mainland China is measured by discounted cash flow approach. The discount rates used are determined by factors such as credit rating of the loan customer provided by S&P, Moody's or Fitch, customer industry, term to maturity of the loan, loan currency and the issuer credit spread.

The fair value of non-standard bills at FVTPL in Mainland China is measured based on discount interest-rate of bill business announced by Shanghai Commercial Bill Exchange; the Group uses 10-day average of discount interest-rate of bill business as the basis for calculating the value of discounted bills.

The fair value of certificates of deposit issued is measured by using the comprehensive valuations issued by Bloomberg.

The fair value of others under financial liabilities designated at FVTPL is measured based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3

	Fair value as at 30 June 2020	Valuation techniques	Unobservable inputs
Equity investments designated at FVTOCI	1,202	Market approach	Liquidity discount
Equity investments designated at FVTOCI	3,543	Net asset value approach	Net assets, liquidity discount
Loans and advances to customers at FVTPL	6,977	Discounted cash flow approach	Cash flow, risk-adjusted discount rate, actual trading conditions-adjusted discount rate
Loans and advances to customers at FVTOCI	54,925	Discounted cash flow approach	Cash flow, risk-adjusted discount rate, actual trading conditions-adjusted discount rate
Investments measured at FVTPL			
– Debt securities	1,264	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Equity investments	2,002	Market approach	Liquidity discount
– Investments in funds	558	Market approach	Liquidity discount
– Wealth management products	967	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
Investments designated at FVTPL	15	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
Financial liabilities designated at FVTPL	4,783	Net fund value approach	Net assets

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 (continued)

	Fair value as at 31 December 2019	Valuation techniques	Unobservable inputs
Equity investments designated at FVTOCI	1,105	Market approach	Liquidity discount
Equity investments designated at FVTOCI	2,643	Net asset value approach	Net assets, liquidity discount
Loans and advances to customers at FVTPL	5,779	Discounted cash flow approach	Cash flow, risk-adjusted discount rate, actual trading conditions-adjusted discount rate
Loans and advances to customers at FVTOCI	30,346	Discounted cash flow approach	Cash flow, risk-adjusted discount rate, actual trading conditions-adjusted discount rate
Investments measured at FVTPL			
– Debt securities	378	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Equity investments	1,315	Market approach	Liquidity discount
– Investments in funds	414	Market approach	Liquidity discount
– Wealth management products	844	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
Investments designated at FVTPL	17	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
Financial liabilities designated at FVTPL	3,105	Net fund value approach	Net assets

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 (continued)

1) Valuation of financial instruments with significant unobservable inputs

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy:

Assets	Investments at fair value through profit or loss	Loans and advances to customers at FVTPL	Loans and advances to customers at FVTOCI	Equity investments designated at FVTOCI	Total
At 1 January 2020	2,968	5,779	30,346	3,748	42,841
Profit or loss					
– In profit or loss	44	190	–	–	234
– In other comprehensive income	–	–	153	990	1,143
Addition for the period	1,750	1,000	59,027	53	61,830
Transfer out Level 3	–	–	–	–	–
Disposals or settlement on maturity	(28)	–	(34,601)	–	(34,629)
Exchange difference	72	8	–	(46)	34
At 30 June 2020	4,806	6,977	54,925	4,745	71,453
Total unrealised gains and losses included in the unaudited consolidated statement of profit or loss for assets held at the end of the reporting period	44	190	–	–	234

Assets	Investments at fair value through profit or loss	Loans and advances to customers at FVTPL	Loans and advances to customers at FVTOCI	Equity investments designated at FVTOCI	Total
At 1 January 2019	3,641	403	20,684	2,540	27,268
Profit or loss					
– In profit or loss	(540)	27	–	–	(513)
– In other comprehensive income	–	–	(60)	1,018	958
Addition for the year	131	5,741	51,435	–	57,307
Transfer to Level 3	59	–	–	–	59
Disposals or settlement on maturity	(314)	(400)	(41,713)	–	(42,427)
Exchange difference	(9)	8	–	190	189
At 31 December 2019	2,968	5,779	30,346	3,748	42,841
Total unrealised gains and losses included in the unaudited consolidated statement of profit or loss for assets held at the end of the reporting period	(540)	35	–	–	(505)

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised within Level 3 (continued)

1) Valuation of financial instruments with significant unobservable inputs (continued)

Liabilities	Financial liabilities at fair value through profit or loss
At 1 January 2020	**3,105**
In profit or loss	**145**
Addition for the period	**1,454**
Disposals and settlement on maturity	**–**
Exchange difference	**79**
At 30 June 2020	**4,783**
Total unrealised gains and losses included in the unaudited consolidated statement of profit or loss for liabilities held at the end of the reporting period	**145**
At 1 January 2019	2,514
In profit or loss	(17)
Addition for the year	591
Exchange difference	17
At 31 December 2019	3,105
Total unrealised gains and losses included in the unaudited consolidated statement of profit or loss for liabilities held at the end of the reporting period	(17)

2) Transfers among different levels occurred during the period, the reasons for theses transfers and the principle of determining the dates of transfers for financial instruments measured at fair value on recurring basis

During the six months ended 30 June 2020, there were no significant transfers among different levels for financial instruments which are measured at fair value on recurring basis.

3) Changes in valuation techniques and the reasons for making the changes

During the six months ended 30 June 2020, the Group has not changed the valuation techniques fort the financial assets and liabilities disclosed above which are measured at fair value on recurring basis.

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(iii) Financial assets and financial liabilities that are not measured at fair value

(1) Financial Assets

The Group's financial assets that are not measured at fair value mainly include cash, balances with central banks, balances and placements with banks and other financial institutions, amounts held under resale agreements, loans and advances to customers at amortized cost and investments at amortized cost.

Except for loans and advances measured at amortised cost and debt instrument investments measured at amortised cost, most of the financial assets mature within 1 year, and their carrying values approximate to their fair values. Loans and advances are stated at amortised costs less allowances for impairment loss (Note 16). Loans and advances are mostly priced at floating rates with reference to the PBOC rates or Loan Prime Rates (LPRs) and repriced at least annually, and impairment allowance is made to reduce the carrying amounts of impaired loans to estimated recoverable amounts. Accordingly, the carrying value of loans and advances is close to the fair value.

Debt investments measured at amortised cost are carried at amortised cost less allowances for impairment losses. The fair value of the listed investments is disclosed in Note 17(b).

The carrying value, fair value and fair value hierarchy of debt investments at amortised cost not measured at fair value are listed as below：

The Level 1 fair value measurement is based on unadjusted quoted prices in active markets. For Level 2, the latest valuation results released by China bond pricing system are used to measure fair value of bonds denominated in RMB. The Level 2 category also includes foreign currency bonds without active quoted price, which are measured using the published comprehensive valuation by Bloomberg. The Level 3 fair value is measured using discounted cash flow valuation technique.

	30 June 2020					31 December 2019				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Debt investments at amortised cost	1,033,459	1,062,159	3,178	883,588	175,393	907,472	930,217	6,577	789,068	134,572

(2) Financial Liabilities

Financial liabilities that are not measured at fair value mainly include deposits from customers, amounts due to banks and other financial institutions, amounts sold under repurchase agreements, and debts securities issued by the Group. The carrying value of financial liabilities approximate to their fair value at the end of the reporting period, except for the financial liabilities set out below:

	30 June 2020					31 December 2019				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Subordinated notes issued	34,508	35,957	–	35,957	–	34,469	35,631	–	35,631	–
Long-term debt securities issued	139,226	141,705	–	141,705	–	165,602	167,405	–	167,405	–
Total	173,734	177,662	–	177,662	–	200,071	203,036	–	203,036	–

42. Material related party transactions

(a) Material connected person information

The Bank's major shareholders and their parent companies.

Company name	Registered location	Issued and fully paid capital	No.of Shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	The relationship with the Bank	Legal form	Legal representative
China Merchants Group (CMG)	Beijing	RMB16,900 million	7,559,427,375	29.97% (note (i)(viii))	–	Transportation, shipping agency, warehousing and storage, leasing, manufacturing building and facility, repair and contracting, sales operating management service, etc.	The largest shareholder's parent company	Limited company	Li Jianhong (note (ix))
China Merchants Steam Navigation Co., Ltd. (CMSNCL)	Beijing	RMB7,000 million	3,289,470,337	13.04% (note (ii))	–	Transportation, building and repair, procurement, supply chain management and distribution, shipping agency services, etc.	The largest shareholder	Limited company	Li Jianhong
Shenzhen Yan Qing Investment Development Co., Ltd.	Shenzhen	RMB600 million	1,258,542,349	4.99%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited company	Xu Xin
Shenzhen Chu Yuan Investment and Development Co., Ltd.	Shenzhen	RMB600 million	944,013,171	3.74%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited company	Xu Xin
China Merchants Finance Investment Holdings Co., Ltd.	Shenzhen	RMB600 million	1,147,377,415	4.55%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited company	Hong Xiaoyuan
Best Winner Investment Co., Ltd.	British Virgin Islands	USD0.05 million	386,924,063	1.53%	–	–	Shareholder	Joint stock limited company	–
China Merchants Union (BVI) Ltd.	British Virgin Islands	USD0.06 million	477,903,500	1.89%	–	–	Shareholder	Limited company	–
China Merchants Industry Development (Shenzhen) Co., Ltd.	Shenzhen	USD10 million	55,196,540	0.22%	–	Invest and set up industries, enterprise management consulting and investment consulting, etc.	Shareholder	Limited company	Wang Xiaoding

42. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

The Bank's major shareholders and their parent companies. *(continued)*

Company name	Registered location	Issued and fully paid capital	No.of Shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	The relationship with the Bank	Legal form	Legal representative
China COSCO Shipping Corporation Limited.	Beijing	RMB 11,000 million	2,515,193,034	9.97% (note (iv))	–	International shipping business, supporting services to international shipping, imports and exports of goods and technology, etc.	Shareholder's parent company	Limited company	Xu Lirong
China Ocean Shipping Co., Ltd.	Beijing	RMB16,191 million	1,574,729,111	6.24%	–	Transportation business, leasing business, ship purchasing and marketing business, warehousing business, etc.	Shareholder	Limited company	Xu Lirong
China COSCO Shipping (Guangzhou) Co., Ltd.	Guangzhou	RMB3,191 million	696,450,214	2.76%	–	Shipping business	Shareholder	Limited company	Shou Jian
Guangzhou Haining Maritime Technology Service Co., Ltd.	Guangzhou	RMB2 million	103,552,616	0.41%	–	Business services	Shareholder	Limited company	Huang Biao
China COSCO Shipping (Shanghai) Co., Ltd.	Shanghai	RMB1,399 million	75,617,340	0.30%	–	Shipping business, leasing business, ship repairing and building etc.	Shareholder	Limited company	Zhao Bangtao
China COSCO Shipping Investment Holdings Co., Ltd.	Hong Kong	HKD500 million	54,721,930	0.22%	–	Leasing business, financing business, insurance business etc.	Shareholder	Limited company	–
Guangzhou Tri-Dynas Oil & Shipping Co., Ltd.	Guangzhou	RMB299 million	10,121,823	0.04%	–	Ship purchasing and marketing business, shipping agency, leasing business, shipping business etc.	Shareholder	Limited company	Ren Zhaoping
China Insurance Security Fund Co., Ltd	Beijing	RMB100 million	1,258,949,100	4.99% (note (iii))	–	Investing and establishing insurance companies, supervising and managing various domestic and international businesses of holding investment enterprises, and investment business permitted by national laws and regulations, etc.	Shareholder's parent company	limited company	Yu Hua
Dajia Life Insurance Co., Ltd	Beijing	RMB30,790 million	1,258,949,100	4.99%	–	Life insurance, health insurance, accident insurance, and other personal insurance services, etc.	Shareholder	Joint stock limited company	He Xiaofeng

42. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

The Bank's major shareholders and their parent companies. *(continued)*

Company name	Registered location	Issued and fully paid capital	No.of Shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	The relationship with the Bank	Legal form	Legal representative
China Communications Construction Group Ltd.	Beijing	RMB7,274 million	422,770,418	1.68% (note (v))	–	General contraction for construction	Shareholder's parent company	Limited company	Liu Qitao
China Communications Construction Co., Ltd	Beijing	RMB16,175 million	301,089,738	1.19%	–	General contraction for construction, leasing and repair, technical consulting service, imports and exports, investment and management business	Shareholder	Joint stock limited company	Liu Qitao
Shanghai Automotive Industry Corporation (Group)	Shanghai	RMB21,599 million	310,125,822	1.23% (note (vi))	–	Production and sale of vehicles, asset management business, domestic trade business, consulting service	Shareholder's parent company	Limited company	Chen Hong
SAIC Motor Corporation Limited	Shanghai	RMB11,683 million	310,125,822	1.23%	–	Production and sale of vehicles, consulting service, imports and exports	Shareholder	Joint stock limited company	Chen Hong
Hebei Port Group Co., Ltd.	Qin Huangdao	RMB8,000 million	296,291,627	1.17% (note (vii))	–	Port construction and investment management, port leasing and maintenance business, handling and warehousing business etc.	Shareholder	Limited company	Cao Ziyu

Notes:

(i) CMG holds 29.97% of the Bank (31 December 2019: 29.97%) through its subsidiaries.

(ii) As the largest direct shareholder, CMSNCL, a subsidiary of CMG, holds 13.04% of the Bank as at 30 June 2020 (31 December 2019: 13.04%).

(iii) China Insurance Security Fund Co., Ltd holds 4.99% of the Bank (31 December 2019: 9.98%) through its subsidiaries.

(iv) China COSCO Shipping Corporation Ltd. holds 9.97% of the Bank (31 December 2019: 9.97%) through its subsidiaries.

(v) China Communications Construction Group LTD ("China Communications Construction Group") holds 1.68% of the Bank through its subsidiaries (31 December 2019: 1.68%).

(vi) Shanghai Automotive Industry Corporation (Group) ("Shanghai Automotive Industry Group") holds 1.23% of the Bank through its subsidiary (SAIC Motor Corporation Limited) (31 December 2019︰1.23%).

(vii) Hebei Port Group Company Ltd. directly holds 1.17% of the Bank (31 December 2019: 1.21%).

(viii) The sum of the direct ratio of CMG's shareholdings in the Bank and the above-mentioned relevant numbers may differ slightly in the mantissa due to rounding.

(ix) The Legal representative of CMG was changed from Li Jianhong to Miao Jianmin at 21 August 2020.

42. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

The registered capital of the Group's related parties as at 30 June 2020 and 31 December 2019 are as follows:

Name of related party	30 June 2020		31 December 2019	
CMG	RMB	16,900,000,000	RMB	16,700,000,000
CMSNCL	RMB	7,000,000,000	RMB	7,000,000,000
Shenzhen Yan Qing Investment Development Co., Ltd.	RMB	600,000,000	RMB	600,000,000
Shenzhen Chu Yuan Investment and Development Co., Ltd.	RMB	600,000,000	RMB	600,000,000
China Merchants Finance Investment Holdings Co., Ltd.	RMB	600,000,000	RMB	600,000,000
Best Winner Investment Co., Ltd.	USD	50,000	USD	50,000
China Merchants Union (BVI) Ltd.	USD	60,000	USD	60,000
China Merchants Industry Development (Shenzhen) Co., Ltd.	USD	10,000,000	USD	10,000,000
China Insurance Security Fund Co., Ltd	RMB	100,000,000	RMB	100,000,000
Dajia Life Insurance Co.,Ltd	RMB	30,790,000,000	RMB	30,790,000,000
China COSCO Shipping Corporation Limited.	RMB	11,000,000,000	RMB	11,000,000,000
China Ocean Shipping Co., Ltd.	RMB	16,191,351,300	RMB	16,191,351,300
China COSCO Shipping (Guangzhou) Co., Ltd.	RMB	3,191,200,000	RMB	3,191,200,000
Guangzhou Haining Maritime Technology Service Co., Ltd.	RMB	2,000,000	RMB	2,000,000
China COSCO Shipping (Shanghai) Co., Ltd.	RMB	1,398,941,000	RMB	1,398,941,000
China COSCO Shipping Investment Holdings Co., Ltd	HKD	500,000,000	HKD	500,000,000
Guangzhou Tri-Dynas Oil & Shipping Co., Ltd.	RMB	299,020,000	RMB	299,020,000
China Communications Construction Group Ltd.	RMB	7,274,023,830	RMB	7,274,023,830
China Communications Construction Co., Ltd	RMB	16,174,735,425	RMB	16,174,735,425
Shanghai Automotive Industry Corporation (Group)	RMB	21,599,175,737	RMB	21,599,175,737
SAIC Motor Corporation Limited	RMB	11,683,461,365	RMB	11,683,461,365
Hebei Port Group Co., Ltd.	RMB	8,000,000,000	RMB	8,000,000,000

(b) Terms and conditions for related-party transactions

The Group enters into transactions with related parties in the ordinary course of its banking business including lending, investing, taking deposit, trading securities, providing agency and trust services, and off-balance sheet transactions. The opinion of the directors is that the Group's entered into such material related-party transactions with normal commercial terms, and the transactions are priced at the market rates at the time of transactions.

The amount of loss provision for loans and advances to related parties is not material during the interim reporting period.

42. Material related party transactions *(continued)*

(c) Shareholders and their related companies

The Bank's largest shareholder CMSNCL and its related companies hold 29.97% (31 December 2019: 29.97%) of the Bank's shares as at 30 June 2020 (among them 13.04% of the shares are directly held by CMSNCL (31 December 2019: 13.04%)).

The Group's transactions and balances with CMSNCL and its related companies are disclosed as follows:

	30 June 2020	31 December 2019
On-balance sheet:		
– Loans and advances to customers	**39,038**	26,222
– Investments	**2,334**	2,527
– Deposits from customers	**85,763**	68,795
– Placements with banks and other financial institutions	**2,397**	700
– Lease liability	**63**	39
Off-balance sheet:		
– Irrevocable guarantees	**2,347**	2,449
– Irrevocable letters of credit	**448**	341
– Bills of acceptances	**216**	462
– Unused factoring limits	**624**	318

	Six months ended 30 June	
	2020	2019
Interest income	**607**	461
Interest expense	**620**	543
Net fee and commission income	**372**	308
Operating expenses	**16**	21
Other net expenses	**(23)**	(1)

(d) Companies that share common directors, senior management and/or supervisors with the Bank other than those disclosed in Note 42 (c)

	30 June 2020	31 December 2019
On-balance sheet:		
– Loans and advances to customers	**10,187**	12,015
– Investments	**976**	1,747
– Deposits from customers	**13,158**	35,443
Off-balance sheet:		
– Irrevocable guarantees	**70**	135
– Irrevocable letters of credit	**67**	77
– Bills of acceptances	**108**	342
– Unused factoring limits	**1,394**	1,218

	Six months ended 30 June	
	2020	2019
Interest income	**319**	117
Interest expense	**124**	197
Net fee and commission income	**564**	370
Operating expenses	**661**	636
Other net income	**2**	7

42. Material related party transactions *(continued)*

(e) Associates and joint ventures other than those disclosed in Note 42(c)

	30 June 2020	31 December 2019
On-balance sheet:		
– Loans and advances to customers	**6,269**	6,178
– Placements with banks and other financial institutions	**10,600**	11,600
– Investments	**100**	–
– Deposits from customers	**447**	1,040
Off-balance sheet:		
– Irrevocable guarantees	**8,700**	8,299

	Six months ended 30 June	
	2020	2019
Interest income	**42**	78
Interest expense	**9**	9
Net Fee and commission income	**704**	569
Operating expenses	**6**	3

(f) Other major shareholders holding more than 5% shares of the Bank or having significant influence over the Bank

	30 June 2020	31 December 2019
On-balance sheet:		
– Loans and advances to customers	**45,476**	42,277
– Investments	**3,058**	2,836
– Deposits from customers	**48,365**	54,557
– Lease liability	**9**	12
Off-balance sheet:		
– Irrevocable guarantees	**32,452**	38,005
– Irrevocable letters of credit	**702**	613
– Bills of acceptances	**6,043**	6,589
– Unused factoring limits	**2,465**	2,118

	Six months ended 30 June	
	2020	2019
Interest income	**704**	837
Interest expense	**351**	669
Net fee and commission income	**1,676**	1,302
Operating expenses	**–**	1
Other net income	**132**	2

43. Non-controlling interests

Non-controlling interests represent the interests that the Group does not entitle to in the subsidiaries. As CMFM's net assets and net profit are not material to the Group, there is no subsidiary of the Group which has material non-controlling interests during the reporting period.

(a) Perpetual debt capital

The perpetual debt capital is issued by the bank's subsidiary, CMB WLB, on 27 April 2017 with the aggregate nominal amount of USD170 million and on 24 January 2019 with the aggregate nominal amount of USD400 million, as follows:

	Principal	Distributions/Paid	Total
At 1 January 2020	3,979	–	3,979
Distributions in the period	–	123	123
Paid in the period	–	(123)	(123)
Exchange difference	81	–	81
At 30 June 2020	4,060	–	4,060

There is no maturity of the instruments and the payments of distribution can be cancelled at the discretion of the issuer. Cancelled interest is not cumulative. There is no contractual obligation to deliver cash to other parties. During the six months ended 30 June 2020, CMB WLB did not cancel the payment of distribution and the corresponding amount was paid to the perpetual debt holders accordingly.

44. Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose vehicles. In some cases, such transfers may give rise to full or partial derecognition of the financial assets concerned; and in other cases the transfers may not qualify for derecognition as the Group retains substantially all the risks and rewards of these transferred assets, as a result, the Group continues to recognize those transferred assets.

Securitisation of credit assets

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to special purpose trusts which in turn issue asset-backed securities to investors. The Group may acquire some asset-backed securities and fund shares at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that are securitised and qualified for derecognition, the Group derecognises the transferred credit assets in their entirety. During the six months ended 30 June 2020, the Group has transferred the loans amounted to RMB22,295 million (for the six months ended 30 June 2019: RMB22,900 million), as well as substantially all the risks and rewards of the loans, the full amount of such securitised loans were derecognised.

In the cases that the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and for which the Group retains control, the Group recognises an asset in the unaudited consolidated statement of financial position to the extent of the Group's continuing involvement in the transferred assets. The extent of the Group's continuing involvement is the extent of the risks and rewards exposed by the Group to the value changes of the transferred assets. For the six months ended 30 June 2020, the carrying amount of the credit transferred assets in which the Group retained the continuing involvement was nil (for the six months ended 30 June 2019 at the date of transfer: RMB10,402 million). The carrying amount of the continuing involvement asset and the corresponding continuing involvement liability, which are recognised in other assets and other liabilities in the unaudited consolidated statement of financial position, are both RMB987 million as at 30 June 2020 (31 December 2019: RMB987 million).

44. Transfers of financial assets *(continued)*

Transfers of credit assets to third parties

During the six months ended 30 June 2020, in addition to securitization transactions the Group has transferred credit assets amounted to RMB301 million (for the six months ended 30 June 2019: RMB183 million) to independent third parties directly. The Group determined that these transferred assets qualified for full de-recognition, since the Group has transferred substantially all the risks and rewards of the transferred assets to the counterparties.

Repurchase transactions and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities, discounted bills held by counterparties as collateral under repurchase agreements and debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities sold under agreements to repurchase in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. In securities lending transactions, if underlying securities increase or decrease in value, the Group may in certain circumstances require the counterparties to pay additional cash collateral, or be required to return part of the cash collateral. The Group determines that it retains substantially all the risks and rewards of these securities lent and therefore does not derecognised them, instead, it recognises a financial liability for cash received as collateral.

45. Interests in unconsolidated structured entities

(a) Interests in the structured entities sponsored by third parties

The Group holds interests in some structured entities sponsored by third parties through investments in the units issued by these structured entities. Such interests include investments in wealth management products, asset management schemes, trust beneficiary rights, assets backed securities and investments in funds, and the Group does not consolidate these structured entities. The purpose of the Group holding these structured entities is to obtain investment income, capital appreciation or both.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at 30 June 2020 and 31 December 2019 in the structured entities sponsored by third parties and an analysis of the line items in the unaudited consolidated statement of financial positions as at 30 June 2020 and 31 December 2019 in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

	30 June 2020				
	Carrying amount				
	Investments at fair value through profit or loss	Debt investments at amortised cost	Debt investments at FVTOCI	Total	Maximum exposure
Asset management schemes	152,288	144,426	–	296,714	296,714
Trust beneficiary rights	–	35,356	–	35,356	35,356
Asset backed securities	1,217	–	2,036	3,253	3,253
Investment in funds	107,800	–	–	107,800	107,800
Total	261,305	179,782	2,036	443,123	443,123

45. Interests in unconsolidated structured entities *(continued)*

(a) Interests in the structured entities sponsored by third parties *(continued)*

	31 December 2019				
	Carrying amount				
	Investments at fair value through profit or loss	Debt investments at amortised cost	Debt investments at FVTOCI	Total	Maximum exposure
Asset management schemes	165,068	109,344	–	274,412	274,412
Trust beneficiary rights	–	33,389	–	33,389	33,389
Asset backed securities	1,075	40	1,185	2,300	2,300
Investment in funds	71,699	–	–	71,699	71,699
Total	237,842	142,773	1,185	381,800	381,800

The maximum exposures held by the Group in these asset management schemes, trust beneficiary rights, assets backed securities and investments in funds are the carrying amounts of the assets recognised in the unaudited consolidated statement of financial positions held by the Group at the end of the interim reporting period.

(b) Interests in the unconsolidated structured entities sponsored by the Group

The unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products, funds and assets management schemes. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issuance of investment products to investors. Interest of the Group in these unconsolidated structured entities is limited to fees charged for management services provided.

As at 30 June 2020, the amount of the unconsolidated non-principal-guaranteed wealth management products sponsored by the Group is RMB2,565,828 million (31 December 2019: RMB2,293,628 million).

As at 30 June 2020, the amount of the unconsolidated mutual funds sponsored by the Group is RMB404,736 million (31 December 2019: RMB378,304 million).

As at 30 June 2020, the amount of the unconsolidated asset management schemes sponsored by the Group is RMB251,363 million (31 December 2019: RMB270,585 million).

As at 30 June 2020, amounts held under resale agreements and placement with banks and other financial institutions of the Group from non-principal-guaranteed wealth management products sponsored by the Group, are RMB112,658 million (31 December 2019: RMB63,214 million) and RMB9,763 million (31 December 2019: RMB82,113 million) respectively. The above transactions were made in accordance with normal business terms and conditions.

During the six months ended 30 June 2020, the amount of fee and commission income of the Group received from such non-principal-guaranteed wealth management products is RMB6,234 million (for the six months ended 30 June of 2019: RMB2,962 million).

During the six months ended 30 June 2020, the amount of management fee income of the Group received from such unconsolidated mutual funds is RMB773 million (for the six months ended 30 June 2019: RMB695 million).

During the six months ended 30 June 2020, the amount of management fee income of the Group received from such unconsolidated asset management schemes is RMB350 million (for the six months ended 30 June of 2019: RMB367 million).

The total amount of non-principal-guaranteed wealth management products sponsored by the Group after 1 January 2020 with a maturity date before 30 June 2020 was RMB613,670 million (for the six months ended 30 June 2019: RMB883,759 million).

46. Non-adjusting events after reporting period

The Bank issued "2020 Undated Additional Tier-1 Capital Bonds of China Merchants Bank Co., Ltd. (First Tranche)" with a face value of RMB50,000 million in the national inter-bank bond market on July 9, 2020. The proceeds from the issuance will be eligible for replenishing the Additional Tier-1 Capital of the Bank in accordance with applicable laws and approvals by the regulatory authorities.

Up to the date of approval of the interim financial report, the Group has no other material events that require disclosure or adjustments in the interim financial report after 30 June 2020.

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi unless otherwise stated)

(A) Capital adequacy ratio

The Group's capital adequacy ratio was prepared solely in accordance with the *CBIRC's Administrative Measures on the Capital of Commercial Banks (Trial)* issued in 2012 and effective on 1 January 2013. The bases used herein may differ from those adopted in Hong Kong or other countries and regions.

In accordance with the Internally-Modelled Based Approaches approved by CBIRC in April 2014, the Group calculated core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio as follows:

	30 June 2020	31 December 2019
Core tier-1 capital adequacy ratio	**11.31%**	11.95%
Tier-1 capital adequacy ratio	**11.99%**	12.69%
Capital adequacy ratio	**14.90%**	15.54%
Components of capital base		
Core tier-1 capital:		
Qualifying portion of share capital	**25,220**	25,220
Qualifying portion of capital reserve	**67,489**	67,281
Surplus reserves	**62,182**	62,184
Regulatory general reserve	**89,455**	90,151
Retained profits	**336,884**	317,643
Qualifying portion of non-controlling interests	**261**	243
Others (note (i))	**12,570**	10,624
Total core tier-1 capital	**594,061**	573,346
Regulatory deductions from core tier-1 capital	**26,599**	23,007
Net core tier-1 capital	**567,462**	550,339
Additional tier-1 capital (note (ii))	**34,099**	34,097
Net tier-1 capital	**601,561**	584,436
Tier-2 capital:		
Qualifying portion of tier-2 capital instruments and their premium	**31,700**	31,700
Surplus provision for loans impairment	**114,266**	99,724
Qualifying portion of non-controlling interests	**70**	65
Total tier-2 capital	**146,036**	131,489
Regulatory deductions from core tier-2 capital	**–**	–
Net tier-2 capital	**146,036**	131,489
Net capital	**747,597**	715,925
Total risk-weighted assets	**5,019,059**	4,606,786

Notes:

(i): Under CBIRC's Administrative Measures on the Capital of Commercial Banks (Trial), others include exchange reserve in the unaudited consolidated financial statements, etc.

(ii): The Group's additional tier-1 capital includes preference shares, qualifying portion of non-controlling interests, etc.

As at 30 June 2020, the Group's core tier-1 capital adequacy ratio is 10.20%, tier-1 capital adequacy ratio is 10.81%, capital adequacy ratio is 12.49%, net capital is RMB695,028 million and total risk-weighted assets is RMB5,564,432 million, when credit risk is calculated by using the Standardised Approaches, market risk using the standardised approach and operational risk using the basic indicator approach.

(B) Leverage ratio

In accordance with the CBIRC's Administrative Measures on Leverage Ratio of Commercial Banks (Revision) issued in 2015 and effective on 1 April 2015, the Group's leverage ratio and relevant components were as follows. The basis used herein may differ from those adopted in Hong Kong or other countries and regions.

The conciliation between total assets in the unaudited consolidated financial statement and the asset relevant for calculating leverage ratio:

	30 June 2020	31 December 2019
Total consolidated assets as per published financial statements	**8,031,826**	7,417,240
Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**(34,570)**	(24,603)
Adjustments for fiduciary assets	**–**	–
Adjustments for derivative financial instruments	**(9,152)**	11,796
Adjustment for securities financing transactions	**29,386**	28,861
Adjustment for off-balance sheet items	**1,234,861**	1,194,234
Other adjustments	**(26,599)**	(23,007)
Balance of adjusted on-balance sheet and off-balance sheet assets	**9,225,752**	8,604,521

Leverage ratio, net tier-1 capital, on-balance sheet and off-balance sheet exposures and other information:

	30 June 2020	31 December 2019
On-balance sheet items (excluding derivatives and securities financing transactions (SFT))	**7,731,691**	7,258,371
Less: Asset amounts deducted in determining Basel III Tier 1 capital	**(26,599)**	(23,007)
Balance of adjusted on-balance sheet assets (excluding derivatives and SFTs)	**7,705,092**	7,235,364
Replacement cost associated with all derivatives transactions (net of eligible cash variation margin)	**10,516**	13,393
Add-on amounts for potential future exposure associated with all derivatives transactions	**18,833**	21,805
Gross-up for derivatives collateral provided where deducted from the balance sheet assets	**–**	–
Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	**–**	–
Less: Exempted central counterparty leg of client-cleared trade exposures	**–**	–
Effective notional amount of written credit derivatives	**339**	817
Less: Adjusted effective notional deductions for written credit derivatives	**–**	–
Total derivative exposures	**29,688**	36,015
Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	**226,725**	110,047
Less: Netted amounts of cash payables and cash receivables of gross SFT assets	**–**	–
Counterparty credit risk exposure for SFT assets	**29,386**	28,861
Agent transaction exposures	**–**	–
Total securities financing transaction exposures	**256,111**	138,908
Off-balance sheet exposure at gross notional amount	**2,412,574**	2,266,901
Less: Adjustments for conversion to credit equivalent amounts	**(1,177,713)**	(1,072,667)
Balance of adjusted off-balance sheet assets	**1,234,861**	1,194,234
Net tier-1 capital	**601,561**	584,436
Balance of adjusted on-balance sheet and off-balance sheet assets	**9,225,752**	8,604,521
Leverage ratio	**6.52%**	6.79%

(C) Liquidity coverage ratio

The Group prepared and disclosed information on liquidity coverage ratio in accordance with the "Measures for the Disclosure of Information on Liquidity Coverage Ratio by Commercial Banks". The basis used herein may differ from those adopted in Hong Kong or other countries. The average liquidity coverage ratio of the Group was 146.09% in the second quarter of 2020, a decrease of 19.18 percentage points from the previous quarter and remained stable. The Group's liquidity coverage ratio at the end of the second quarter of 2020 was 136.39%, which was in line with the 2020 regulatory requirements of the China Bank and Insurance Regulatory Commission. The breakdown of the Group's average value of each item of liquidity coverage ratio in the second quarter of 2020 is set out below:

Serial No.		Unweighted amount (average value)	Weighted amount (average value)
Stock of high quality liquid assets			
1	**Total stock of high quality liquid assets**		**1,133,634**
Cash outflows			
2	Retail and small business customers deposits, of which:	2,008,200	178,414
3	Stable deposits	448,118	22,406
4	Less stable deposits	1,560,082	156,008
5	Unsecured wholesale funding, of which:	3,313,721	1,248,959
6	Operational deposits (excluding correspondent banks)	1,802,288	448,277
7	Non-operational deposits (including all counterparties)	1,458,156	747,405
8	Unsecured debt issuance	53,277	53,277
9	Secured funding		13,206
10	Additional requirements, of which:	1,434,516	343,550
11	Cash outflows arising from derivative contract and other transactions arising from related collateral requirements	279,128	279,128
12	Cash outflows arising from secured debt Instruments funding	–	–
13	Undrawn committed credit and liquidity facilities	1,155,388	64,422
14	Other contractual obligations to extend funds	60,444	60,444
15	Other contingent funding obligations	6,531,193	97,750
16	**Total cash outflows**		**1,942,323**
Cash inflows			
17	Secured lending (including reverse repo and securities borrowing)	199,621	198,949
18	Contractual inflows from fully performing loans	994,918	673,864
19	Other cash inflows	302,544	293,543
20	**Total cash inflows**	**1,497,083**	**1,166,356**

		Adjusted value
21	**Total stock of high quality liquid assets**	**1,133,634**
22	**Net cash outflows**	**775,967**
23	**Liquidity coverage ratio (%)**	**146.09%**

Notes:

(i) The data of mainland in the above table is a simple arithmetic average of the 91-day value for the latest quarter and the monthly average for the date of subsidiaries.

(ii) The high quality liquid assets in the above table are prepared by the central bank reserve available under cash and pressure conditions, as well as the bond in line with definition of Tier 1 and Tier 2 assets set by China Banking and Insurance Regulatory Commission on the "Measures for the Liquidity Risk Management of Commercial Banks".

(D) Net stable funding ratio

The Group prepared and disclosed information on net stable funding ratio in accordance with the "Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks". The Group's net stable funding ratio at the end of the second quarter of 2020 was 119.17%, representing an decrease of 3.19 percentage points as compared with the previous quarter, which was mainly due to the increase of loans. The breakdown of the Group's net stable fund ratio in the last two quarters is set out below:

30 June 2020

(Expressed in millions of Renminbi except percentage)

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 12 months	
Available stable funding (ASF) item						
1	Capital	639,860	–	–	20,000	659,860
2	Regulatory capital	628,160	–	–	20,000	648,160
3	Other capital instruments	11,700	–	–	–	11,700
4	Retail deposits and deposits from small business customer	1,593,741	645,671	23,228	1,376	2,061,321
5	Stable deposits	465,168	6,072	133	41	447,846
6	Less stable deposits	1,128,573	639,599	23,095	1,335	1,613,475
7	Wholesale funding	2,266,264	1,967,637	214,525	341,647	2,136,990
8	Operational deposits	1,854,620	–	–	–	927,310
9	Other wholesale funding	411,644	1,967,637	214,525	341,647	1,209,680
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	57,848	125,680	8,026	126,323	64,692
12	NSFR derivative liabilities				65,644	
13	All other liabilities and equity not included in the above categories	57,848	125,680	8,026	60,679	64,692
14	Total ASF					4,922,863
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					130,614
16	Deposits held at other financial institutions for operational purposes	55,250	1,251	–	–	28,251
17	Performing loans and securities	66,923	2,211,457	1,041,955	2,718,615	3,627,104
18	Performing loans to financial institutions secured by Level 1 HQLA	–	110,285	–	–	–
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	502	793,624	229,055	43,407	293,631
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	1,121,211	757,941	1,394,455	2,092,651
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	109,762	89,799	161,058	204,468
22	Performing residential mortgages, of which:	–	33,039	25,646	1,149,635	1,004,683
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	66,421	153,298	29,313	131,118	236,139
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	81,287	17,211	1,392	96,939	147,277

(D) Net stable funding ratio *(continued)*

30 June 2020 *(continued)*

(Expressed in millions of Renminbi except percentage)

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 12 months	
Required stable funding (RSF) item *(continued)*						
27	Physical traded commodities, including gold	8,780				7,463
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				129	110
29	NSFR derivative assets				61,437	–
30	NSFR derivative liabilities before deduction of variation margin posted				66,812	13,362
31	All other assets not included in the above categories	72,507	17,211	1,392	35,373	126,342
32	Off-balance sheet items				8,610,275	197,746
33	Total RSF					4,130,992
34	Net Stable Funding Ratio (%)					119.17%

31 March 2020

(Expressed in millions of Renminbi except percentage)

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 12 months	
Available stable funding (ASF) item						
1	Capital	649,988	–	–	20,000	669,988
2	Regulatory capital	638,288	–	–	20,000	658,288
3	Other capital instruments	11,700	–	–	–	11,700
4	Retail deposits and deposits from small business customer	1,440,271	700,062	22,808	1,759	1,970,666
5	Stable deposits	435,740	5,681	165	800	420,307
6	Less stable deposits	1,004,531	694,381	22,643	959	1,550,359
7	Wholesale funding	1,929,732	2,027,880	349,432	343,558	2,087,071
8	Operational deposits	1,756,811	–	–	–	878,406
9	Other wholesale funding	172,921	2,027,880	349,432	343,558	1,208,665
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	26,101	158,485	9,511	86,528	23,651
12	NSFR derivative liabilities				67,632	
13	All other liabilities and equity not included in the above categories	26,101	158,485	9,511	18,896	23,651
14	Total ASF					4,751,376
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					130,288
16	Deposits held at other financial institutions for operational purposes	96,267	2,058	–	–	49,163
17	Performing loans and securities	66,167	2,049,491	1,143,778	2,614,134	3,396,612
18	Performing loans to financial institutions secured by Level 1 HQLA	–	153,614	–	–	–
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	536	660,689	259,117	47,860	299,892

(D) Net stable funding ratio *(continued)*

31 March 2020 *(continued)*

(Expressed in millions of Renminbi except percentage)

Serial No.		Unweighted amount: No maturity	Unweighted amount: < 6 months	Unweighted amount: 6 months to 12 months	Unweighted amount: ≥ 12 months	Weighted amount
Required stable funding (RSF) item *(continued)*						
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	1,090,205	816,224	1,377,850	1,947,067
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	462,983	456,345	886,598	1,035,953
22	Performing residential mortgages, of which:	–	32,823	30,053	1,067,481	938,621
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	65,631	112,160	38,384	120,943	211,032
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	81,167	16,764	1,263	70,903	117,510
27	Physical traded commodities, including gold	2,718				2,310
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				176	149
29	NSFR derivative assets				65,766	–
30	NSFR derivative liabilities before deduction of variation margin posted				69,636	13,927
31	All other assets not included in the above categories	78,449	16,764	1,263	4,961	101,124
32	Off-balance sheet items				8,216,134	189,417
33	Total RSF					3,882,990
34	Net Stable Funding Ratio (%)					122.36%

Notes:

(i) Items to be reported in the "no maturity" time bucket do not have a stated maturity. These may include, but are not limited to, items such as capital with perpetual maturity, non-maturity deposits, short positions, open maturity positions, non-HQLA equities and physical traded commodities.

(ii) The item 26 "Other assets" unweighted amount in the above table does not include the item 30 "NSFR derivative liabilities before deduction of variation margin posted ".

(E) International claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China and claims in foreign currencies on third parties within the Mainland China as international claims.

International claims include loans and advances, balances and placements with banks and other financial institutions, holdings of trade bills, certificates of deposit and securities investment.

International claims have been disclosed by different countries or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk is transferred only when the claims are guaranteed by a party in 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 and other financial institutions	**Public sector entities**	**Others**	**Total**
Foreign currencies transactions in Mainland China	**70,386**	**3,033**	**79,692**	**153,111**
Asia Pacific excluding Mainland China	**59,244**	**27,759**	**165,216**	**252,219**
– of which attributed to Hong Kong	**27,659**	**25,327**	**145,868**	**198,854**
Europe	**11,662**	**381**	**14,778**	**26,821**
North and South America	**33,458**	**11,101**	**36,789**	**81,348**
Total	**174,750**	**42,274**	**296,475**	**513,499**

	31 December 2019			
	Banks and other financial institutions	Public sector entities	Others	Total
Foreign currencies transactions in Mainland China	91,598	1,702	75,452	168,752
Asia Pacific excluding Mainland China	43,077	37,338	144,295	224,710
– of which attributed to Hong Kong	24,941	34,766	124,101	183,808
Europe	10,951	2,346	17,928	31,225
North and South America	32,918	45,085	50,046	128,049
Total	178,544	86,471	287,721	552,736

(F) Loans and advances to customers overdue for more than 90 days

(i) By geographical segments

	30 June 2020	31 December 2019
Headquarters	**13,358**	10,835
Yangtze River Delta region	**5,593**	6,920
Bohai Rim region	**5,613**	6,324
Pearl River Delta and West Coast region	**6,028**	6,420
Northeast region	**3,896**	4,023
Central region	**4,097**	2,957
Western region	**4,368**	5,777
Outside Mainland China	**415**	276
Subsidiaries	**882**	932
Total	**44,250**	44,464

(ii) By overdue period

	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 (inclusive)	**11,150**	9,015
– between 6 and 12 months (inclusive)	**8,868**	11,273
– over 12 months	**24,232**	24,176
Total	**44,250**	44,464
As a percentage of total gross loans and advances:		
– between 3 and 6 months (inclusive)	**0.23%**	0.20%
– between 6 and 12 months (inclusive)	**0.18%**	0.25%
– over 12 months	**0.50%**	0.54%
Total	**0.91%**	0.99%

(F) Loans and advances to customers overdue for more than 90 days

(continued)

(iii) Collateral information

	30 June 2020	31 December 2019
Secured portion of overdue loans and advances	**12,666**	11,849
Unsecured portion of overdue loans and advances	**30,962**	32,483
Value of collateral held against overdue loans and advances	**31,718**	46,032

The amount of the Group's overdue loans and advances for more than 90 days to financial institutions as at 30 June 2020 was RMB162 million (31 December 2019: RMB1 million).

Note: The above analysis represents loans and advances overdue for more than 90 days as required and defined by the HKMA.

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

For loans and advances repayable by regular installments, if part of the installments is overdue, the whole amount of these loans would be classified as 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 repayable on demand are outside the approved limit that was advised to the borrower, they were also considered as overdue.

The collateral of the Group included cash deposit, shares, land use right, property, motor vehicles and other equipment, etc. The fair value of collateral was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation.

Where collateral values are greater than gross advances, only the amount of collateral up to the gross advance had been included in the "secured portion of overdue loans and advances" as set out in the above tables.

(G) Rescheduled loans and advances to customers

	30 June 2020		31 December 2019	
	Amount	% of total loans and advances	Amount	% of total loans and advances
Rescheduled loans and advances to customers (Note)	**23,949**	**0.49%**	25,022	0.56%
Less:				
– rescheduled loans and advances overdue more than 90 days	**18,537**	**0.38%**	19,255	0.43%
Rescheduled loans and advances less than 90 days	**5,412**	**0.11%**	5,767	0.13%

Note: Represents the restructured non-performing loans.

The amount of the Group's rescheduled loans and advances to financial institutions as at 30 June 2020 was RMB1 million (31 December 2019: RMB1 million).

(H) Non-bank Mainland China exposures

The Bank is a commercial bank incorporated in the Mainland China with its banking business primarily conducted in the Mainland China. As of 30 June 2020 and 31 December 2019, most of the Bank's exposures arose from businesses with Mainland China non-bank institutions or individuals. Analyses of various types of exposure by counterparty have been disclosed in the notes to the financial report.

(I) Currency concentrations other than RMB

	30 June 2020			
	USD	HKD (in millions of RMB)	Others	Total
Non-structural position				
Spot assets	500,385	43,068	75,577	619,030
Spot liabilities	467,880	33,657	79,885	581,422
Forward purchased	539,840	22,057	100,098	661,995
Forward written	563,527	19,375	97,691	680,593
Net option position	5,952	245	1,137	7,334
Net long position	14,770	12,338	(764)	26,344
Net structural position	8,444	30,779	1,109	40,332

	31 December 2019			
	USD	HKD (in millions of RMB)	Others	Total
Non-structural position				
Spot assets	472,674	43,884	68,777	585,335
Spot liabilities	436,787	33,306	74,813	544,906
Forward purchased	419,254	9,124	79,215	507,593
Forward written	444,655	9,237	69,488	523,380
Net option position	2,222	(127)	349	2,444
Net long position	12,708	10,338	4,040	27,086
Net structural position	8,460	32,540	1,046	42,046

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's branches substantially involved in foreign exchange. Structural assets and liabilities include:

– Investment properties, property and equipment, net of depreciation charges;

– Capital and statutory reserves of overseas branches; and

– Investments in subsidiaries.