中国建设银行
China Construction Bank

Half-Year Report 2021

China Construction Bank Corporation

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

Stock Code: 939 (Ordinary H-share)
601939 (Ordinary A-Share)
360030 (Domestic Preference Share)

Contents

We have included in this report certain forward-looking statements with respect to our financial position, operating results and business development. These statements are based on current plans, estimates and projections. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements do not constitute a substantive commitment to investors. Please be fully aware of the risks and understand the differences between plans, projections and commitments.

The main risks faced by the Group include credit risk, market risk, operational risk, liquidity risk, reputational risk and country risk. We proactively took measures to manage various risks effectively. For more information, please refer to "Risk Management" in the "Management Discussion and Analysis".

This report is prepared in both Chinese and English. In the case of discrepancy between the two versions, the Chinese version shall prevail.

Definitions

In this half-year report, unless the context otherwise requires, the following terms shall have the meanings set out below.

Institutions

Bank	China Construction Bank Corporation
Baowu Steel Group	China Baowu Steel Group Corporation Limited
Board	Board of directors
CBIRC	China Banking and Insurance Regulatory Commission
CCB or Group	China Construction Bank Corporation and its subsidiaries
CCB Asia	China Construction Bank (Asia) Corporation Limited
CCB Brasil	China Construction Bank (Brasil) Banco Múltiplo S/A
CCB Europe	China Construction Bank (Europe) S.A.
CCB Financial Leasing	CCB Financial Leasing Co., Ltd.
CCB Futures	CCB Futures Co., Ltd.
CCB Housing	CCB Housing Services Co., Ltd.
CCB Indonesia	PT Bank China Construction Bank Indonesia Tbk
CCB International	CCB International (Holdings) Limited
CCB Investment	CCB Financial Asset Investment Co., Ltd.
CCB Life	CCB Life Insurance Co., Ltd.
CCB London	China Construction Bank (London) Limited
CCB Malaysia	China Construction Bank (Malaysia) Berhad
CCB New Zealand	China Construction Bank (New Zealand) Limited
CCB Pension	CCB Pension Management Co., Ltd.
CCB Principal Asset Management	CCB Principal Asset Management Co., Ltd.
CCB Property & Casualty	CCB Property & Casualty Insurance Co., Ltd.
CCB Russia	China Construction Bank (Russia) Limited
CCB Trust	CCB Trust Co., Ltd.
CCB Wealth Management	CCB Wealth Management Co., Ltd.
CSRC	China Securities Regulatory Commission
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Huijin	Central Huijin Investment Ltd.
MOF	Ministry of Finance of the People's Republic of China
PBC	The People's Bank of China

Sino-German Bausparkasse	Sino-German Bausparkasse Co., Ltd.
State Council	State Council of the People's Republic of China
State Grid	State Grid Corporation of China
Yangtze Power	China Yangtze Power Co., Limited
Platforms, products and services	
CCB Cloud	A cloud service brand built and operated independently by the Bank on the basis of cloud computing, so as to provide multi-level FinTech products and diversified ecological services to all kinds of users, including the Group, financial institutions and those who pursue services such as government affairs service and housing service
CCB Huidongni	A one-stop mobile finance service platform built by the Bank for inclusive finance customers by using the Internet, big data, artificial intelligence and biometric technologies
CCB Long Fortune	A uniform service platform and major marketing brand created by the Bank to all personal customers for wealth management based on inclusive finance concept and FinTech toolkits
CCB Match Plus	An open platform leveraging FinTech to provide corporate customers with smart matchmaking services and a full range of financial solutions in cross-border transaction scenarios
CCB SMART Custody	A comprehensive custody services brand of the Bank featuring safety, multiple choices, accuracy, reliability and technology
CCB Startup Station	A service model and brand created by the Bank to provide one-stop comprehensive services featuring "Finance + Incubation + Industry + Education" for start-ups and innovative enterprises, by leveraging online platform and offline service entities, integrating internal and external resources and focusing on financial services
CCB Yunongtong	A comprehensive service brand for rural revitalisation by implementing New Finance through offline inclusive finance service outlets, online comprehensive service platform and ecological scenarios for smart agriculture industry chain of the Bank
Cloud Workshop	A whole-process closed-loop, standardised, professional and personalised online service window customised by the Bank for client managers
Cross-border Quick Loan	An online unsecured credit trade financing service provided by the Bank for small and micro cross-border trade businesses
FITS®	Financial Total Solutions, a comprehensive investment banking brand of the Bank incorporating a host of financial products and instruments
Huishibao	A comprehensive settlement service platform of the Bank designed to fulfill the treasury management requirements of niche markets and core enterprises in the supply chains
Long Pay	An internet-based enterprise-level mobile digital payment brand of the Bank, which provides customers with a portfolio of products consisting of comprehensive integrated payment and settlement services
Mingonghui	An innovative financial service product of the Bank to address pain points in the payment of migrant workers' wages
Shanfutong	A supply chain financial service provided by the Bank on e.ccb.com to customers as well as upstream and downstream businesses based on supply chain relationship with corporate customers
WMPs	Wealth management products
Yunong Quick Loan	A loan service provided by the Bank for agriculture-related small and micro businesses, new agricultural operators, organisations of rural collective economy, self-employed individuals, and farmers based on data of agricultural production and operation

Others

AML	Anti-money laundering
IFRS	International Financial Reporting Standards
Listing Rules of Hong Kong Stock Exchange	*The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*
New financial instruments standard or IFRS 9	*International Financial Reporting Standard No. 9 – Financial Instruments* issued by International Accounting Standards Board, which came into effect on 1 January 2018
PRC GAAP	*Accounting Standards for Business Enterprises* and other relevant requirements promulgated by the MOF on 15 February 2006 and afterwards
SFO	*Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)*

Important Notice

The Board, the board of supervisors, directors, supervisors and senior management of the Bank warrant that the information in this half-year report is truthful, accurate and complete and there are no false presentations, misleading statements or material omissions, and they assume several and joint legal liability for such contents.

The Half-Year Report 2021 and results announcement have been reviewed and approved at the Board meeting of the Bank held on 27 August 2021. All the 13 directors of the Bank attended the meeting in person.

As approved by the 2020 annual general meeting, the Bank distributed the 2020 cash dividend of RMB0.326 per share (including tax), totalling RMB3,128 million approximately, on 15 July 2021 to its A-share holders whose names appeared on the register of members after the close of market on 14 July 2021; the Bank distributed the 2020 cash dividend of RMB0.326 per share (including tax), totalling RMB78,376 million approximately, on 5 August 2021 to its H-share holders whose names appeared on the register of members after the close of market on 14 July 2021. The Bank does not declare any 2021 interim dividend, nor does it propose any capitalisation of capital reserve into share capital.

The Group's 2021 half-year financial statements prepared under PRC GAAP have been reviewed by Ernst & Young Hua Ming LLP and the Group's 2021 half-year financial statements prepared under IFRS have been reviewed by Ernst & Young.

Mr. Wang Jiang, vice chairman, executive director and president of the Bank, Mr. Kenneth Patrick Chung and Mr. Michel Madelain, independent non-executive directors of the Bank, hereby warrant the truthfulness, accuracy and completeness of the financial statements in this half-year report.

1 Financial Highlights

The financial information set forth in this half-year report is prepared on a consolidated basis in accordance with the IFRS, and expressed in RMB unless otherwise stated.

(Expressed in millions of RMB unless otherwise stated)	**Six months ended 30 June 2021**	Six months ended 30 June 2020	Change (%)	Six months ended 30 June 2019
For the period				
Net interest income[1]	**296,085**	281,508	5.18	263,380
Net fee and commission income[1]	**69,438**	65,006	6.82	63,751
Operating income	**380,907**	359,924	5.83	344,387
Profit before tax	**184,463**	168,773	9.30	191,180
Net profit	**154,106**	138,939	10.92	155,708
Net profit attributable to equity shareholders of the Bank	**153,300**	137,626	11.39	154,190
Per share (In RMB)				
Basic and diluted earnings per share[2]	**0.61**	0.55	10.91	0.62
Profitability indicators (%)			Change +/(-)	
Annualised return on average assets[3]	**1.06**	1.05	0.01	1.31
Annualised return on average equity[2]	**13.10**	12.65	0.45	15.62
Net interest spread[1]	**1.95**	2.04	(0.09)	2.16
Net interest margin[1]	**2.13**	2.20	(0.07)	2.32
Net fee and commission income to operating income[1]	**18.23**	18.06	0.17	18.51
Cost-to-income ratio[4]	**22.22**	21.25	0.97	21.93

1. The income from credit card instalment business has been reclassified and the prior years' comparatives have been adjusted accordingly.
2. Calculated in accordance with the *Rule No.9 on the Preparation of Information Disclosure of Companies Issuing Public Securities – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010)* issued by the CSRC, and are attributable to ordinary shareholders of the Bank.
3. Calculated by dividing net profit by the average of total assets at the beginning and end of the period and then annualising the quotient.
4. Operating expenses (after deduction of taxes and surcharges) divided by operating income.

(Expressed in millions of RMB unless otherwise stated)	**As at 30 June 2021**	As at 31 December 2020	Change (%)	As at 31 December 2019
At the end of the period				
Net loans and advances to customers[1]	**17,493,902**	16,231,369	7.78	14,542,001
Total assets	**29,833,188**	28,132,254	6.05	25,436,261
Deposits from customers	**22,317,969**	20,614,976	8.26	18,366,293
Total liabilities	**27,370,847**	25,742,901	6.32	23,201,134
Total equity	**2,462,341**	2,389,353	3.05	2,235,127
Total equity attributable to equity shareholders of the Bank	**2,436,972**	2,364,808	3.05	2,216,257
Share capital	**250,011**	250,011	–	250,011
Common Equity Tier 1 capital after regulatory adjustments[2]	**2,334,870**	2,261,449	3.25	2,089,976
Additional Tier 1 capital after regulatory adjustments[2]	**100,070**	100,068	–	119,716
Tier 2 capital after regulatory adjustments[2]	**491,575**	471,164	4.33	427,896
Total capital after regulatory adjustments[2]	**2,926,515**	2,832,681	3.31	2,637,588
Risk-weighted assets[2]	**17,646,361**	16,604,591	6.27	15,053,291
Per share (In RMB)				
Net assets per share attributable to ordinary shareholders of the Bank	**9.35**	9.06	3.20	8.39
Capital adequacy indicators (%)			Change +/(-)	
Common Equity Tier 1 ratio[2]	**13.23**	13.62	(0.39)	13.88
Tier 1 ratio[2]	**13.80**	14.22	(0.42)	14.68
Total capital ratio[2]	**16.58**	17.06	(0.48)	17.52
Total equity to total assets	**8.25**	8.49	(0.24)	8.79
Asset quality indicators (%)			Change +/(-)	
Non-performing loan (NPL) ratio	**1.53**	1.56	(0.03)	1.42
Allowances to NPLs[3]	**222.39**	213.59	8.80	227.69
Allowances to total loans[3]	**3.41**	3.33	0.08	3.23

1. The income from credit card instalment business has been reclassified and the prior years' comparatives have been adjusted accordingly.
2. Calculated in accordance with the relevant regulations of the *Capital Rules for Commercial Banks (Provisional)*, the advanced capital measurement approaches, and applicable rules for the transitional period.
3. Allowances for impairment losses on loans include the allowances for impairment losses on discounted bills measured at fair value through other comprehensive income, and the total loans and the NPLs do not include the accrued interest.

2 Corporate Information

Legal name and abbreviation in Chinese	中國建設銀行股份有限公司 (abbreviated as "中國建設銀行")
Legal name and abbreviation in English	CHINA CONSTRUCTION BANK CORPORATION (abbreviated as "CCB")
Legal representative	Tian Guoli
Authorised representative	Wang Jiang Ma Chan Chi
Secretary to the Board	Hu Changmiao
Mailing address	No. 25, Financial Street, Xicheng District, Beijing
Company secretary	Ma Chan Chi
Principal place of business in Hong Kong	28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
Registered address and office address	No. 25, Financial Street, Xicheng District, Beijing Postcode: 100033 Telephone: 86-10-67597114
Website	www.ccb.com
Hotline for customer service and complaints	95533
Contact information for investors	Telephone: 86-10-66215533 Facsimile: 86-10-66218888 Email: ir@ccb.com
Media and websites for information disclosure	*China Securities Journal* www.cs.com.cn *Shanghai Securities News* www.cnstock.com *Securities Times* www.stcn.com *Securities Daily* www.zqrb.cn
Website of the Shanghai Stock Exchange for publishing the half-year report prepared in accordance with PRC GAAP	www.sse.com.cn
"HKEXnews" website of Hong Kong Exchanges and Clearing Limited for publishing the half-year report prepared in accordance with IFRS	www.hkexnews.hk
Place where copies of this half-year report are kept	Board of Directors Office of the Bank
Listing exchanges, stock abbreviations and stock codes	A-share: Shanghai Stock Exchange Stock abbreviation: 建設銀行 Stock code: 601939 H-share: The Stock Exchange of Hong Kong Limited Stock abbreviation: CCB Stock code: 939 Domestic preference share: Shanghai Stock Exchange Stock abbreviation: 建行優1 Stock code: 360030

Certified public accountants	Ernst & Young Hua Ming LLP Address: 16/F, Ernst & Young Tower, Oriental Plaza, No.1 East Changan Avenue, Dongcheng District, Beijing Signing accountants: Wang Pengcheng, Tian Zhiyong and Feng Suoteng Ernst & Young Address: 27/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
Legal advisor as to PRC laws	Commerce & Finance Law Offices Address: 6/F, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing
Legal advisor as to Hong Kong laws	Clifford Chance Address: 27/F, Jardine House, One Connaught Place, Central, Hong Kong
A-share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch Address: No. 188 Yanggaonan Road, Pudong New District, Shanghai
H-share registrar	Computershare Hong Kong Investor Services Limited Address: Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Rating information	Standard & Poor's: long-term "A"/short-term "A-1"/stable outlook Moody's: long-term "A1"/short-term "P-1"/stable outlook Fitch: long-term "A"/short-term "F1+"/stable outlook ESG rating of MSCI: A

3.1 Financial Review

In the first half of 2021, the global economy continued to recover, though with growing divergence. Major developed economies continued to maintain monetary easing policies, while certain emerging economies began to raise interest rates in response to pressures such as inflation, capital outflows and currency depreciation. China continued to consolidate its achievements in COVID-19 prevention and control as well as economic and social development, and its economic development maintained an overall stable and upward trend. Domestic consumption gradually improved, investment continued to recover, and the growth of import and export trades remained favourable. In the first half of 2021, China's gross domestic product and consumer price index rose by 12.7% and 0.5% from the same period last year, respectively.

Domestic regulators carefully coordinated the relationship between economic recovery and risk prevention, placed greater importance on serving the real economy, and the banking industry maintained a good momentum of stable operation. The banking industry continuously enhanced its financial services with steady growth of total assets, basically stable credit asset quality, continued profit growth, relatively strong risk mitigation capability and steady liquidity.

In the first half of 2021, the Group enhanced the quality and efficiency in serving the real economy, and achieved new progress in its high-quality development. The Group's total assets and liabilities steadily increased. Total assets reached RMB29.83 trillion, up 6.05%, of which net loans and advances to customers amounted to RMB17.49 trillion, up 7.78%. Total liabilities reached RMB27.37 trillion, up 6.32%, of which deposits from customers were RMB22.32 trillion, up 8.26%. As compared to the first half of 2020, net interest income increased by 5.18%, net fee and commission income increased by 6.82%, and operating income increased by 5.83% to RMB380,907 million. The Group's NPL ratio was 1.53%, down 0.03 percentage points from the end of 2020. The Group's net profit was RMB154,106 million, up 10.92% from the same period last year. Annualised return on average assets was 1.06%, annualised return on average equity was 13.10%, and capital adequacy ratio was 16.58%.

3.1.1 Statement of Comprehensive Income Analysis

In the first half of 2021, the Group achieved steady growth in profitability. Profit before tax of the Group was RMB184,463 million, an increase of 9.30% from the same period last year. Net profit was RMB154,106 million, an increase of 10.92% from the same period last year. Key factors affecting the Group's profitability are as follows. Firstly, net interest income increased by RMB14,577 million, an increase of 5.18% from the same period last year, mainly due to moderate increase in interest-earning assets. Secondly, net fee and commission income increased by RMB4,432 million, or 6.82% from the same period last year, as the Group seized the market opportunities in wealth management, and enhanced its comprehensive service capabilities. Thirdly, operating expenses increased by 10.47% from the same period last year, mainly due to the lower base last year in the wake of COVID-19. Cost-to-income ratio was 22.22%, 0.97 percentage points higher than that from the same period last year, staying at a sound level. Fourthly, the Group made provisions for impairment losses on loans and advances based on substantive risks. Total impairment losses reached RMB108,512 million, a decrease of 2.74% from the same period last year.

The following table sets forth the composition of the Group's statement of comprehensive income and the changes during the respective periods.

(In millions of RMB, except percentages)	**Six months ended 30 June 2021**	Six months ended 30 June 2020	Change (%)
Net interest income	**296,085**	281,508	5.18
Net non-interest income	**84,822**	78,416	8.17
– Net fee and commission income	**69,438**	65,006	6.82
Operating income	**380,907**	359,924	5.83
Operating expenses	**(88,160)**	(79,805)	10.47
Credit impairment losses	**(108,320)**	(111,378)	(2.75)
Other impairment losses	**(192)**	(188)	2.13
Share of profits of associates and joint ventures	**228**	220	3.64
Profit before tax	**184,463**	168,773	9.30
Income tax expense	**(30,357)**	(29,834)	1.75
Net profit	**154,106**	138,939	10.92

Net interest income

In the first half of 2021, the Group's net interest income amounted to RMB296,085 million, an increase of RMB14,577 million, or 5.18% from the same period last year. Net interest income accounted for 77.73% of the operating income.

The following table sets forth the Group's average balances of assets and liabilities, related interest income or expense, and average yields or costs during the respective periods.

	Six months ended 30 June 2021			Six months ended 30 June 2020		
(In millions of RMB, except percentages)	**Average balance**	**Interest income/ expense**	**Annualised average yield/cost (%)**	Average balance	Interest income/ expense	Annualised average yield/cost (%)
Assets						
Gross loans and advances to customers	**17,619,866**	**373,245**	**4.27**	15,839,177	351,620	4.46
Financial investments	**6,436,562**	**108,236**	**3.39**	5,583,067	97,783	3.52
Deposits with central banks	**2,576,139**	**18,514**	**1.45**	2,497,015	17,688	1.42
Deposits and placements with banks and non-bank financial institutions	**885,559**	**9,715**	**2.21**	1,234,119	13,125	2.14
Financial assets held under resale agreements	**560,586**	**6,239**	**2.24**	592,549	5,321	1.81
Total interest-earning assets	**28,078,712**	**515,949**	**3.71**	25,745,927	485,537	3.79
Total allowances for impairment losses	**(601,464)**			(518,992)		
Non-interest-earning assets	**1,022,188**			1,767,145		
Total assets	**28,499,436**	**515,949**		26,994,080	485,537	
Liabilities						
Deposits from customers	**21,240,816**	**175,542**	**1.67**	19,200,756	150,907	1.58
Deposits and placements from banks and non-bank financial institutions	**2,203,696**	**18,981**	**1.74**	2,615,364	27,340	2.10
Debt securities issued	**935,792**	**14,323**	**3.09**	974,021	16,085	3.32
Borrowings from central banks	**752,366**	**10,692**	**2.87**	584,285	9,136	3.14
Financial assets sold under repurchase agreements	**36,198**	**326**	**1.82**	53,746	561	2.10
Total interest-bearing liabilities	**25,168,868**	**219,864**	**1.76**	23,428,172	204,029	1.75
Non-interest-bearing liabilities	**937,639**			1,249,343		
Total liabilities	**26,106,507**	**219,864**		24,677,515	204,029	
Net interest income		**296,085**			281,508	
Net interest spread			**1.95**			2.04
Net interest margin			**2.13**			2.20

In the first half of 2021, the Group continued to increase its support for the real economy and made dynamic adjustments to its business strategy and structure of assets and liabilities. Loan yield declined due to factors such as the conversion of pricing basis to loan prime rate upon loan repricing and increased efforts in surrendering profits to support the real economy. The yield of debt securities was lower than that of the same period last year due to the decline in market interest rates, and cost of deposits was higher than that of the same period last year due to more intense market competition. As a result, net interest spread fell to 1.95%, down 9 basis points from the same period last year; net interest margin was 2.13%, down 7 basis points from the same period last year.

The following table sets forth the effects of the movement of the average balances and average interest rates of the Group's assets and liabilities on the change in interest income and expense in the first half of 2021 as compared with the same period last year.

(In millions of RMB)	Volume factor[1]	Interest rate factor[1]	Change in interest income/expense
Assets			
Gross loans and advances to customers	37,327	(15,702)	21,625
Financial investments	14,217	(3,764)	10,453
Deposits with central banks	496	330	826
Deposits and placements with banks and non-bank financial institutions	(3,824)	414	(3,410)
Financial assets held under resale agreements	(298)	1,216	918
Change in interest income	47,918	(17,506)	30,412
Liabilities			
Deposits from customers	16,037	8,598	24,635
Deposits and placements from banks and non-bank financial institutions	(4,001)	(4,358)	(8,359)
Debt securities issued	(637)	(1,125)	(1,762)
Borrowings from central banks	2,402	(846)	1,556
Financial assets sold under repurchase agreements	(167)	(68)	(235)
Change in interest expense	13,634	2,201	15,835
Change in net interest income	34,284	(19,707)	14,577

1. Changes caused by both average balances and average interest rates were allocated to the volume factor and interest rate factor respectively based on the respective proportions of absolute values of volume factor and interest rate factor.

Net interest income increased by RMB14,577 million from the same period last year. In this amount, an increase of RMB34,284 million was due to the movement of volume of assets and liabilities, and a decrease of RMB19,707 million was due to the movements of interest rates.

Interest income

In the first half of 2021, the Group recognised interest income of RMB515,949 million, an increase of RMB30,412 million or 6.26% from the same period last year. In this amount, interest income from loans and advances to customers, financial investments, deposits with central banks, deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements accounted for 72.34%, 20.98%, 3.59%, 1.88% and 1.21%, respectively.

The following table sets forth the average balance, interest income and annualised average yield of each component of the Group's loans and advances to customers during the respective periods.

	Six months ended 30 June 2021			Six months ended 30 June 2020		
(In millions of RMB, except percentages)	Average balance	Interest income	Annualised average yield (%)	Average balance	Interest income	Annualised average yield (%)
Corporate loans and advances	8,933,884	176,897	3.99	7,576,223	158,880	4.22
Short-term loans	2,742,173	49,192	3.62	2,542,928	53,153	4.20
Medium to long-term loans	6,191,711	127,705	4.16	5,033,295	105,727	4.22
Personal loans and advances	7,390,017	177,520	4.84	6,659,699	163,720	4.94
Short-term loans	1,219,874	27,939	4.62	978,767	26,001	5.34
Medium to long-term loans	6,170,143	149,581	4.89	5,680,932	137,719	4.88
Discounted bills	205,192	2,590	2.55	490,199	6,419	2.63
Overseas operations and subsidiaries	1,090,773	16,238	3.00	1,113,056	22,601	4.08
Gross loans and advances to customers	17,619,866	373,245	4.27	15,839,177	351,620	4.46

Interest income from loans and advances to customers amounted to RMB373,245 million, an increase of RMB21,625 million or 6.15% from the same period last year. This was mainly because the average balance of loans and advances to customers increased by 11.24% from the same period last year.

Interest income from financial investments amounted to RMB108,236 million, an increase of RMB10,453 million or 10.69% from the same period last year, mainly due to the 15.29% increase in average balance of financial investments from the same period last year.

Interest income from deposits with central banks amounted to RMB18,514 million, an increase of RMB826 million or 4.67% from the same period last year, mainly because the average balance of deposits from customers increased by 3.17% and the annualised average yield rose by 3 basis points from the same period last year.

Interest income from deposits and placements with banks and non-bank financial institutions was RMB9,715 million, a decrease of RMB3,410 million or 25.98% from the same period last year, mainly due to 28.24% decrease in average balance of deposits and placements with banks and non-bank financial institutions from the same period last year.

Interest income from financial assets held under resale agreements amounted to RMB6,239 million, an increase of RMB918 million or 17.25% from the same period last year, mainly because the annualised average yield of financial assets held under resale agreements rose by 43 basis points from the same period last year.

Interest expense

In the first half of 2021, the Group's interest expense was RMB219,864 million, an increase of RMB15,835 million or 7.76% from the same period last year. In this amount, interest expense on deposits from customers accounted for 79.84%, interest expense on deposits and placements from banks and non-bank financial institutions accounted for 8.63%, interest expense on debt securities issued accounted for 6.52%, interest expense on borrowings from central banks accounted for 4.86%, and interest expense on financial assets sold under repurchase agreements accounted for 0.15%.

The following table sets forth the average balance, interest expense and annualised average cost of each component of the Group's deposits from customers during the respective periods.

(In millions of RMB, except percentages)	Six months ended 30 June 2021			Six months ended 30 June 2020		
	Average balance	Interest expense	Annualised average cost (%)	Average balance	Interest expense	Annualised average cost (%)
Corporate deposits	10,093,150	75,331	1.51	9,358,531	66,110	1.42
Demand deposits	6,353,088	27,013	0.86	5,899,071	23,370	0.78
Time deposits	3,740,062	48,318	2.61	3,459,460	42,740	2.48
Personal deposits	10,714,427	98,471	1.85	9,316,009	80,060	1.73
Demand deposits	4,673,414	7,251	0.31	4,363,609	6,717	0.30
Time deposits	6,041,013	91,220	3.05	4,952,400	73,343	2.98
Overseas operations and subsidiaries	433,239	1,740	0.81	526,216	4,737	1.81
Total deposits from customers	21,240,816	175,542	1.67	19,200,756	150,907	1.58

Interest expense on deposits from customers was RMB175,542 million, an increase of RMB24,635 million or 16.32% from the same period last year, mainly because average balance of deposits from customers increased by 10.62% and the annualised average cost rose by 9 basis points from the same period last year.

Interest expense on deposits and placements from banks and non-bank financial institutions decreased by RMB8,359 million or 30.57% from the same period last year to RMB18,981 million. This was mainly because the average balance of deposits and placements from banks and non-bank financial institutions decreased by 15.74% and the annualised average cost dropped by 36 basis points from the same period last year.

Interest expense on debt securities issued was RMB14,323 million, a decrease of RMB1,762 million or 10.95% from the same period last year, mainly because the average balance of debt securities issued decreased by 3.92% and the annualised average cost dropped by 23 basis points from the same period last year.

Interest expense on borrowings from central banks increased by RMB1,556 million or 17.03% to RMB10,692 million from the same period last year, mainly because the average balance of borrowings from central banks increased by 28.77% from the same period last year.

Interest expense on financial assets sold under repurchase agreements was RMB326 million, down by RMB235 million or 41.89% from the same period last year, mainly because the average balance of financial assets sold under repurchase agreements decreased by 32.65% and the annualised average cost of financial assets sold under repurchase agreements decreased by 28 basis points from the same period last year.

Net non-interest income

The following table sets forth the composition and change of the Group's net non-interest income during the respective periods.

(In millions of RMB, except percentages)	**Six months ended 30 June 2021**	Six months ended 30 June 2020	Change (%)
Fee and commission income	**77,570**	72,706	6.69
Fee and commission expense	**(8,132)**	(7,700)	5.61
Net fee and commission income	**69,438**	65,006	6.82
Other net non-interest income	**15,384**	13,410	14.72
Total other net non-interest income	**84,822**	78,416	8.17

In the first half of 2021, the Group's net non-interest income reached RMB84,822 million, an increase of RMB6,406 million or 8.17% from the same period last year. Net non-interest income accounted for 22.27% of operating income.

Net fee and commission income

The following table sets forth the composition and change of the Group's net fee and commission income during the respective periods.

(In millions of RMB, except percentages)	**Six months ended 30 June 2021**	Six months ended 30 June 2020	Change (%)
Fee and commission income	**77,570**	72,706	6.69
Electronic banking service fees	**14,429**	14,308	0.85
Agency service fees	**11,842**	10,053	17.80
Commission on trust and fiduciary activities	**10,980**	9,491	15.69
Bank card fees	**10,443**	10,483	(0.38)
Wealth management service fees	**9,116**	8,536	6.79
Consultancy and advisory fees	**8,520**	7,989	6.65
Settlement and clearing fees	**7,943**	7,574	4.87
Guarantee fees	**2,191**	1,952	12.24
Credit commitment fees	**801**	755	6.09
Others	**1,305**	1,565	(16.61)
Fee and commission expense	**(8,132)**	(7,700)	5.61
Net fee and commission income	**69,438**	65,006	6.82

In the first half of 2021, the Group seized market opportunities and focused on customer demands to constantly optimise products, strengthen innovation and improve service capabilities. As a result, net fee and commission income increased by 6.82% from the same period last year to RMB69,438 million. The ratio of net fee and commission income to operating income was 18.23%, up 0.17 percentage points from the same period last year.

The Group accelerated digital transformation of online financial services and increased support to the growth of new types of consumption, and electronic banking service fees reached RMB14,429 million. Agency service fees reached RMB11,842 million, an increase of 17.80%, mainly due to the rapid growth of agency fund sales. Commission on trust and fiduciary activities rose by 15.69% to RMB10,980 million driven by the rapid growth of mutual fund custody. Bank card fees reached RMB10,443 million, a decrease of 0.38%, mainly affected by residents' consumption habits moving online. Wealth management service fees totalled RMB9,116 million, an increase of 6.79%, mainly because the Bank accelerated the building of a new group asset management system, and continued to improve its asset allocation, channel sales, and investment research capabilities. Consultancy and advisory fees reached RMB8,520 million, an increase of 6.65%, mainly due to the effective expansion of customer base through smart investment banking platforms such as "FITS® e Intelligent". Settlement and clearing fees totalled RMB7,943 million, an increase of 4.87%, mainly due to the rapid increase in income from international settlement driven by expanded business scales as the Bank expanded upstream and downstream businesses of trade finance.

Other net non-interest income

The following table sets forth the composition and change of the Group's other net non-interest income during the respective periods.

(In millions of RMB, except percentages)	**Six months ended 30 June 2021**	Six months ended 30 June 2020	Change (%)
Dividend income	**3,657**	1,496	144.45
Net trading gain	**2,870**	3,313	(13.37)
Net gain on derecognition of financial assets measured at amortised cost	**2,527**	1,381	82.98
Net gain arising from investment securities	**1,853**	3,984	(53.49)
Other net operating income	**4,477**	3,236	38.35
Total other net non-interest income	**15,384**	13,410	14.72

Other net non-interest income of the Group was RMB15,384 million, an increase of RMB1,974 million or 14.72% from the same period last year. In this amount, dividend income was RMB3,657 million, an increase of RMB2,161 million from the same period last year, mainly due to the substantial increase in dividend income from subsidiaries; net trading gain was RMB2,870 million, a decrease of RMB443 million from the same period last year, mainly due to the decrease in the average volume of trading debt securities investment from the same period last year; net gain on derecognition of financial assets measured at amortised cost was RMB2,527 million, an increase of RMB1,146 million from the same period last year, mainly due to the increase in income from the transfer of securitisation asset; net income from investment securities was RMB1,853 million, a decrease of RMB2,131 million from the same period last year, mainly due to the increase in expenses caused by rising structured deposit business volume; other net operating income was RMB4,477 million, an increase of RMB1,241 million from the same period last year, mainly due to the increase in income from foreign exchange business amid market changes.

Operating expenses

The following table sets forth the composition of the Group's operating expenses during respective periods.

(In millions of RMB, except percentages)	**Six months ended 30 June 2021**	Six months ended 30 June 2020	Change (%)
Staff costs	**50,616**	45,257	11.84
Premises and equipment expenses	**16,485**	16,214	1.67
Taxes and surcharges	**3,538**	3,336	6.06
Others	**17,521**	14,998	16.82
Total operating expenses	**88,160**	79,805	10.47
Cost-to-income ratio (%)	**22.22**	21.25	0.97

In the first half of 2021, the Group continuously strengthened cost management and optimised expense structure. Cost-to-income ratio increased by 0.97 percentage points from the same period last year to 22.22%. Operating expenses totalled RMB88,160 million, an increase of RMB8,355 million or 10.47% from the same period last year. In this amount, staff costs were RMB50,616 million, an increase of RMB5,359 million or 11.84% from the same period last year, mainly because the bases for five insurance expenditures were low following a temporary social security exemption in the same period last year, and returned to the normal level in the first half of 2021; premises and equipment expenditures were RMB16,485 million, an increase of RMB271 million or 1.67% from the first half of 2020; taxes and surcharges were RMB3,538 million, an increase of RMB202 million or 6.06% from the first half of 2020; other operating expenses were RMB17,521 million, an increase of RMB2,523 million or 16.82% from the first half of 2020, mainly because marketing activities returned to normal in the first half of 2021, and the Group increased strategic investments and FinTech investments and strengthened balanced management of expenses.

Impairment losses

The following table sets forth the composition of the Group's impairment losses during respective periods.

(In millions of RMB, except percentages)	**Six months ended 30 June 2021**	Six months ended 30 June 2020	Change (%)
Loans and advances to customers	**94,450**	105,534	(10.50)
Financial investments	**3,273**	2,829	15.69
Financial assets measured at amortised cost	**3,332**	2,688	23.96
Financial assets measured at fair value through other comprehensive income	**(59)**	141	(141.84)
Others	**10,789**	3,203	236.84
Total impairment losses	**108,512**	111,566	(2.74)

In the first half of 2021, the Group's impairment losses were RMB108,512 million, a decrease of RMB3,054 million or 2.74% from the same period last year. This was mainly because impairment losses on loans and advances to customers decreased by RMB11,084 million from the same period last year, and other impairment losses increased by RMB7,586 million from the same period last year. Impairment losses on financial investments increased by RMB444 million. Specifically, impairment losses on financial investments measured at amortised cost increased by RMB644 million or 23.96% from the same period last year; impairment losses on financial assets measured at fair value through other comprehensive income decreased by RMB200 million from the same period last year.

Income tax expense

In the first half of 2021, income tax expense of the Group was RMB30,357 million, an increase of RMB523 million from the same period last year. The effective income tax rate was 16.46%, lower than the statutory rate of 25%. This was mainly because interest income from the PRC treasury bonds and local government bonds was non-taxable in accordance with the tax law.

3.1.2 Statement of Financial Position Analysis

Assets

The following table sets forth the composition of the Group's total assets as at the dates indicated.

	As at 30 June 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Loans and advances to customers	**17,493,902**	**58.64**	16,231,369	57.70
Loans and advances to customers measured at amortised cost	**17,818,775**	**59.73**	16,476,817	58.57
Allowances for impairment losses on loans	**(615,141)**	**(2.06)**	(556,063)	(1.98)
Book values of loans and advances to customers at fair value through other comprehensive income	**241,305**	**0.81**	259,061	0.92
Book values of loans and advances to customers at fair value through profit or loss	**4,659**	**0.01**	9,890	0.04
Accrued interest	**44,304**	**0.15**	41,664	0.15
Financial investments	**7,228,323**	**24.23**	6,950,653	24.71
Cash and deposits with central banks	**2,780,438**	**9.32**	2,816,164	10.01
Deposits and placements with banks and non-bank financial institutions	**799,641**	**2.68**	821,637	2.92
Financial assets held under resale agreements	**705,282**	**2.36**	602,239	2.14
Others[1]	**825,602**	**2.77**	710,192	2.52
Total assets	**29,833,188**	**100.00**	28,132,254	100.00

1. These comprise precious metals, positive fair value of derivatives, long-term equity investments, fixed assets, land use rights, intangible assets, goodwill, deferred tax assets and other assets.

At the end of June, the Group's total assets stood at RMB29.83 trillion, an increase of RMB1.70 trillion or 6.05% from the end of last year. Specifically, loans and advances to customers increased by RMB1.26 trillion or 7.78% from the end of last year as the Group actively promoted high-quality development of the real economy, and increased credit supply in areas such as inclusive finance, advanced manufacturing, strategic emerging industries and green finance. Financial investments increased by RMB277,670 million or 3.99% from the end of last year as the Group adhered to value investment and proactively implemented the green development philosophy. Cash and deposits with central banks decreased by RMB35,726 million or 1.27% from the end of last year. Deposits and placements with banks and non-bank financial institutions decreased by RMB21,996 million or 2.68% from the end of last year as the Group dynamically adjusted the size and structure of interbank assets based on sources and application of funds. Financial assets held under resale agreements increased by RMB103,043 million or 17.11% from the end of last year. As a result, the proportion of net loans and advances to customers to total assets increased by 0.94 percentage points to 58.64%, that of financial investments decreased by 0.48 percentage points to 24.23%, that of cash and deposits with central banks decreased by 0.69 percentage points to 9.32%, that of deposits and placements with banks and non-bank financial institutions decreased by 0.24 percentage points to 2.68%, and that of financial assets held under resale agreements increased by 0.22 percentage points to 2.36%.

Loans and advances to customers

The following table sets forth the composition of the Group's gross loans and advances to customers as at the dates indicated.

	As at 30 June 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Corporate loans and advances	9,267,153	51.18	8,360,221	49.80
Short-term loans	2,754,320	15.21	2,593,677	15.45
Medium to long-term loans	6,512,833	35.97	5,766,544	34.35
Personal loans and advances	7,529,011	41.58	7,233,869	43.09
Residential mortgages	6,105,839	33.72	5,830,859	34.73
Credit card loans	839,412	4.63	825,710	4.92
Personal consumer loans	227,838	1.26	264,581	1.58
Personal business loans[1]	193,355	1.07	138,481	0.82
Other loans[2]	162,567	0.90	174,238	1.04
Discounted bills	241,305	1.33	259,061	1.54
Overseas operations and subsidiaries	1,027,270	5.67	892,617	5.32
Accrued interest	44,304	0.24	41,664	0.25
Gross loans and advances to customers	18,109,043	100.00	16,787,432	100.00

1. These comprise personal loans for production and operation and online business loans.
2. These comprise personal commercial property mortgage loans and home equity loans, etc.

At the end of June, the Group's gross loans and advances to customers stood at RMB18.11 trillion, an increase of RMB1.32 trillion or 7.87% from the end of last year, mainly due to the increase in domestic loans of the Bank.

Corporate loans and advances reached RMB9.27 trillion, an increase of RMB0.91 trillion or 10.85% from the end of last year. In this amount, short-term and medium to long-term loans were RMB2.75 trillion and RMB6.51 trillion respectively.

Personal loans and advances reached RMB7.53 trillion, an increase of RMB295,142 million or 4.08% from the end of last year. In this amount, residential mortgages experienced an increase of RMB274,980 million or 4.72% to RMB6.11 trillion; credit card loans were RMB839,412 million, an increase of RMB13,702 million or 1.66%; personal consumer loans decreased by RMB36,743 million or 13.89% to RMB227,838 million; personal business loans increased by RMB54,874 million or 39.63% to RMB193,355 million.

Discounted bills decreased by RMB17,756 million or 6.85% to RMB241,305 million from the end of last year.

Loans and advances made by overseas operations and subsidiaries were RMB1.03 trillion, an increase of RMB134,653 million or 15.09% from the end of last year.

Distribution of loans by type of collateral

The following table sets forth the distribution of loans and advances by type of collateral as at the dates indicated.

	As at 30 June 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Unsecured loans	**5,862,906**	**32.38**	5,397,481	32.15
Guaranteed loans	**2,486,138**	**13.73**	2,222,110	13.24
Loans secured by property and other immovable assets	**8,229,341**	**45.44**	7,703,618	45.89
Other pledged loans	**1,486,354**	**8.21**	1,422,559	8.47
Accrued interest	**44,304**	**0.24**	41,664	0.25
Gross loans and advances to customers	**18,109,043**	**100.00**	16,787,432	100.00

Allowances for impairment losses on loans and advances to customers

	Six months ended 30 June 2021			
(In millions of RMB)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2021	**275,428**	**108,099**	**172,536**	**556,063**
Transfers:				
Transfers in/(out) to Stage 1	**5,482**	**(5,023)**	**(459)**	**–**
Transfers in/(out) to Stage 2	**(6,929)**	**8,421**	**(1,492)**	**–**
Transfers in/(out) to Stage 3	**(1,152)**	**(14,793)**	**15,945**	**–**
Newly originated or purchased financial assets	**97,899**	**–**	**–**	**97,899**
Transfer out/repayment	**(62,111)**	**(10,910)**	**(18,828)**	**(91,849)**
Remeasurements	**11,613**	**35,252**	**29,728**	**76,593**
Write-off	**–**	**–**	**(30,146)**	**(30,146)**
Recoveries of loans and advances written off	**–**	**–**	**6,581**	**6,581**
As at 30 June 2021	**320,230**	**121,046**	**173,865**	**615,141**

The Group made provisions for impairment losses in line with changes in the quality of its credit assets as required by the new financial instruments standard. At the end of June, the allowances for impairment losses on loans and advances measured at amortised cost were RMB615,141 million. In addition, the allowances for impairment losses on discounted bills measured at fair value through other comprehensive income were RMB839 million.

The Group adopts a "three-stage" model for impairment based on changes in credit risk since initial recognition or by determining whether the financial instruments are credit-impaired, to estimate the expected credit losses (ECL). For stage one, financial instruments with no significant increase in credit risk, ECL in the next 12 months is recognised. For stage two, financial instruments with significant increase in credit risk since initial recognition, but with no objective evidence of impairment, lifetime ECL is recognised. For stage three, financial instruments with objective evidence of impairment on the balance sheet date, lifetime ECL is recognised. The Group continued to make judgement based on substantive risk assessment and comprehensively considered regulatory and business environment, internal and external credit rating of customers, customer repayment ability, customer operation capacity, contract terms of loans, asset price, market interest rate, customer repayment behaviours, and forward-looking information, to assess whether the credit risk of relevant financial instruments had increased significantly since initial recognition. For borrowers who were eligible for temporary deferral in principal repayment and interest payment in the wake of COVID-19, the Group, by reference to guidelines from relevant regulators, did not consider these support measures as an automatic trigger of a significant increase in credit risk. The assessment of significant increase in credit risk and the measurement of ECL both incorporated forward-looking information. The Group developed scenarios specifically tailored for ECL measurement by reference to forecast results of authoritative international institutions and leveraging on the capability of internal experts. Expected credit losses are the discounted product of the weighted average of probability of defaults (PD), loss given defaults (LGD) and exposure at default (EAD) under the optimistic, baseline and pessimistic scenarios. Please refer to "Loans and Advances to Customers" in the notes to the financial statements for details of allowances for impairment losses on loans.

Financial investments

The following table sets forth the composition of the Group's financial investments by measurement as at the dates indicated.

	As at 30 June 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Financial assets measured at fair value through profit or loss	**575,380**	**7.96**	577,952	8.31
Financial assets measured at amortised cost	**4,696,655**	**64.98**	4,505,243	64.82
Financial assets measured at fair value through other comprehensive income	**1,956,288**	**27.06**	1,867,458	26.87
Total financial investments	**7,228,323**	**100.00**	6,950,653	100.00

For further details on financial instruments measured at fair value, please refer to "Risk management – Fair value of financial instruments" in the notes to the financial statements.

The following table sets forth the composition of the Group's financial investments by nature as at the dates indicated.

	As at 30 June 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Debt securities	**6,947,165**	**96.11**	6,665,884	95.90
Equity instruments and funds	**249,401**	**3.45**	223,589	3.22
Other debt instruments	**31,757**	**0.44**	61,180	0.88
Total financial investments	**7,228,323**	**100.00**	6,950,653	100.00

At the end of June, the Group's financial investments totalled RMB7.23 trillion, an increase of RMB277,670 million or 3.99% from the end of last year. In this amount, debt securities increased by RMB281,281 million or 4.22% from the end of last year, and accounted for 96.11% of total financial investments, up by 0.21 percentage points from the end of last year; equity instruments and funds increased by RMB25,812 million from the end of last year, and accounted for 3.45% of total investments, an increase of 0.23 percentage points from the end of last year. Other debt instruments, mainly including deposits with banks and non-bank financial institutions, debt securities and credit assets invested by principal-guaranteed WMPs, decreased by RMB29,423 million, with its proportion in total financial investments down to 0.44%.

Debt securities

The following table sets forth the composition of the Group's debt instruments by currency as at the dates indicated.

	As at 30 June 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
RMB	**6,717,823**	**96.70**	6,438,835	96.60
USD	**137,803**	**1.98**	138,028	2.07
HKD	**24,361**	**0.35**	33,495	0.50
Other foreign currencies	**67,178**	**0.97**	55,526	0.83
Total debt securities	**6,947,165**	**100.00**	6,665,884	100.00

At the end of June, total investments in RMB debt securities were RMB6.72 trillion, an increase of RMB278,988 million or 4.33% from the end of last year. Total investments in foreign-currency debt securities were RMB229,342 million, an increase of RMB2,293 million or 1.01% from the end of last year.

The following table sets forth the composition of the Group's debt instruments by issuer as at the dates indicated.

	As at 30 June 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Government	**5,339,970**	**76.86**	5,095,677	76.45
Central banks	**30,259**	**0.44**	39,619	0.59
Policy banks	**764,152**	**11.00**	781,313	11.72
Banks and non-bank financial institutions	**425,615**	**6.13**	363,852	5.46
Others	**387,169**	**5.57**	385,423	5.78
Total debt securities	**6,947,165**	**100.00**	6,665,884	100.00

At the end of June, the investments in debt securities issued by governments were RMB5.34 trillion, an increase of RMB244,293 million or 4.79% from the end of last year. The investments in debt securities issued by central banks, policy banks, banks and non-bank financial institutions were RMB1.22 trillion, an increase of RMB35,242 million or 2.97% from the end of last year.

Financial debt securities

At the end of June, the Group held financial debt securities totalling RMB1.19 trillion. In this amount, RMB764,152 million was issued by policy banks and RMB425,615 million was issued by banks and non-bank financial institutions, accounting for 64.23% and 35.77% respectively.

The following table sets forth the top ten financial debt securities held by the Group by par value at the end of the reporting period.

(In millions of RMB, except percentages)	**Par value**	**Annual interest rate (%)**	**Maturity date**	**Allowances for impairment losses**
Policy bank bond issued in 2019	**17,440**	**3.75**	**2029-01-25**	**9.61**
Policy bank bond issued in 2019	**16,120**	**3.86**	**2029-05-20**	**8.99**
Policy bank bond issued in 2020	**15,980**	**3.23**	**2030-03-23**	**8.73**
Policy bank bond issued in 2020	**15,510**	**2.96**	**2030-04-17**	**8.33**
Policy bank bond issued in 2020	**15,210**	**3.74**	**2030-11-16**	**7.82**
Policy bank bond issued in 2019	**13,100**	**3.48**	**2029-01-08**	**1.67**
Policy bank bond issued in 2018	**12,850**	**4.00**	**2025-11-12**	**7.26**
Policy bank bond issued in 2020	**12,660**	**3.34**	**2025-07-14**	**1.65**
Commercial bank bond issued in 2020	**12,100**	**4.20**	**2030-09-24**	**–**
Policy bank bond issued in 2014	**11,540**	**5.67**	**2024-04-08**	**1.49**

Repossessed assets

As part of its effort to recover impaired loans and advances to customers, the Group may obtain the title of the collateral, through legal actions or voluntary transfer from the borrowers, as compensation for the losses on loans and advances and interest receivable. At the end of June, the Group's repossessed assets were RMB1,866 million, and the impairment allowances for repossessed assets were RMB1,138 million. Please refer to "Other assets" in the notes to the financial statements for details.

Liabilities

The following table sets forth the composition of the Group's total liabilities as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2021 Amount	As at 30 June 2021 % of total	As at 31 December 2020 Amount	As at 31 December 2020 % of total
Deposits from customers	**22,317,969**	**81.54**	20,614,976	80.08
Deposits and placements from banks and non-bank financial institutions	**2,145,210**	**7.84**	2,293,272	8.91
Debt securities issued	**957,161**	**3.50**	940,197	3.65
Borrowings from central banks	**765,913**	**2.80**	781,170	3.04
Financial assets sold under repurchase agreements	**115,668**	**0.42**	56,725	0.22
Other liabilities[1]	**1,068,926**	**3.90**	1,056,561	4.10
Total liabilities	**27,370,847**	**100.00**	25,742,901	100.00

1. These comprise financial liabilities measured at fair value through profit or loss, negative fair value of derivatives, accrued staff costs, taxes payable, provisions, deferred tax liabilities and other liabilities.

The Group continued to expand low-cost funds, diversify funding sources, and optimise debt structure, in order to improve its liabilities quality management. At the end of June, the Group's total liabilities were RMB27.37 trillion, an increase of RMB1.63 trillion or 6.32% from the end of last year. In this amount, deposits from customers amounted to RMB22.32 trillion, up by RMB1.70 trillion or 8.26% from the end of last year. Deposits and placements from banks and non-bank financial institutions decreased by RMB148,062 million or 6.46% from the end of last year to RMB2.15 trillion. Debt securities issued were RMB957,161 million, an increase of RMB16,964 million or 1.80% from the end of last year. Borrowings from central banks were RMB765,913 million, a decrease of 1.95% from the end of last year. Accordingly, in the Group's total liabilities, deposits from customers accounted for 81.54% of total liabilities, an increase of 1.46 percentage points from the end of last year. Deposits and placements from banks and non-bank financial institutions accounted for 7.84% of total liabilities, a decrease of 1.07 percentage points from the end of last year. Debt securities issued accounted for 3.50% of total liabilities, a decrease of 0.15 percentage points from the end of last year. Borrowings from central banks accounted for 2.80% of total liabilities, a decrease of 0.24 percentage points from the end of last year.

Deposits from customers

The following table sets forth the Group's deposits from customers by product type as at the dates indicated.

(In millions of RMB, except percentages)	As at 30 June 2021 Amount	As at 30 June 2021 % of total	As at 31 December 2020 Amount	As at 31 December 2020 % of total
Corporate deposits	**10,407,702**	**46.63**	9,699,733	47.05
Demand deposits	**6,688,140**	**29.97**	6,274,658	30.44
Time deposits	**3,719,562**	**16.66**	3,425,075	16.61
Personal deposits	**11,173,783**	**50.07**	10,184,904	49.41
Demand deposits	**4,864,865**	**21.80**	4,665,424	22.63
Time deposits	**6,308,918**	**28.27**	5,519,480	26.78
Overseas operations and subsidiaries	**422,894**	**1.89**	453,991	2.20
Accrued interest	**313,590**	**1.41**	276,348	1.34
Total deposits from customers	**22,317,969**	**100.00**	20,614,976	100.00

At the end of June, domestic corporate deposits of the Bank were RMB10.41 trillion, an increase of RMB707,969 million or 7.30% from the end of last year. Domestic personal deposits of the Bank were RMB11.17 trillion, an increase of RMB988,879 million or 9.71% from the end of last year and its proportion in domestic deposits from customers rose by 0.55 percentage points to 51.77%. Deposits from overseas operations and subsidiaries were RMB422,894 million, a decrease of RMB31,097 million, accounting for 1.89% of total deposits form customers. Domestic demand deposits were RMB11.55 trillion, an increase of RMB612,923 million or 5.60% from the end of last year and its proportion in domestic deposits from customers was 53.53%. Domestic time deposits were RMB10.03 trillion, an increase of RMB1.08 trillion or 12.12% and its proportion in domestic deposits from customers rose by 1.49 percentage points to 46.47%.

Shareholder's equity

The following table sets forth the Group's total equity and its composition as at the dates indicated.

(In millions of RMB)	**As at 30 June 2021**	As at 31 December 2020
Share capital	**250,011**	250,011
Other equity instruments	**99,968**	99,968
preference shares	**59,977**	59,977
perpetual bond	**39,991**	39,991
Capital reserve	**134,924**	134,263
Other comprehensive income	**14,755**	15,048
Surplus reserve	**275,995**	275,995
General reserve	**349,885**	350,228
Retained earnings	**1,311,434**	1,239,295
Total equity attributable to equity shareholders of the Bank	**2,436,972**	2,364,808
Non-controlling interests	**25,369**	24,545
Total equity	**2,462,341**	2,389,353

At the end of June, the Group's equity was RMB2.46 trillion, an increase of RMB72,988 million or 3.05% from the end of last year, primarily driven by the increase of RMB72,139 million in retained earnings. As the growth rate of total equity was slower than that of assets, the ratio of total equity to total assets for the Group fell to 8.25%, a decrease of 0.24 percentage points from the end of last year.

Off-balance sheet items

The Group's off-balance sheet items include derivatives, commitments and contingent liabilities. Derivatives include interest rate contracts, exchange rate contracts, precious metals and commodity contracts. Please refer to "Derivatives and hedge accounting" in the notes to the financial statements for details on the nominal amounts and fair value of derivatives. Commitments and contingent liabilities include credit commitments, capital commitments, government bond redemption obligations, and outstanding litigation and disputes. Among these, credit commitments were the largest component, including undrawn loan facilities that are approved and contracted, unused credit card limits, financial guarantees, and letters of credit. At the end of June, the balance of credit commitments was RMB3.46 trillion, an increase of RMB45,758 million or 1.34% from the end of last year. Please refer to "Commitments and contingent liabilities" in the notes to the financial statements for details on commitments and contingent liabilities.

3.1.3 Other Financial Information

There is no difference in net profit for the six months ended 30 June 2021 or total equity as at 30 June 2021 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

3.2 Business Review

The Group's major business segments are corporate banking, personal banking, treasury business, and others including overseas business and subsidiaries.

The following table sets forth, for the periods indicated the operating income, impairment losses, and profit before tax of each major business segment.

	Operating income		Impairment losses		Profit before tax	
(In millions of RMB)	**Six months ended 30 June 2021**	Six months ended 30 June 2020	**Six months ended 30 June 2021**	Six months ended 30 June 2020	**Six months ended 30 June 2021**	Six months ended 30 June 2020
Corporate banking	**156,003**	143,805	**(88,221)**	(82,207)	**33,873**	32,425
Personal banking	**172,182**	156,250	**(14,503)**	(22,717)	**116,685**	95,742
Treasury business	**28,786**	48,042	**(1,917)**	(2,316)	**21,662**	40,799
Others	**23,936**	11,827	**(3,871)**	(4,326)	**12,243**	(193)
Total	**380,907**	359,924	**(108,512)**	(111,566)	**184,463**	168,773

In the first half of 2021, operating income of Group's corporate banking business reached RMB156,003 million, up 8.48%, mainly due to the increase in net interest income driven by the growth of loans; impairment losses reached RMB88,221 million, up 7.32%; profit before tax was RMB33,873 million, up 4.47%, accounting for 18.36% of the Group's profit before tax, down 0.85 percentage points from the same period of 2020. Operating income of personal banking business reached RMB172,182 million, up 10.20%, mainly due to the increase in net interest income; impairment losses were RMB14,503 million, down 36.16%; profit before tax totalled RMB116,685 million, up 21.87%, accounting for 63.26% of the total at the group level, up 6.53 percentage points over the same period of 2020. Operating income of treasury business totalled RMB28,786 million, down 40.08%; impairment losses were RMB1,917 million, down 17.23%; profit before tax totalled RMB21,662 million, down 46.91%, accounting for 11.74% of the total at the group level, down 12.43 percentage points over the same period of 2020. Other operating income totalled RMB23,936 million, up 102.38%, and profit before tax totalled RMB12,243 million.

3.2.1 Promotion of Three Major Strategies

House rental strategy

The Group steadily pressed ahead with its house rental strategy. At the end of June, the Group's comprehensive house rental service platform covered 96% administrative regions at prefecture-level or above across the country, providing a transparent trading platform for 14 thousand enterprises and 37 million individual landlords and tenants. More than 10 million verified houses and apartments and 6 million contracts had been filed with the platform on a cumulative basis, which also provided the government with an effective tool for market supervision. The House Rental Industry Alliance organised by the Group as a leader consisted of more than 130 upstream and downstream enterprises in the industry, engaging in decoration and design, furniture and home appliances, and operating services. The alliance is designed to boost industrial development, improve self-discipline mechanism, and promote the healthy development of the industry. The Group continued to forge ahead with pilot projects of equity trading service for house rental enterprises, actively explored rules and policies, nature of equity, and transaction structures, and expanded new funding channels for house rental enterprises. It created the "CCB Home" long-term rental community, incorporating smart communities, public services, financial services and entrepreneurship services, to create a comfortable living environment for blue-collars, white-collars, young entrepreneurs and other tenants. The Group actively explored the integration of its house rental initiatives with urban reconstruction and rural revitalisation, and supported the upgrading and transformation of villages in urban area, old residential areas, and hollow suburban villages in line with local conditions to promote integrated development. The Group supported more than 140 indemnificatory housing projects for rental in pilot cities such as Guangzhou, Hangzhou, and Jinan, and granted special loans to increase the supply of small apartments with low rents. At the end of June, the Bank's loans for corporate house rental business was RMB105,555 million, an increase of RMB22,146 million or 26.55% from the end of 2020. Specifically, corporate house rental loans totalled RMB57,691 million, an increase of RMB13,892 million from the end of 2020, supporting more than 300 house rental enterprises; public rental house loans totalled RMB47,864 million, an increase of RMB8,254 million from the end of 2020.

Inclusive finance strategy

The Group continued to deepen the model of inclusive finance featuring "batch customer acquisition, accurate profiling, automated approval, intelligent risk control, and integrated services", and promoted online business development and platform operations through technologies such as the Internet and big data. The Group improved "CCB Huidongni" service to improve its efficiency, coverage and customer experience. By the end of June, such service platform had attracted over 130 million online user visits and been downloaded more than 17 million times. It had over 5.56 million certified enterprises and more than 1 million credit customers. Over 700 billion loans had been granted to borrowers via the application. The Group leveraged its strength in branch network to make its service more accessible to common people and attract more customers. The Bank had more than 14,000 branches that can provide inclusive finance services, and over 18,000 inclusive finance specialists. The Bank also established more than 250 inclusive finance (small business) service centres and small business centres, as well as more than 1,900 featured inclusive finance outlets. Thus, efficient online service at hand was smoothly combined with warm and high-quality offline service. The Group continued to improve a series of products with new pattern such as "Quick Loan for Small and Micro Business", "Quick Loan for Personal Business", "Yunong Quick Loan" and "Quick Loan for Transactions" and built diversified lines of inclusive finance products. By the end of June, the Group had granted more than RMB4.7 trillion loans, benefiting more than 2.1 million customers. The Group pressed ahead with the building of "CCB Startup Station", and integrated internal and external resources of the industry, as well as online and offline service models to provide comprehensive services for innovative and entrepreneurial enterprises. The Group continued to strengthen risk control and built an enterprise-level, whole-process automatic and intelligent risk management system which helped keep the quality of credit assets stable. At the end of June, according to the regulatory classification requirements in 2021, the Bank's inclusive finance loans totalled RMB1.71 trillion, an increase of RMB288,382 million from the end of 2020, and the interest rate of new inclusive loans granted to small and micro businesses was 4.17%, down 0.19 percentage points from the end of 2020. The number of inclusive finance loan borrowers reached 1,801.8 thousand, an increase of 106.3 thousand from the end of 2020.

By the end of June, the total number of "CCB Yunongtong" inclusive finance service outlets was 520,000, covering nearly 80% of towns, townships and administrative villages across the country, which provided convenient financial services, convenience services, smart government affairs services, and e-commerce services for agriculture enterprises, farmers and enterprises in rural areas. The Bank established "CCB Yunongtong" comprehensive service platform for rural revitalisation, which had granted RMB2,115 million loans, completed payments of over RMB26 million, and served more than 950,000 users on a cumulative basis. A total of 13.75 million "Rural Revitalisation • Yunongtong" cards had been issued to key personal customers working in innovation and entrepreneurship sectors. The Bank also customised "Yunong Quick Loan" series to legal persons, collectives, and farmers to realise whole-process online loans processing, and effectively reduce the financing costs of agriculture-related loans. Taking into account characteristics of local markets, it actively carried out product innovation pilots such as "high-standard farmland loans" in the fields of food and agriculture to support the development of agricultural industry. At the end of June, the balance of agriculture-related loans of the Bank was RMB2.31 trillion, up RMB224,305 million or 10.74% from the end of 2020. Specifically, the balance of agriculture-related corporate loans was RMB1.68 trillion; the balance of agriculture-related personal loans was RMB637,727 million; and the balance of agriculture-related inclusive loans (excluding discounted bills) was RMB271,234 million, up RMB45,976 million or 20.41% from the end of 2020. The number of agriculture-related loans borrowers was 2,184,200, and the average interest rate of agriculture-related loans was 4.69%, down 0.06 percentage points from the end of 2020.

FinTech strategy

The Group optimised FinTech governance system and promoted in-depth development of FinTech strategy. The Board reviewed and approved the *FinTech Strategic Plan 2021-2025*, which sets out the overall arrangement of the Group's FinTech development goals, key tasks and safeguard measures for the next five years. The Group continued to promote the building of technology and data middle offices and improved its ability in technology and data multiplexing, agile delivery and collaboration. The AI platform realised pooled management and flexible supply of computing resources, and supported efficient model research and development and online reasoning. The Group researched and developed 180 models in the five fields of computer vision, intelligent voice, natural language processing, knowledge graph and intelligent decision-making, and put into operation 507 application scenarios on a cumulative basis. It developed an autonomic computer vision algorithm suitable for small edge computing devices, supported real-time video analysis scenarios in fields such as security and compliance by connecting with IoT, and innovated the application of AI + satellite remote sensing technology to agriculture-related loans. The blockchain service platform realised cloud-based service supply, adapted to various blockchain underlying technology frameworks, supported cross-chain interconnection of heterogeneous architecture, and established relatively complete capability in underlying management and application support of blockchain, which was applied in more than 30 scenarios including 12 business areas such as trade finance, cross-border payments, smart government affairs, and housing rental. CCB Cloud is committed to building a cloud service brand preferred by users in the financial industry, forming a multi-region, multi-function, safe and reliable layout, providing cloud service support for 401 projects across nine major fields such as government affairs, housing, and financial institution business to further improve its cooperation with government institutions and the level of ecological empowerment. The Group enabled large-scale cloud-based resource supply through the big data platform, and significantly enhanced the capacity in massive data processing and real-time computing. It further upgraded the data lake technology and migrated all business data to the data lake to provide more abundant data resources and data processing modes for business development. It managed and shared the Group's data as assets, to support digitalised operation, group-level integration and other big data scenarios. It built an applet-based open ecology for mass development through the mobile internet platform. It continued to build special IoT network, which connected with over one million Internet of Things (IoT) terminals and supported 26 IoT applications including data collection by event tracking for digitalised operation, 5G smart banking, intelligent security, operation and distribution and CCB Yunongtong. Furthermore, the Group strengthened the enterprise-level security architecture management and control and completed the construction and promotion of Phase One of a smart security operation platform. The Bank's subsidiary, CCB Fintech Co., Ltd., introduced three strategic investors for capital injection and share issuance and its valuation rose to RMB10 billion after capital injection.

At the end of June, the number of the Group's FinTech personnel was 14,012, accounting for 3.79% of its total headcount. The Group had been granted a total of 606 patents, including 389 invention patents, maintaining a leading position in the domestic banking industry in terms of invention patents.

3.2.2 Corporate Banking

Corporate financial service

Corporate deposits increased steadily, and the customer base was continuously consolidated. At the end of June, domestic corporate deposits of the Bank amounted to RMB10.41 trillion, up RMB707,969 million or 7.30% from the end of 2020. Specifically, demand deposits increased by 6.59% and time deposits increased by 8.60%. The number of the Bank's corporate customers was 7,547.7 thousand, an increase of 267.2 thousand or 3.67% from the end of 2020.

Corporate loans maintained rapid growth, vigorously supporting the real economy. At the end of June, the Bank's domestic corporate loans and advances amounted to RMB9.27 trillion, an increase of RMB906,932 million or 10.85% from the end of 2020. The NPL ratio of corporate loans and advances was 2.49%. The business kept sound growth momentums in key areas. The balance of loans to infrastructure sectors reached RMB4.83 trillion, an increase of RMB497,723 million or 11.48% from the end of 2020, accounting for 52.14% of domestic corporate loans and advances, with an NPL ratio of 1.80%. Medium to long-term manufacturing loans amounted to RMB616,849 million, an increase of RMB96,917 million or 18.64% from the end of 2020. The balance of loans to private enterprises was RMB3.22 trillion, an increase of RMB332,391 million or 11.52% from the end of 2020. Loans to strategic emerging industries amounted to RMB767,760 million, an increase of RMB152,240 million or 24.73% from the end of 2020. The balance of property development loans amounted to RMB502,075 million, an increase of RMB29,347 million or 6.21% from the end of 2020. The Bank provided more than RMB380 billion supply chain financing to over 56,000 enterprises across more than 3,700 industrial chains, of which private enterprises accounted for 97% and small and micro businesses accounted for 90%.

Institutional business

The Bank supported the modernisation of state governance system and governance capacity with its innovative smart government affairs service, to enable the development of digital government, digital society and digital economy. By the end of June, the Bank had established cooperative relationships with 28 provincial governments, and participated in the construction of the national service platform for government affairs, and many other platforms or scenarios related to the CBIRC, the Beijing-Tianjin-Hebei region as well as “Internet + Government Affairs Service” and “Internet + Supervision” in 13 provincial and 10 municipal governments. The total number of registered users of the online platform reached 160 million, and the total number of government affairs handled reached more than 1.7 billion. The Bank actively explored the model for constructing a “cross-provincial” government affairs service platform, and coordinated its 14 thousand outlets to provide government affairs services, where one could handle, make appointments for and inquire about more than 4,600 government affairs items. By innovatively building the designated smart teller machine (STM) service zone for “cross-provincial” government affairs, the Bank built “government service lobbies for the public” at 35 branches, which can provide services related to 436 government affairs items.

The Bank built platforms for the supervision of rural collective assets management, the rural property transactions and the smart village affairs, focused on making smart government affairs services more accessible for rural residents, and supported the implementation of the “Internet + Governance at Community Level” initiative. The Bank used “CCB Smart Campus” platform to provide over ten thousand schools and thousands of teachers and students with digital campus learning and life service scenarios, created an “educational service fund supervision platform” to meet national policies and public needs, and helped government, businesses and communities to empower social development. Centred on the “fully online medical services”, the “CCB Smart Healthcare” platform enhanced the medical efficiency and service levels for hundreds of medical and healthcare institutions, making it easier for the public to seek treatment or manage their health. The Bank created scenarios for nucleic acid testing appointment payment and COVID-19 vaccination appointment to help the government to improve its public health care services.

International business

The Bank increased support for foreign trade customers and actively assisted in the establishment of a new development pattern of dual circulation where domestic and foreign markets can boost each other. The Group deepened cooperation with China Export & Credit Insurance Corporation, and the amount of insurance policy financing in the first half of 2021 increased by 111.28% from the same period last year. The cumulative transaction amount of forfaiting exceeded RMB370 billion, while more than RMB15 billion loans were granted through the “Cross-border Quick Loan” series to nearly 10,000 customers. As the first batch of banks directly linked to China International Trade “Single Window”, the Group launched over 10 online financial service functions, maintaining a leading position among peers. It made overall use of products and services such as international syndicate, cross-border merger and acquisition and export credit, and provided all-round financial support and financing facilities for the Belt and Road construction with solutions that combined financing with intelligence.

The Bank accelerated the innovation and development of key green finance products, clarified the recognition criteria for green letters of credit, and took the green industry as a key area to develop the trade finance business such as international factoring. Trade finance business meeting the PBC’s recognition criteria for green credit amounted to RMB20,331 million. The Bank focused on green topics and used the “CCB Match Plus” platform to hold several cross-border connection activities such as “Promote ESG, Embrace Green Finance” of Sino-UK New Energy-Webinar.

The Bank vigorously developed cross-border RMB business to promote the RMB internationalisation strategy. In the first half of 2021, the Bank’s cross-border RMB settlement volume reached RMB1.28 trillion. It supported the development of offshore RMB market, and its three RMB clearing banks in the UK, Switzerland and Chile operated steadily. Specifically, CCB London Branch continued to be the largest RMB clearing bank outside Asia, with a cumulative clearing amount of over RMB57 trillion.

Asset custody service

The Bank cultivated the brand of “CCB SMART Custody” to promote high-quality custody service, and successfully became custodian for the National Green Development Funds and the Industrial Investment Funds for Beijing-Tianjin-Hebei Coordinated Development. At the end of June, assets under the Bank’s custody amounted to RMB16.79 trillion, an increase of RMB1.54 trillion over the end of 2020. Specifically, insurance assets, assets entrusted to security companies and QFII assets under the Bank’s custody increased by RMB593.3 billion, RMB176.5 billion and RMB52.7 billion, respectively, all ranking first in the industry. Fee income from custody service totalled RMB3,848 million, an increase of RMB757 million, or 24.50% from the same period last year.

Settlement and cash management business

The Bank continued to improve the quality and efficiency of account services and streamlined small and micro businesses account opening process. The Bank actively participated in anti-gambling and anti-fraud social governance and built an enterprise-level gambling and fraud risk monitoring system. The Bank took advantage of new opportunities in digital economy and vigorously expanded e-CNY agency business. The Bank further diversified scenarios and services of cash management products. Specifically, it launched "Jianguanyi" to safeguard the construction of major national projects and the safe operation of supply chain funds, as well as the proper use of funds by educational service institutions. It upgraded "Huishibao" to cover more application scenarios such as renovation and medical services, explored digital account payment, and enhanced the connection and collaboration capabilities of the digital service platforms. The Bank continued to refine the global cash management product system by integrating domestic and overseas markets, domestic and foreign currencies, and further advanced the digitalised operation of services to long-tail corporate customers. At the end of June, the Bank had 11.86 million corporate RMB settlement accounts, an increase of 404.8 thousand over the end of 2020, while its active cash management customers increased by 171.7 thousand to 1,847.8 thousand from the same period last year.

3.2.3 Personal Banking

Personal financial service

Market competitiveness of retail banking continued to strengthen. The business model of digitalised operation was more mature. The Bank innovatively upgraded "Cloud Workshop + Corporate Wechat Account", and made breakthroughs in the direct operating system for long-tail customers. It enhanced its capacity in setting up scenarios, seized its first mover advantage in e-CNY to actively create the consumption ecology, and solidly promoted the unified, merchants-sharing comprehensive service platform. The number of merchants with high personal contribution increased by 1.62 million, up 14% from the same period last year. The Bank vigorously carries out theme activities such as "Benefit Season" and "Fighting Season" to expand its social influence and facilitate business development, and significantly improved its capacity in digitalised operation. The mega wealth system achieved initial results, and the brand and platform of "CCB Long Fortune" were comprehensively upgraded. Personal deposits grew rapidly, and the business foundation was further consolidated. At the end of June, domestic personal deposits of the Bank rose by RMB988,879 million or 9.71% from the end of 2020 to RMB11.17 trillion. Personal customers held financial assets of over RMB14 trillion. The proportion of pre-tax profit of personal banking in total profit of the Group was 63.26%.

In accordance with the requirements of China's control and loan concentration management policies for the real estate market, the Bank strictly implemented differentiated credit policies for residential mortgages, supporting the borrowers' reasonable housing needs. The Bank actively practised the whole-process risk prevention and control concept, and took solid measures in risk prevention to ensure the sustainable, stable and healthy development of residential mortgages. At the end of June, domestic personal loans of the Bank increased by RMB295,142 million, or 4.08% from the end of 2020, to RMB7.53 trillion. Specifically, the balance of residential mortgages was RMB6.11 trillion, an increase of 4.72%; the balance of personal consumer loans was RMB227,838 million, including RMB203,491 million personal quick loans; and the balance of agriculture-related personal loans was RMB4,363 million, an increase of 57.43% from the end of 2020.

Entrusted housing finance business

The Bank adhered to the purpose of "supporting housing reform and serving the public" for the entrusted housing finance business and drove service transformation and upgrading with digital solutions. At the end of June, the balance of housing fund deposits was RMB1.01 trillion, while personal provident housing fund loans amounted to RMB2.69 trillion. The Bank issued a total of 38.27 million co-branded provident housing fund cards. The Bank steadily pressed ahead with financial services in the indemnificatory housing market, and had cumulatively provided RMB117,283 million indemnificatory housing loans to nearly 600,000 low- and middle-income households, and RMB53,161 million loans for 220 pilot indemnificatory housing projects.

Debit card business

The Bank deeply engaged in the building of consumption ecosystem, and provided diversified debit card products functions and services. At the end of June, the number of active debit cards was 1,226 million, including 680 million financial IC debit cards. The consumption amount via debit cards totalled RMB12.85 trillion, an increase of 19.98% from the same period last year. The Bank continuously optimised "Long Pay" products functions, maintaining a leading position among its peers in terms of business size and brand image. In the first half of 2021, the number of users of "Long Pay" exceeded 173 million.

Credit card business

The Bank innovatively used ideas and methods of digitalised operation to strengthen the refined management of credit card business. It launched the "Leader" credit card in its Transformers series, and fully upgraded the benefits and services for bilibili credit card, "My love" Family Card and other "Long" cards, creating competitive popular products. It cooperated with more than 30 leading merchants to build the "Long Credit Card Discounts 666" marketing brand. It stepped up instalment loans innovation, and promoted instalment loans for new energy vehicles. The Bank also pressed ahead with the building of business circles. It applied online authentication tools such as facial recognition, optical character recognition, online identity verification to enhance its anti-fraud capability online, and strengthened the active detection of suspected inflows of credit card funds into real estate, investment, production and operation sectors and cash out activities, to improve proactive intelligent risk management.

At the end of June, the cumulative number of credit cards issued by the Bank and customers reached 146 million and 105 million, respectively. The spending amount via credit cards totalled RMB1.50 trillion. The loan balance was RMB839,412 million with an NPL ratio of 1.28%. The Bank remained as a market leader in terms of multiple core indicators, including the total number of customers and loan balance of credit cards.

Private banking business

The Bank increased the supply of private banking products and services and maintained a leading position for its family trust advisory business in the industry. It accelerated the progress of improving professional capabilities in asset allocation, continued to issue allocation strategies for major classes of assets, and promoted asset management services of private banking. It pressed ahead with the building of the whole-process integrated system for smart APPs and customer services of private banking and created a high-standard quality service experience for private banking customers. At the end of June, the private banking customers' assets under management reached RMB1.93 trillion, an increase of 8.45% from the end of 2020. The Bank had 175,610 private banking customers, an increase of 9.21% from the end of 2020. The balance of assets under management of family trust advisory business was RMB46 billion.

3.2.4 Treasury Business

Financial market business

The Bank's financial market business actively supported the national strategies and the development of the real economy, continued to make progress in operating management, trading platforms building, digitalised operation, customer service and expansion, and risk management and control, and maintained a leading position among its peers in terms of key business indicators.

Money market business

The Bank strengthened its proactive management with a combination of money market tools, and maintained reasonable RMB and foreign currency positions, to ensure sound liquidity. With regard to its RMB money market business, the Bank strengthened market analysis to gain in-depth understanding of market movement patterns, explored foreign investors for interbank certificates of deposits, and enhanced transaction capacity, continuously improving its market influence. With regard to its foreign currency money market business, the Bank tracked the monetary policies of US Federal Reserve and market trends to improve the yields of its foreign currency funds and its market influence; it actively innovated domestic third-party foreign currency repurchase business, and successfully issued the Bank's first foreign currency interbank certificates of deposits in the domestic market.

Debt securities business

The Bank adhered to the strategy of value investment, optimised its portfolio structure, and supported the development of the real economy. The Bank actively implemented the concept of green development and increased green bond investment. The Bank continuously studied the trend of interest rate movements, set a reasonable pace of investment, enhanced credit risk control, and raised the overall return on investment. The Bank applied FinTech to empower small- and medium-sized financial institutions and effectively met their needs for government bond investments. The Bank actively underwrote and invested in domestic USD bonds, and contributed to the building of domestic market of foreign currency bonds.

Customer-based trading business

The Bank steadily carried forward the high-quality development of its customer-based trading business, and further strengthened its IT system construction. It promoted the concept of risk neutrality, consolidated customer base, implemented tiered customer services, actively met the trading needs of foreign institutional investors, and strengthened management and control of the business risk. It successfully introduced the "Quick Transaction for Micro and Small Enterprises" transaction function as well as other modules. In the first half of 2021, the customer-based trading volume amounted to US$297.5 billion, the volume of foreign exchange interbank market-making transactions reached US$2.49 trillion, and the Bank remained a top market maker.

Precious metals and commodities

The Bank continuously promoted the steady development of its precious metals and commodities business. It paid close attention to market fluctuations and provided bulk commodity hedging services for enterprises to help them operate steadily; strengthened digitalised operation and improved customer service experience; and strengthened risk management and consumer rights and interests protection. In the first half of 2021, the total trading volume of precious metals of the Bank reached 40,339 tonnes.

Assets management business

The Bank continued to promote the building of a new system for asset management at the group level, strengthened key activities such as assets allocation, channel sales, investment research and investment operation, FinTech, and risk management. It strictly followed regulatory guidance to carry out operation and rectification of existing WMPs in a smooth and orderly manner. It accelerated asset management business model transformation and innovation and strove to build the Bank's third pillar of business development. At the end of June, the Group's WMPs amounted to RMB1,849,393 million. In this amount, those managed by the Bank were RMB903,127 million, and those managed by CCB Wealth Management, its subsidiary, were RMB946,266 million.

In the first half of 2021, the Bank independently issued various WMPs totalling RMB2,579,222 million to effectively meet the investment needs of customers. In this amount, six net-asset-value type WMPs were launched, with a balance of RMB286,238 million, accounting for 31.69% of the total. The balance of expected-return WMPs was RMB616,889 million, accounting for 68.31% of the total. The balance of WMPs to personal customers was RMB639,101 million, accounting for 70.77% of the total; and that to corporate customers was RMB264,026 million, accounting for 29.23% of the total. The Bank carried out product transition to its subsidiary in an orderly manner to protect the interests of customers, with a better asset structure and a higher proportion of standardised assets. The standardised assets that can be traded in the open market amounted to RMB653,093 million, accounting for 65.34% of the total, up 5.21 percentage points over the end of 2020.

Information on issuance, maturity and balance of the Bank's WMPs during the reporting period is as follows.

	As at 31 December 2020		WMPs issued		WMPs matured		**As at 30 June 2021**	
(In millions of RMB, except periods)	Batches	Amount	Batches	Amount	Batches	Amount	**Batches**	**Amount**
Non-principal guaranteed WMPs	2,390	1,471,010	850	2,578,804	2,513	3,175,014	**727**	**874,800**
Principal guaranteed WMPs	1	56,854	–	418	–	28,945	**1**	**28,327**
Total	2,391	1,527,864	850	2,579,222	2,513	3,203,959	**728**	**903,127**

The assets in which the Bank's WMPs invested directly and indirectly as at the dates indicated are as follows.

	As at 30 June 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Cash, deposits and interbank negotiable certificates of deposit	**181,286**	**18.14**	393,298	24.02
Bonds	**522,925**	**52.32**	688,972	42.08
Non-standardised debt assets	**196,661**	**19.67**	358,187	21.88
Other assets	**98,688**	**9.87**	196,807	12.02
Total	**999,560**	**100.00**	1,637,264	100.00

At the end of June, the balance of various WMPs managed by CCB Wealth Management was RMB946,266 million. The balance of WMPs to personal customers was RMB814,526 million, accounting for 86.08% of the total; that to corporate customers was RMB131,740 million, accounting for 13.92% of the total. The standardised assets that can be traded in the open market accounted for 69.24% of the total, amounting to RMB733,613 million.

Investment banking business

The Bank actively pressed ahead with bond and securitisation projects in the fields of people's livelihood such as rural revitalisation, innovation and entrepreneurship, high growth, and private enterprises, and leveraged platforms such as "FITS® e Intelligent" and "FITS® e+" to improve the quality and efficiency of inclusive customer services. It optimised the structure of bond underwriting business and underwrote a total of 396 batches of bond financing instruments for enterprises with an aggregate financing amount of RMB260.7 billion. New non-standard debt and equity assets amounted to RMB115,590 million. The size of asset securitisation business was RMB18,710 million. It issued six batches of trust beneficial right transfer products of corporate loans credit assets, amounting to RMB26,871 million. In the first half of 2021, the Bank's income from investment banking reached RMB5,562 million. It had a total number of over 60,000 customers, of which exceeding 57,000 were inclusive customers. It provided over RMB400 billion direct financing for enterprises.

Financial institutional business

The Bank continued to promote the upgrading and expansion of the interbank cooperation platform, focusing on the building of ecological scenarios such as interbank finance and joint risk management. The platform has successively launched products such as deposits and placements with banks and non-bank financial institutions, cooperative placements with banks and non-bank financial institutions, non-settlement deposits from banks and non-bank financial institutions, the "Hui" series and the "Micro" series. By the end of June, the cumulative transaction volume of the platform reached RMB19 billion, and more than 900 financial institutions had used the Bank's joint risk management products of "Hui" series. At the end of June, the Bank's amounts due to other domestic financial institutions (including insurance deposits) were RMB1.64 trillion, a decrease of RMB171,875 million from the end of 2020. The Bank's assets placed with other domestic financial institutions were RMB679,387 million, a decrease of RMB45,095 million from the end of 2020.

3.2.5 Overseas Commercial Banking Business

The Group steadily expanded its overseas business and institutional network to enhance globalised customer service capability and international competitiveness. By the end of June, the Group had established overseas commercial banking institutions in 30 countries and regions. The Group had wholly-owned operating subsidiaries including CCB Asia, CCB London, CCB Russia, CCB Europe, CCB New Zealand, CCB Brasil and CCB Malaysia, and held 60% of equity in CCB Indonesia. In the first half of 2021, net profit achieved by overseas commercial banking institutions of the Group was RMB3,294 million.

CCB Asia

China Construction Bank (Asia) Corporation Limited is a licensed bank registered in Hong Kong with an issued and fully paid capital of HK$6,511 million and RMB17,600 million.

CCB Asia holds a banking license to engage in multiple lines of business, with its core base in Hong Kong and Macau and a wide reach spreading to the Chinese mainland and Southeast Asia. The targeted customers of its wholesale business include local Blue-Chip and large Red-Chip companies, large Chinese conglomerates and multinational corporations, while it also provides high-quality financial services to premium local customers. CCB Asia has rich experience and traditional advantages in providing professional financial services such as overseas syndicated loans and structured finance and has achieved rapid growth in corporate financial services in international settlement, trade finance, financial market trading and financial advisory service. CCB Asia is the Group's service platform for retail and small and medium-sized enterprises in Hong Kong, and has 38 branches and outlets. At the end of June, total assets of CCB Asia amounted to RMB410,501 million, and shareholders' equity was RMB65,047 million. Net profit for the first half of 2021 was RMB1,188 million.

CCB London

China Construction Bank (London) Limited is a wholly-owned subsidiary of the Bank, established in the UK in 2009, with a registered capital of US$200 million and RMB1.5 billion.

In order to better respond to changes in the external market environment and the needs of internal operation and management, the Group has steadily promoted the business integration of London institutions, and the existing businesses of CCB London were transferred to London Branch in an orderly manner. At the end of June, total assets of CCB London amounted to RMB3,421 million, and shareholders' equity was RMB3,420 million. Net losses for the first half of 2021 were RMB68,200.

CCB Russia

China Construction Bank (Russia) Limited is a wholly-owned subsidiary of the Bank, established in Russia in 2013, with a registered capital of RUB4.2 billion. CCB Russia holds a comprehensive banking license, a precious metal business license and a security market participant license issued by the Central Bank of Russia.

CCB Russia is dedicated to serving Chinese enterprises in Russia, large Russian enterprises and multinational enterprises involved in Sino-Russia bilateral trade. It is mainly engaged in corporate deposits and loans, international settlement and trade finance, financial market trading, financial institutional business, clearing, etc. At the end of June, total assets of CCB Russia amounted to RMB1,984 million, and shareholders' equity was RMB580 million. Net profit for the first half of 2021 was RMB1 million.

CCB Europe

China Construction Bank (Europe) S.A. is a wholly-owned subsidiary of the Bank, established in Luxembourg in 2013, with a registered capital of EUR550 million. Based in Luxembourg, CCB Europe has established branches in Paris, Amsterdam, Barcelona, Milan, Warsaw and Hungary.

CCB Europe mainly provides services to large and medium-sized enterprises in Europe as well as European multinational enterprises in China. It is mainly engaged in corporate deposits and loans, international settlement, trade finance, and cross-border trading. At the end of June, total assets of CCB Europe amounted to RMB18,653 million, and shareholders' equity was RMB4,021 million. Net losses for the first half of 2021 were RMB36 million.

CCB New Zealand

China Construction Bank (New Zealand) Limited is a wholly-owned subsidiary of the Bank, established in New Zealand in 2014, with a registered capital of NZD199 million.

CCB New Zealand holds wholesale and retail business license, and offers all-round and high-quality financial services, including corporate loans, trade finance, RMB clearing and cross-border trading. At the end of June, total assets of CCB New Zealand amounted to RMB8,583 million, and shareholders' equity was RMB1,139 million. Net profit for the first half of 2021 was RMB54 million.

CCB Brasil

China Construction Bank (Brasil) Banco Múltiplo S/A is a wholly-owned subsidiary acquired by the Bank in Brasil in 2014. The name of its predecessor, Banco Industrial e Comercial S.A., was changed to the present one in 2015.

CCB Brasil provides banking services, including corporate loans, trading and personal lending, as well as non-banking financial services such as leasing. CCB Brasil has eight domestic branches and sub-branches in Brasil, one Cayman branch, and eight subsidiaries. These subsidiaries provide personal loans, prepaid cards, leasing, factoring and other services. At the end of June, total assets of CCB Brasil amounted to RMB21,929 million, and shareholders' equity was RMB1,368 million. Net losses for the first half of 2021 were RMB82 million.

CCB Malaysia

China Construction Bank (Malaysia) Berhad is a wholly-owned subsidiary of the Bank, established in Malaysia in 2016, with a registered capital of MYR822.6 million.

As a licensed commercial bank, CCB Malaysia can provide various financial services, including global credit granting, trade finance, supply chain finance, clearing in multiple currencies, and cross-border fund transactions for key projects under the Belt and Road Initiative, enterprises engaging in Sino-Malaysian bilateral trade, and large local infrastructure projects in Malaysia. At the end of June, total assets of CCB Malaysia were RMB8,346 million, and shareholders' equity was RMB1,398 million. Net profit for the first half of 2021 was RMB44 million.

CCB Indonesia

PT Bank China Construction Bank Indonesia Tbk is a fully licensed commercial bank listed on the Indonesia Stock Exchange. Headquartered in Jakarta, CCB Indonesia has 84 branches, sub-branches and cash offices across the country. The Bank completed the acquisition of 60% equity in PT Bank Windu Kentjana International Tbk in September 2016 and renamed it PT Bank China Construction Bank Indonesia Tbk in February 2017. CCB Indonesia completed procedures related to public offering in December 2020, leading to new registered capital of IDR3.79 trillion. The Bank invested IDR1.92 trillion to subscribe to these shares, and the proportion of ownership remained unchanged at 60%.

The business priorities of CCB Indonesia include corporate business, small and medium-sized enterprise business, trade finance and infrastructure finance. It is committed to promoting the bilateral investment and trade between China and Indonesia, serving Blue-Chip companies in Indonesia, and supporting the Belt and Road Initiative. At the end of June, total assets of CCB Indonesia amounted to RMB11,521 million, and shareholders' equity was RMB2,695 million. Net profit for the first half of 2021 was RMB26 million.

3.2.6 Integrated Operation Subsidiaries

The Group has multiple domestic and overseas subsidiaries, including CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, CCB Life, Sino-German Bausparkasse, CCB Futures, CCB Pension, CCB Property & Casualty, CCB Investment, CCB Wealth Management and CCB International. In the first half of 2021, the overall development of integrated operation subsidiaries was robust with steady business growth. At the end of June, total assets of integrated operation subsidiaries were RMB753,054 million. Net profit reached RMB6,659 million.

CCB Principal Asset Management

CCB Principal Asset Management Co., Ltd. was established in 2005, with a registered capital of RMB200 million, to which the Bank, Principal Financial Services, Inc. and China Huadian Capital Holdings Company Limited contribute 65%, 25% and 10%, respectively. It is engaged in the raising and selling of funds, and asset management.

CCB Principal Asset Management gave full play to its professional strength and steadily improved its business performance. At the end of June, total assets managed by CCB Principal Asset Management were RMB1.24 trillion. Specifically, mutual funds were RMB578,584 million; separately managed accounts were RMB364,973 million; assets managed by its subsidiary CCB Principal Capital Management Co., Ltd. reached RMB297,416 million. Total assets of CCB Principal Asset Management were RMB8,315 million, and shareholders' equity was RMB7,268 million. Net profit for the first half of 2021 was RMB497 million.

CCB Financial Leasing

CCB Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2007, with a registered capital of RMB11 billion. It is mainly engaged in finance leasing, transfer and purchase of finance lease assets, and fixed-income securities investment.

CCB Financial Leasing gave full play to its license advantages, adhered to the concept of returning to the origin business priority – leasing, based itself on key regions, and strengthened parent-subsidiary cooperation, to improve the quality and efficiency of serving the real economy. It actively participated in the New Financial practices and focused on the transformation to green leasing. It promoted the transformation of inclusive leasing business and digitalised operation. It strengthened the base of risk management and kept its NPL ratio at a low level in the industry. At the end of June, total assets of CCB Financial Leasing were RMB138,146 million, and shareholders' equity was RMB21,540 million. Net profit for the first half of 2021 reached RMB974 million.

CCB Trust

CCB Trust Co., Ltd. is a trust subsidiary invested and controlled by the Bank in 2009, with a registered capital of RMB10.5 billion. The Bank and Hefei Xingtai Financial Holding (Group) Co., Ltd. hold 67% and 33% of its shares, respectively. It is mainly engaged in trust business, investment banking and proprietary business.

CCB Trust stepped up efforts in improving compliance in its operations, actively engaged in innovation-driven development, and delivered strong operating results. At the end of June, trust assets under management amounted to RMB1.63 trillion. Total assets of CCB Trust were RMB40,131 million, and shareholders' equity was RMB23,752 million. Net profit for the first half of 2021 was RMB1,195 million.

CCB Life

CCB Life Insurance Co., Ltd. was established in 1998 with a registered capital of RMB7,120 million. The Bank, China Life Insurance Co., Ltd. (Taiwan), the National Council for Social Security Fund, Shanghai Jin Jiang International Investment and Management Company Limited, Shanghai China-Sunlight Investment Co., Ltd. and China Jianyin Investment Limited hold 51%, 19.9%, 16.14%, 4.9%, 4.85% and 3.21% of its shares, respectively. It is mainly engaged in personal insurance such as life, health, accidental injury insurance and reinsurance of the above-mentioned offerings.

CCB Life further optimised its business structure and its financial results continued to improve. At the end of June, total assets of CCB Life were RMB253,361 million, and shareholders' equity was RMB22,490 million. Net profit for the first half of 2021 was RMB1,113 million.

Sino-German Bausparkasse

Sino-German Bausparkasse Co., Ltd. was established in 2004 with a registered capital of RMB2 billion. The Bank and Bausparkasse Schwaebisch Hall AG hold 75.10% and 24.90% of its shares, respectively. As a specialised commercial bank committed to serving the housing finance sector, Sino-German Bausparkasse is engaged in housing savings deposits and loans, residential mortgages, and real estate development loans for indemnificatory housing supported by state policies.

Sino-German Bausparkasse achieved steady business development, and the sales of housing savings products amounted to RMB10,128 million in the first half of 2021. At the end of June, total assets of Sino-German Bausparkasse were RMB28,380 million, and shareholders' equity was RMB3,054 million. Net profit for the first half of 2021 was RMB44 million.

CCB Futures

CCB Futures Co., Ltd. is a futures subsidiary invested and controlled by the Bank in 2014, with a registered capital of RMB936 million. CCB Trust and Shanghai Liangyou (Group) Co., Ltd. hold 80% and 20% of its shares respectively. It is mainly engaged in commodity futures brokerage, financial futures brokerage, asset management and futures investment advisory business. CCB Trading Company Limited, a wholly-owned risk management subsidiary of CCB Futures, is engaged in pilot risk management operations approved by the CSRC, such as warehouse receipt service and pricing service, and general trade business.

CCB Futures gave full play to its professional strength, strengthened its ability to serve the real economy and maintained stable development in all business lines. At the end of June, total assets of CCB Futures were RMB11,443 million, and shareholders' equity was RMB1,119 million. Net profit for the first half of 2021 was RMB41 million.

CCB Pension

CCB Pension Management Co., Ltd. was established in 2015 with a registered capital of RMB2.3 billion. The Bank and the National Council for Social Security Fund hold 85% and 15% of its shares, respectively. It is mainly engaged in investment and management of national social security funds, businesses related to the management of enterprise annuity funds, entrusted management of pension funds, and pension advisory service for the above-mentioned asset management activities.

CCB Pension steadily promoted the building of the Group's pension financial ecosystem, further explored the regional pension industry alliance, and made innovative breakthroughs in the "house deposit for pension" business. It also achieved remarkable success in the expansion of occupational annuity market and won all public tenders for government-administered occupational annuity plans. At the end of June, assets under management by CCB Pension reached RMB541,242 million, total assets of CCB Pension were RMB3,506 million, and shareholders' equity was RMB2,632 million. Net profit for the first half of 2021 was RMB70 million.

CCB Property & Casualty

CCB Property & Casualty Insurance Co., Ltd. was established in 2016 with a registered capital of RMB1 billion. CCB Life, Ningxia Communications Investment Group Co., Ltd. and Yinchuan Tonglian Capital Investment Operation Co., Ltd. hold 90.2%, 4.9% and 4.9% of its shares, respectively. It is mainly engaged in motor vehicle insurance, insurance for business and household property, construction and engineering, liability insurance, hull and cargo insurance, short-term health and accidental injury insurance, and reinsurance of the above-mentioned offerings.

CCB Property & Casualty witnessed a steady business development. At the end of June, total assets of CCB Property & Casualty were RMB1,415 million, and shareholders' equity was RMB472 million. Net losses for the first half of 2021 were RMB8 million.

CCB Investment

CCB Financial Asset Investment Co., Ltd. is a wholly-owned subsidiary of the Bank, established in 2017, with a registered capital of RMB27 billion. It is mainly engaged in debt-for-equity swaps and relevant supporting businesses.

CCB Investment adopted a market-oriented approach and made active efforts to explore opportunities with business innovations. By the end of June, it had realised a total contractual amount of RMB913,596 million under framework agreements and an actual investment amount of RMB351,286 million. At the end of June, total assets of CCB Investment were RMB138,401 million, and shareholders' equity was RMB29,662 million. Net profit for the first half of 2021 was RMB1,547 million.

CCB Wealth Management

CCB Wealth Management Co., Ltd. is a wholly-owned subsidiary of the Bank, established in 2019, with a registered capital of RMB15 billion. It is mainly engaged in the offering of WMPs, investment and management of entrusted properties, and wealth management advisory and consulting services.

CCB Wealth Management persisted in serving the real economy, continuously improved its proactive management capability of asset management business, and actively participated in the development of capital market on the basis of sound and compliant operations. At the end of June, total assets of CCB Wealth Management were RMB16,609 million, and shareholder's equity was RMB15,926 million. The size of WMPs amounted to RMB946,266 million. Net profit for the first half of 2021 was RMB529 million.

CCB International

CCB International (Holdings) Limited is one of the Bank's wholly-owned subsidiaries in Hong Kong, established in 2004, with a registered capital of US$601 million. It offers through its subsidiaries investment banking related services, including sponsoring and underwriting of public offerings, corporate merger and acquisition and restructuring, direct investment, asset management, securities brokerage and market research.

CCB International maintained stable development in all business lines by continuing to focus on the trend of China concept stocks seeking listings on A-share or H-share market, supporting the development of national strategies and providing innovative services to the real economy. It led the industry in acting as securities sponsor and underwriter as well as M&A financial advisor. At the end of June, total assets of CCB International were RMB88,871 million, and shareholders' equity was RMB14,526 million. Net profit for the first half of 2021 was RMB690 million.

3.2.7 Analysed by Geographical Segment

The following table sets forth the distribution of the Group's profit before tax by geographical segment.

	Six months ended 30 June 2021		Six months ended 30 June 2020	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Yangtze River Delta	**29,914**	**16.22**	27,486	16.29
Pearl River Delta	**27,530**	**14.92**	28,208	16.71
Bohai Rim	**30,590**	**16.58**	27,311	16.18
Central	**34,711**	**18.82**	16,021	9.49
Western	**25,170**	**13.65**	26,105	15.47
Northeastern	**1,970**	**1.07**	3,292	1.95
Head Office	**34,112**	**18.49**	37,763	22.38
Overseas	**466**	**0.25**	2,587	1.53
Profit before tax	**184,463**	**100.00**	168,773	100.00

The following table sets forth the distribution of the Group's assets by geographical segment.

	As at 30 June 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Yangtze River Delta	**5,265,601**	**13.47**	4,874,094	13.05
Pearl River Delta	**4,148,127**	**10.61**	3,942,366	10.55
Bohai Rim	**6,885,064**	**17.61**	6,671,861	17.86
Central	**4,655,545**	**11.91**	4,423,501	11.84
Western	**4,179,766**	**10.69**	3,985,433	10.67
Northeastern	**1,494,281**	**3.82**	1,451,185	3.88
Head Office	**10,862,198**	**27.79**	10,577,145	28.31
Overseas	**1,602,453**	**4.10**	1,434,781	3.84
Total assets[1]	**39,093,035**	**100.00**	37,360,366	100.00

1. Total assets exclude elimination and deferred tax assets.

The following table sets forth the distribution of the Group's loans and NPLs by geographical segment.

(In millions of RMB, except percentages)	**As at 30 June 2021** Gross loans and advances	% of total	NPLs	NPL ratio (%)	As at 31 December 2020 Gross loans and advances	% of total	NPLs	NPL ratio (%)
Yangtze River Delta	**3,312,352**	**18.33**	**34,830**	**1.05**	3,003,466	17.93	32,932	1.10
Pearl River Delta	**2,987,484**	**16.54**	**37,657**	**1.26**	2,770,718	16.55	38,323	1.38
Bohai Rim	**3,031,962**	**16.78**	**43,259**	**1.43**	2,819,557	16.84	43,467	1.54
Central	**3,310,716**	**18.33**	**73,232**	**2.21**	3,084,244	18.42	65,990	2.14
Western	**2,923,996**	**16.19**	**41,311**	**1.41**	2,741,336	16.37	39,218	1.43
Northeastern	**798,547**	**4.42**	**29,263**	**3.66**	766,232	4.57	22,581	2.95
Head Office	**843,827**	**4.67**	**10,833**	**1.28**	830,609	4.96	11,772	1.42
Overseas	**855,855**	**4.74**	**6,596**	**0.77**	729,606	4.36	6,446	0.88
Gross loans and advances excluding accrued interest	**18,064,739**	**100.00**	**276,981**	**1.53**	16,745,768	100.00	260,729	1.56

The following table sets forth the distribution of the Group's deposits by geographical segment.

(In millions of RMB, except percentages)	**As at 30 June 2021** Amount	% of total	As at 31 December 2020 Amount	% of total
Yangtze River Delta	**4,124,012**	**18.48**	3,648,098	17.70
Pearl River Delta	**3,557,540**	**15.94**	3,213,868	15.59
Bohai Rim	**4,161,840**	**18.65**	3,875,480	18.80
Central	**4,341,276**	**19.45**	4,018,270	19.49
Western	**3,970,236**	**17.79**	3,741,594	18.15
Northeastern	**1,444,711**	**6.47**	1,389,559	6.74
Head Office	**4,457**	**0.02**	17,164	0.08
Overseas	**400,307**	**1.79**	434,595	2.11
Accrued interest	**313,590**	**1.41**	276,348	1.34
Total deposits from customers	**22,317,969**	**100.00**	20,614,976	100.00

3.2.8 Building of Branch Network and Channels

The Group provides its customers with convenient and high-quality services through branches and sub-branches, self-service facilities and specialised service entities across the world as well as e-banking service platforms. At the end of June, the Bank had a total of 14,656 operating entities, consisting of 14,622 domestic entities including the head office, 37 tier-one branches, 361 tier-two branches, 14,045 sub-branches, 177 outlets under the sub-branches and a specialised credit card centre at the head office, and 34 overseas institutions. The Bank had 19 major subsidiaries with a total of 592 entities, including 425 domestic ones and 167 overseas ones. For addresses of domestic and overseas tier-one branches and subsidiaries, please refer to the 2020 annual report of the Bank.

Physical channels

The Bank strengthened the overall planning of its physical channel construction. While keeping the total number of outlets basically stable, it prioritised investment in channel construction in key strategic regions such as the Beijing-Tianjin-Hebei region, the Yangtze River Delta, and the Guangdong-Hong Kong-Macao Greater Bay Area. It continuously optimised the branch network layout, considering the development of city clusters, the progress in new-type urbanisation and the trend of population migration. Its flagship stores reached 1,484, which played a leading and synergistic role in its branches. The Bank also took measures to streamline inefficient outlets where there were too many banks, and 192 outlets were withdrawn, merged or relocated in the first half of 2021. It also continued to improve the level of intelligent service and customer experience of outlets, and built seven new smart banking outlets in Beijing, Guangzhou, Shaoguan, Jiangmen and other places. Moreover, the Bank continued to optimise the self-service channel service network, and had 73,065 ATMs, 24,831 self-service banks, including 10,683 off-premise self-service banks, and 48,549 smart teller machines to fully support corporate and personal banking. By the end of June, it had established more than 250 inclusive finance (small business) service centres and small business centres, and over 1,800 personal loan centres.

The Bank built a group-wide intelligent operation system. Based on the three-tier structure of “access, delivery and control” for intelligent operation, the Bank focused on improving the construction of operation governance system, deepening the application of artificial intelligence (AI) in channel operation, and building the shared operation capability to support digitalised operation. It expanded the application of cloud-based production model in 12 scenarios in four fields to optimise operation resource allocation. It promoted the application of robotic process automation (RPA), intelligent character recognition (ICR) and AI in various fields. In the first half of 2021, 240 RPA application scenarios were released to realise the high-precision identification of 16 kinds of certificates in counter business, and to complete the data annotation of scenarios such as the identification of bills at counter and remote cash stock taking. It promoted the implementation of customer journey programs, the building of employee community and the evaluation of customer experience, to improve internal and external user experience. It strengthened omni-channel integrated development capabilities, to provide customers with seamless experience through all channels. It leveraged its WeChat official account “CCB Banking Centre” to effectively expand its service radius and efficiency of outlets. The cumulative number of users who followed the account reached 10 million. At the same time, the transaction volume of “CCB Doorstep Service” exceeded 7.9 million, and the cumulative number of users using the order service exceeded 1.68 million. 78 products were offered through “online order, centralised processing, physical distribution and doorstep service”.

The Bank expanded the scope of financial services. It incorporated government affairs services into the standard service system of outlets and turned its outlets into “government affairs service lobbies for the public”. By the end of June, all 37 domestic tier-one branches of the Bank provided smart government affairs services covering 19 areas, such as tax, social security, education and transportation. The Bank opened 14,100 “Workers’ Harbours” to the public, served more than 161 million people times and had more than 11.67 million registered online users. The Bank broke industrial barriers and focused on the fields of people’s livelihood. It cooperated with 1,065 third-party organisations, including the Party and government organisations, labour unions, enterprises and institutions, and vigorously expanded the service functions of “Workers’ Harbours” in Party building, elderly care, low carbon initiative, poverty alleviation, justice and other aspects. The Bank deeply explored high-frequency daily life service scenarios, introduced featured merchants around the outlets, leveraged the local life service platform it built, and empowered outlets to be operated in the community ecosystem. Online and offline collaborative integration enabled customers to enjoy more comprehensive services in the integrated scenario of “Finance + Life + Social Networking”.

E-channels

The Bank accelerated the pace of digital transformation of online financial services, and pressed ahead with the data-driven decision-making management, the agile adjustment of business mechanism, the intelligent restructuring of business model, the collaborative construction of ecosystem and the technology-enabled risk prevention and control, to further promote the high-quality development of online financial business.

Mobile finance

Personal mobile banking application version 5.0 was officially released, which used the cutting-edge FinTech to innovate the functions of intelligent voice, intelligent search and intelligent recommendation, so as to provide customers with new visual experience and share higher quality intelligent mobile financial services. Corporate mobile banking focused on corporate customers, innovatively launched professional service platforms such as “mobile operation platform for custody services”, and continuously optimised the cross-customer services process of money transfer and agency business, to improve user experience. At the end of June, the number of personal online banking users rose to 403 million, an increase of 14,913,500 or 3.84% from the end of 2020; the monthly average number of active users of personal mobile banking was 142 million; and the number of transactions was 26.51 billion, amounting to RMB47.15 trillion. The number of corporate mobile banking users reached 2,510.3 thousand, an increase of 341 thousand or 15.72% from the end of 2020, and the number of transactions was 8,604.1 thousand, amounting to RMB975.1 billion. The number of users who followed the Bank’s WeChat account reached 128 million, an increase of 8,273.5 thousand or 6.92% from the end of 2020. The number of users who linked their bank cards with their WeChat accounts reached 104 million, an increase of 9,153.3 thousand or 9.70% from the end of 2020, and the number of SMS financial service users reached 503 million, an increase of 9 million or 1.89% from the end of 2020.

Online banking

CCB's personal online banking introduced new features such as recommendation of selected WMPs, application for prepayment of personal loans, and security lock for savings account. Corporate online banking continuously promoted product upgrading, optimised customer experience, and strived to build an intelligent and collaborative comprehensive service platform. The size of customers and transactions continued to grow. Visits to the Bank's international website hit a record high with more customers attracted. At the end of June, the number of personal online banking users was 383 million, an increase of 11,263.4 thousand or 3.03% from the end of 2020; the number of active users was 5,489.2 thousand; and the number of transactions was 2,603 million, amounting to RMB9.03 trillion. The number of corporate online banking users rose to 10,802.8 thousand, an increase of 514.1 thousand or 5.00% from the end of 2020; the number of active users was 3,797.8 thousand; and the number of transactions was 924 million, amounting to RMB133.17 trillion. The average daily page views of the international website reached 142 million, with the number of average daily unique visitors of 16,754 thousand. The highest one-day page views reached 267 million, and the total number of registered members of international websites reached 97,143.5 thousand.

Online payment

The Bank continued to strengthen its online payment services, promoted product innovation to support the growth of new types of consumption, and facilitated the domestic circulation of consumption. At the end of June, the number of online payment transactions was 23,339 million, amounting to RMB10.71 trillion. Specifically, the transaction volume of the aggregated payment service amounted to RMB949,437 million, an increase of 60.96% as compared to the same period last year, and the number of merchants that used the Bank's aggregated payment service was 2,428.9 thousand. The Bank outperformed its peers in terms of the proportion of transactions with leading Internet institutions such as Alipay, JD, Meituan and Tik Tok in China.

E.ccb.com

The Bank focused on the industrial chain and used "Shanfutong" to provide financial and non-financial comprehensive services such as payment and settlement, order management, and information sharing for leading agricultural enterprises of industrialisation and other agricultural operators. It proactively built the agricultural industrial chain model of "Shanfutong + Mall + Enterprise of agricultural industrialisation + Dealer + Farmer", which covers many links such as supply of agricultural resources, agricultural production, and processing and sales of agricultural products, to promote the co-existence, win-win cooperation and mutual benefit of operators at each node of the agricultural industrial chain. By the end of June, the Bank completed RMB6,911 million consumption-assisted poverty alleviation transactions via e.ccb.com. Shanfutong had attracted 11,800 core members and 1,155 active business circles, covering more than 150 thousand upstream and downstream active customers, with a transaction volume of RMB63,217 million.

Remote intelligent banking

The Bank enhanced the application of FinTech and refined management. It continuously provided high-quality and efficient remote financial services for customers through multimedia, multiple scenarios, and various service functions. The Bank also deepened its application of AI robots in many fields, such as voice navigation, consulting services, customer marketing, and loan collection. In the first half of 2021, the Bank served a total of 860 million customers across all channels, and 94.07% of manual inquiries were successfully connected to customer service representatives. Its WeChat official account "CCB Customer Service" served 9.11 million customers and the cumulative number of followers exceeded 10 million.

3.2.9 Digitalised Operation and Product Innovation

Digitalised operation

The Group actively practiced the New Finance concept, adhered to the basic logic of "building ecosystems, setting up scenarios and expanding user base", and coordinated and established working mechanisms for digitalised operation, to steadily promote digitalised operation on a regular basis. The Group focused on digitalisation in key areas, such as the "Three Major Strategies", rural revitalisation, and smart government affairs, to improve the capacity of digitalised operation and duplicate and share advanced experience. The Group accelerated the building of three major middle offices in terms of business, data and technology, and finalised the building scheme for the "3+1" Competence Centres of business middle office, which takes users, merchants, rights and interests, and payment as the core. The Group set up a cross-service line and cross-department flexible team to consolidate the talent pool for digitalised operation and continued to improve the overall awareness and ability to carry out digitalised operation leveraging scenario-based platforms.

Product innovation

The Bank researched and developed an enterprise-wide product family management platform, promoted the development of product standardisation, product data standardisation and product management process standardisation, and built a multi-dimensional real-time data supply architecture. It seamlessly embedded money laundering risk assessment, consumer rights and interests protection review and accounting normative review into product innovation process, and effectively improved its product management and product innovation management with enhanced enterprise-wide value creation capacity. It was the first among its peers to implement real-time risk models for monitoring gambling and fraud behaviours in payment and settlement, to block and manage suspicious transactions and accounts in real time. It continued to launch activities such as “Innovation Marathon”, cultivated innovative culture, identified innovative talents, and built innovative brands. It established a constant innovating mechanism that supports strategic project research and development and prospective project incubation based on its product innovation laboratory and platform. It further promoted the mass innovation platform and established a regular innovation coordination mechanism to mobilise grass-root innovation ideas and stimulate independent innovation. In the first half of 2021, the mass innovation platform had more than 109,600 active users, launched 295 innovation and creation campaigns in total, and collected 17,700 ideas online, of which 3,739 had been approved and 296 implemented.

3.2.10 Human Resources

The following table sets forth, as at the date indicated, the geographical distribution of the Bank’s branches and employees.

	As at 30 June 2021			
	Number of branches	**% of total**	**Number of employees**	**% of total**
Yangtze River Delta	**2,296**	**15.67**	**51,449**	**14.88**
Pearl River Delta	**1,872**	**12.77**	**44,151**	**12.77**
Bohai Rim	**2,422**	**16.53**	**56,721**	**16.40**
Central	**3,526**	**24.06**	**77,715**	**22.48**
Western	**3,005**	**20.50**	**66,608**	**19.26**
Northeastern	**1,498**	**10.22**	**34,065**	**9.85**
Head Office	**3**	**0.02**	**13,711**	**3.97**
Overseas	**34**	**0.23**	**1,355**	**0.39**
Total	**14,656**	**100.00**	**345,775**	**100.00**

At the end of June, the Bank had 345,755 employees (excluding 3,520 workers dispatched by labour leasing companies). The number of employees with academic qualifications of bachelor’s degree or above was 251,062 or 72.61%. In addition, the Bank assumed the expenses of 88,732 retired employees.

Staff development and training

The Bank gears up CCB University’s function to support the development of its employees and New Finance talents. Focusing on its staff’s entire career path, it strived to launch systematic and comprehensive special talent training programmes. It broadened the brand connotation of “Your Future with CCB” and launched a new learning programme “Footprints in Rural Revitalisation”. It has been actively developing programmes to assist new employees in quickly fitting in, and for young employees working at the Bank for less than 2 years, it built a learning roadmap for key business posts to provide follow-up training and enhance job skills in a comprehensive manner. It has been actively developing management trainee programmes, promoted the building of talent teams, built an employer brand, and set up a strategic talent pool. It developed the “Lead with Vision” programme targeting growth of director-level staff by improving their duty performance and management capabilities, so as to provide robust talent support for deepening the New Financial initiative. It continued to refresh and optimise the ability enhancement learning programmes including “Be Better with You” targeting client managers at outlets and “Together with the Best” targeting heads of outlets. By the end of June, the Bank had organised 559 training sessions with a total enrolment of 49,300, including 438 on-site training sessions with a total enrolment of 29,900 and 121 online training sessions with a total enrolment of 19,300. CCB University upgraded its online learning platform and mobile app, so as to provide its employees with convenient learning services that are available anytime and anywhere. In the first half of 2021, it accumulatively hosted 2,606 webinars of various subjects with 2,555.9 thousand attendances and 396 special training sessions with 617.8 thousand enrolments. In terms of overseas training, it organised two international special online training camps and held 37 cross-border webinars, which cumulatively attracted 46,000 views.

Staff in subsidiaries

At the end of June, the subsidiaries of the Bank had 24,318 employees (excluding 546 workers dispatched by labour leasing companies). Specifically, the domestic and overseas employees numbered 19,447 and 4,871 respectively. In addition, the subsidiaries assumed the expenses of 88 retired employees.

3.3 Risk Management

In the first half of 2021, the Group constantly improved its comprehensive, proactive, intelligent and modern risk management system and promoted high-quality development of New Finance practices. It continuously optimised risk control approaches such as risk appetite, risk evaluation, risk assessment, credit policy and risk limits, enriched the "toolkit" for digital and intelligent risk management, and strengthened forward-looking and proactive risk control. The Group also deepened the research on features of new risks, and explored climate risk stress testing. It strengthened risk resolution and disposal in key areas, promoted risk information sharing between parent and subsidiaries and between domestic and overseas entities, and accelerated the full implementation of Basel III.

3.3.1 Credit Risk Management

In the first half of 2021, the Group strengthened macroeconomic trend analysis, enhanced strategic support capabilities, vigorously developed green finance, and focused on achieving goals of carbon peak and carbon neutrality. It continued to optimise credit structure, improved its capability in supporting the real economy and strengthened fundamental management, to safeguard the bottom line of wiping out risks and maintain stable asset quality.

The Group constantly optimised its credit structure. It implemented differentiated credit policies and arrangements, supported the development of house rental business, ensured the provision of inclusive loans, accelerated the fostering of new advantages in green finance, promoted the high-quality development of the manufacturing industry, reinforced advantages in infrastructure sectors, strictly controlled credit to high energy consumption and high emission projects, and tightened the concentration management of real estate loans.

The Group improved its fundamental management efficiency. It strengthened the use of FinTech in key steps of credit process, improved the overall credit risk monitoring, enhanced the credit customer selection and whole-process refined management, realised the unified collection from retail customers and carried out intelligent management and control over collaterals.

The Group strengthened its credit approval risk management and control. It strictly implemented its credit approval strategy, strengthened risk control in key areas, and further optimised credit structure. It advanced the development of a decision-making support system to meet the requirements of process automation, intelligent approval and digitalised management. It adhered to dynamic authorisation adjustments, continuously improved the quality and efficiency of credit approval, and improved its capability in strategic services. It implemented the "environmental protection veto policy", adopted differentiated processes for projects that meet green credit standards, and advanced the green transformation of asset compositions.

The Group enhanced its risk measurement capabilities. It fully took into account new economic situations and upgraded the LGD model to objectively reflect the level of losses based on characteristics of loan write-offs and disposals by the Group in recent years. It promoted credit enhancement based on exclusive evaluation of sci-tech innovation enterprises and optimised its credit structure. It promoted the risk model development and toolkit construction for inclusive finance and rural financial businesses. What's more, it expanded the coverage of risk control systems such as risk scan and alert to various key areas, institutions and products, to improve the quality and efficiency of risk management and control.

The Group intensified its disposal capacity for non-performing assets. It proactively responded to changes in external landscape and made full use of the mechanism of creditors' committee and means such as debt restructuring and market-oriented debt-to-equity swaps, to reduce corporate leverage ratio. It took multiple measures to intensify NPL disposals, and steadily enhanced its operation, disposal and value creation capacity for non-performing assets.

Distribution of loans by five-category classification

The following table sets forth, as at the dates indicated, the distribution of the Group's loans by the five-category loan classification under which NPLs include substandard, doubtful and loss.

	As at 30 June 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	**Amount**	**% of total**	Amount	% of total
Normal	**17,281,702**	**95.67**	15,990,401	95.49
Special mention	**506,056**	**2.80**	494,638	2.95
Substandard	**140,530**	**0.77**	120,731	0.72
Doubtful	**111,392**	**0.62**	106,291	0.64
Loss	**25,059**	**0.14**	33,707	0.20
Gross loans and advances excluding accrued interest	**18,064,739**	**100.00**	16,745,768	100.00
NPLs	**276,981**		260,729	
NPL ratio		**1.53**		1.56

At the end of June, the balance of the Group's NPLs was RMB276,981 million, an increase of RMB16,252 million from the end of last year. The NPL ratio was 1.53%, a decrease of 0.03 percentage points from the end of last year. The special mention loans accounted for 2.80% of the gross loans and advances excluding accrued interest, a decrease of 0.15 percentage points from the end of last year.

Distribution of loans and NPLs by product type

The following table sets forth loans and NPLs by product type as at the dates indicated.

	As at 30 June 2021			As at 31 December 2020		
(In millions of RMB, except percentages)	**Loans**	**NPLs**	**NPL Ratio (%)**	Loans	NPLs	NPL Ratio (%)
Corporate loans and advances	**9,267,153**	**230,302**	**2.49**	8,360,221	213,885	2.56
Short-term loans	**2,754,320**	**80,014**	**2.91**	2,593,677	82,260	3.17
Medium to long-term loans	**6,512,833**	**150,288**	**2.31**	5,766,544	131,625	2.28
Personal loans and advances	**7,529,011**	**29,095**	**0.39**	7,233,869	29,451	0.41
Residential mortgages	**6,105,839**	**12,300**	**0.20**	5,830,859	11,320	0.19
Credit card loans	**839,412**	**10,738**	**1.28**	825,710	11,591	1.40
Personal consumer loans	**227,838**	**2,152**	**0.94**	264,581	2,604	0.98
Personal business loans	**193,355**	**1,410**	**0.73**	138,481	1,377	0.99
Other loans	**162,567**	**2,495**	**1.53**	174,238	2,559	1.47
Discounted bills	**241,305**	**–**	**–**	259,061	–	–
Overseas operations and subsidiaries	**1,027,270**	**17,584**	**1.71**	892,617	17,393	1.95
Gross loans and advances excluding accrued interest	**18,064,739**	**276,981**	**1.53**	16,745,768	260,729	1.56

Distribution of loans and NPLs by industry

The following table sets forth the Group's loans and NPLs by industry as at the dates indicated.

(In millions of RMB, except percentages)	**As at 30 June 2021**				As at 31 December 2020			
	Loans	**% of total**	**NPLs**	**NPL ratio (%)**	Loans	% of total	NPLs	NPL ratio (%)
Corporate loans	**9,267,153**	**51.29**	**230,302**	**2.49**	8,360,221	49.92	213,885	2.56
Transportation, storage and postal services	**1,678,655**	**9.29**	**29,549**	**1.76**	1,582,628	9.45	31,483	1.99
Manufacturing	**1,388,925**	**7.69**	**70,981**	**5.11**	1,294,355	7.73	78,059	6.03
Leasing and commercial services	**1,641,343**	**9.09**	**36,936**	**2.25**	1,399,735	8.36	26,430	1.89
– Commercial services	**1,613,303**	**8.93**	**35,932**	**2.23**	1,376,621	8.22	25,468	1.85
Production and supply of electric power, heat, gas and water	**895,430**	**4.96**	**13,140**	**1.47**	826,390	4.93	12,511	1.51
Real estate	**742,906**	**4.11**	**11,564**	**1.56**	687,504	4.11	9,011	1.31
Wholesale and retail trade	**850,234**	**4.71**	**19,397**	**2.28**	727,948	4.35	20,989	2.88
Water, environment and public utility management	**612,776**	**3.39**	**7,141**	**1.17**	524,913	3.13	7,052	1.34
Construction	**445,431**	**2.47**	**7,628**	**1.71**	381,172	2.28	6,732	1.77
Mining	**233,179**	**1.29**	**18,870**	**8.09**	212,835	1.27	7,132	3.35
– Exploitation of petroleum and natural gas	**7,607**	**0.04**	**337**	**4.43**	2,092	0.01	427	20.41
Information transmission, software and information technology services	**109,823**	**0.61**	**2,349**	**2.14**	92,887	0.55	2,181	2.35
– Telecommunications, broadcast and television, and satellite transmission services	**24,398**	**0.14**	**681**	**2.79**	21,802	0.13	604	2.77
Education	**73,929**	**0.41**	**93**	**0.13**	70,763	0.42	75	0.11
Others	**594,522**	**3.27**	**12,654**	**2.13**	559,091	3.34	12,230	2.19
Personal Loans	**7,529,011**	**41.68**	**29,095**	**0.39**	7,233,869	43.20	29,451	0.41
Discounted bills	**241,305**	**1.34**	**–**	**–**	259,061	1.55	–	–
Overseas operations and subsidiaries	**1,027,270**	**5.69**	**17,584**	**1.71**	892,617	5.33	17,393	1.95
Gross loans and advances excluding accrued interest	**18,064,739**	**100.00**	**276,981**	**1.53**	16,745,768	100.00	260,729	1.56

In the first half of 2021, the Group continued to optimise its credit structure and foster green finance to support the development of the real economy. The NPL ratios of wholesale and retail trade, and manufacturing dropped, and the NPL ratio of infrastructure sectors remained stable.

Restructured loans and advances to customers

The following table sets forth the Group's restructured loans and advances to customers as at the dates indicated.

(In millions of RMB, except percentages)	**As at 30 June 2021**		As at 31 December 2020	
	Amount	**% of gross loans and advances excluding accrued interest**	Amount	% of gross loans and advances excluding accrued interest
Restructured loans and advances to customers	**10,066**	**0.06**	10,090	0.06

At the end of June, the balance of restructured loans and advances to customers was RMB10,066 million, a decrease of RMB24 million from the end of last year; their proportion in gross loans and advances excluding accrued interest was 0.06%, staying flat with that at the end of last year.

Overdue loans and advances to customers

The following table sets forth the Group's overdue loans and advances to customers by overdue period as at the dates indicated.

(In millions of RMB, except percentages)	**As at 30 June 2021**		As at 31 December 2020	
	Amount	**% of gross loans and advances excluding accrued interest**	Amount	% of gross loans and advances excluding accrued interest
Overdue within three months	**57,144**	**0.32**	54,299	0.32
Overdue between three months and six months	**26,981**	**0.15**	24,664	0.15
Overdue between six months and one year	**37,203**	**0.21**	35,801	0.21
Overdue between one and three years	**58,621**	**0.32**	59,888	0.36
Overdue for over three years	**15,051**	**0.08**	7,571	0.05
Total overdue loans and advances to customers	**195,000**	**1.08**	182,223	1.09

At the end of June, the balance of overdue loans and advances to customers increased by RMB12,777 million from the end of last year to RMB195,000 million; their proportion in gross loans and advances excluding accrued interest dropped by 0.01 percentage points. Loans and advances overdue for more than three months were RMB137,856 million, mainly concentrated in Central China and Pearl River Delta.

Migration rate of loans

(%)	**As at 30 June 2021**	As at 31 December 2020	As at 31 December 2019
Migration rate of normal loans	**0.94**	2.29	2.52
Migration rate of special mention loans	**10.72**	20.02	15.97
Migration rate of substandard loans	**22.80**	62.62	50.11
Migration rate of doubtful loans	**2.90**	25.06	20.60

1. The migration rate of loans was calculated according to the relevant regulations of the CBIRC on a consolidated basis.

Large exposures management

In the first half of 2021, the Group constantly optimised the comprehensive and proactive management system for large exposures. It improved management rules, including customer-based modes, standards and procedures for large exposure management covering all related information at the group level; it optimised management methods, integrated data from business systems such as credit business, financial institutional business, asset management, and financial market business to realise the automatic data acquisition of large exposures, and refined the limit management system to realise real-time monitoring and dynamic management for large exposure customers; it embedded regulatory requirements, limit early warning rules and processing strategies into business systems to realise digitalised and systemised management and further improve management efficiency.

Concentration of loans

At the end of June, the Group's gross loans to the largest single borrower accounted for 3.81% of its total capital after regulatory adjustments, while those to the top ten customers accounted for 12.42% of its total capital after regulatory adjustments.

(%)	**As at 30 June 2021**	As at 31 December 2020	As at 31 December 2019
Proportion of loans to the largest single customer	**3.81**	3.55	2.65
Proportion of loans to top ten customers	**12.42**	11.84	10.82

The Group's top ten single borrowers as at the date indicated are as follows.

(In millions of RMB, except percentages)	**Industry**	**As at 30 June 2021**	
		Amount	**% of total loans and advances excluding accrued interest**
Customer A	Transportation, storage and postal services	**111,605**	**0.62**
Customer B	Leasing and commercial services	**39,381**	**0.22**
Customer C	Transportation, storage and postal services	**34,423**	**0.19**
Customer D	Transportation, storage and postal services	**30,702**	**0.17**
Customer E	Transportation, storage and postal services	**29,150**	**0.16**
Customer F	Production and supply of electric power, heat, gas and water	**27,910**	**0.15**
Customer G	Transportation, storage and postal services	**26,303**	**0.15**
Customer H	Production and supply of electric power, heat, gas and water	**23,697**	**0.13**
Customer I	Transportation, storage and postal services	**20,354**	**0.11**
Customer J	Transportation, storage and postal services	**19,807**	**0.11**
Total		**363,332**	**2.01**

3.3.2 Market Risk Management

In the first half of 2021, the Group continued to strengthen the construction of risk management system for investment and trading business, and effectively responded to volatilities in bond, foreign exchange, stock and commodity markets. It formulated the annual risk limit plan for investment and trading business, strengthened risk screening of financial market trading business, and improved the management and control function of risk management system for derivatives business. It carried out special stress tests for bond business and optimised the post-investment management process of debentures. It revised the financial institution counterparty management system and optimised the list management mechanism. It promoted the rectification and risk mitigation of asset management business during the transition period. By leveraging the risk management and control platform for investment and trading business, it promoted the compliance with regulatory standards of market risk measurement using the new standardised approach and the new internal models approach.

Value at risk analysis

The Bank divides all of its on- and off-balance sheet assets and liabilities into trading book and banking book. The Bank performs value at risk (VaR) analysis on its trading portfolio to measure and monitor the potential losses that could occur on risk positions taken, due to movements in interest rates, foreign exchange rates and other market prices. The Bank calculates the VaRs of its RMB and foreign currency trading portfolios on a daily basis (at a confidence level of 99% and with a holding period of one trading day).

The VaR analysis on the Bank's trading book as at the balance sheet date and during the respective periods is as follows.

	Six months ended 30 June 2021				Six months ended 30 June 2020			
(In millions of RMB)	**As at 30 June**	**Average**	**Maximum**	**Minimum**	As at 30 June	Average	Maximum	Minimum
Risk valuation of trading portfolio	**147**	**163**	**195**	**127**	271	251	317	207
Interest rate risk	**63**	**64**	**89**	**41**	145	75	182	46
Foreign exchange risk	**134**	**163**	**195**	**110**	257	254	298	214
Commodity risk	**11**	**12**	**45**	**–**	6	8	39	3

Interest rate risk management

The Group established interest rate risk management framework and system in light of its own condition, and implemented robust and prudent interest rate risk management strategy and policy. The Group employed a range of methods to measure and analyse the interest rate risk on banking book, including repricing gap analysis, sensitivity analysis of net interest income and economic value, duration analysis, stress testing, and economic capital analysis. The interest rate risk policy is in line with the Group's development strategy, risk appetite and risk management capability, and seeks to achieve a balance between interest rate risk and profitability, minimise the adverse impact from interest rate changes on net interest income and value, and ensure stable profit growth and capital stability.

In the first half of 2021, the Group paid close attention to changes in market rates, and reinforced dynamic risk monitoring and prediction. It continued to optimise its products and term structure and maintained the solid and coordinated growth of assets and liabilities. The Group flexibly adjusted internal and external price policies, strengthened its management and control of interest rate risk associated with innovative products, and carefully considered the maturity adjustment strategies for deposit and loan products to better adapt to changes in interest rate environment. It continued to optimise interest rate risk limits for overseas institutions to support the steady development of overseas businesses. During the reporting period, the results of the stress testing indicated that all indicators are kept within the limits, and the interest rate risk on banking book of the Group was under control.

The Group attached great importance to the benchmark interest rate reform to replace London Interbank Offered Rate (LIBOR). In accordance with the PBC's regulatory guidelines, and based on the research results of benchmark interest rate conversion management agencies in the countries where the currencies are issued, the Group steadily pressed ahead with studies on its benchmark interest rate conversion plan, product contract revision, IT system upgrades, customer communication and other related work. By the end of June, the related work had proceeded in an orderly manner, and the Group took the lead in launching system upgrades in its overseas entities among Chinese banks, and issued pilot products such as Secured Overnight Financing Rate (SOFR) linked USD certificates of deposit. It is expected that by the end of 2021, the Group will be fully capable of making transactions using new benchmark interest rates. At the end of June, the Group's exposure to LIBOR-linked businesses was small, and the conversion cost was controllable, therefore any impact on the operation would be insignificant.

Interest rate sensitivity gap analysis

The analysis of interest rate sensitivity gaps of the Group's assets and liabilities as at the dates indicated by the next expected repricing dates or maturity dates (whichever are earlier) is set out below.

(In millions of RMB)	**Non-interest-bearing**	**Less than three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**	**Total**
Interest rate sensitivity gap as at 30 June 2021	**285,235**	**(7,959,720)**	**8,299,033**	**(1,583,844)**	**3,421,637**	**2,462,341**
Accumulated interest rate sensitivity gap as at 30 June 2021		**(7,959,720)**	**339,313**	**(1,244,531)**	**2,177,106**	
Interest rate sensitivity gap as at 31 December 2020	108,331	(2,864,124)	3,641,112	(1,502,646)	3,006,680	2,389,353
Accumulated interest rate sensitivity gap as at 31 December 2020		(2,864,124)	776,988	(725,658)	2,281,022	

At the end of June, the repricing gap of the Group's assets and liabilities with maturities of less than one year was RMB339,313 million, a decrease of RMB437,675 million from the end of last year, primarily because the growth of deposits with maturities of less than one year was faster than that of loans and advances. The positive gap with maturities of more than one year was RMB1,837,793 million, an increase of RMB333,759 million from the end of last year, primarily because the growth of debt investments was faster than that of time deposits with maturities of more than one year.

Net interest income sensitivity analysis

The net interest income sensitivity analysis is based on two scenarios. The first assumes that all yield curves rise or fall by 100 basis points in a parallel way, while the interest rates for deposits at the PBC remain the same; the second assumes that the interest rates for deposits at the PBC and the demand deposits remain the same, while the other yield curves rise or fall by 100 basis points in a parallel way.

The change in net interest income of the Group under different scenarios as at the specified dates is set out below.

	Scenario 1: the interest rates for deposits at the PBC being constant		**Scenario 2: the interest rates for deposits at the PBC and the demand deposits being constant**	
(In millions of RMB)	**Rise by 100 basis points**	**Fall by 100 basis points**	**Rise by 100 basis points**	**Fall by 100 basis points**
As at 30 June 2021	**(73,054)**	**73,054**	**56,718**	**(56,718)**
As at 31 December 2020	(45,546)	45,546	80,344	(80,344)

Exchange rate risk management

The Group is exposed to exchange rate risk primarily because of the currency mismatch of assets and liabilities it holds in currencies other than RMB and the positions it takes as a market maker in the financial markets. The Group measures and analyses its exchange rate risk using a combination of methods such as exchange rate risk exposure and stress testing, and controls and mitigates its risk by matching its assets and liabilities, setting limits, and hedging.

In the first half of 2021, the Group adhered to a prudent and sound exchange rate risk management strategy, paid close attention to the changes in global economic situation in the wake of COVID-19, strengthened research on exchange rates of currencies of major economies and emerging markets, and dynamically monitored and analysed changes in the Group's exchange rate risk exposure. Affected by the need to purchase foreign currencies for distribution of dividends overseas, the Group's exchange rate risk exposure rose slightly at the end of June, but this was expected to fall after dividend distribution. The stress testing results of exchange rate risk showed that the overall risk was under control, which continued to satisfy regulatory requirements of the CBIRC.

Currency concentrations

The Group's currency concentrations as at the dates indicated are set out below.

	As at 30 June 2021				As at 31 December 2020			
(In millions of RMB)	**USD (RMB equivalent)**	**HKD (RMB equivalent)**	**Others (RMB equivalent)**	**Total**	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	**1,090,518**	**331,080**	**384,169**	**1,805,767**	945,417	352,098	376,645	1,674,160
Spot liabilities	**(1,119,001)**	**(349,831)**	**(281,342)**	**(1,750,174)**	(1,000,213)	(330,942)	(290,448)	(1,621,603)
Forward purchases	**1,776,408**	**146,346**	**106,669**	**2,029,423**	1,826,299	75,051	137,232	2,038,583
Forward sales	**(1,765,394)**	**(87,199)**	**(188,631)**	**(2,041,224)**	(1,758,605)	(60,684)	(203,639)	(2,022,928)
Net options position	**14,778**	**–**	**(1,163)**	**13,615**	(16,261)	(29)	(4)	(16,294)
Net (short)/long position	**(2,691)**	**40,396**	**19,702**	**57,407**	(3,362)	35,494	19,787	51,919

At the end of June, the Group's net exposure to exchange rate risk was RMB57,407 million, an increase of RMB5,488 million from the end of last year. The Group's exchange rate risk exposure rose temporarily mainly due to the purchase of foreign exchange for dividend distribution, and will drop after dividend distribution.

3.3.3 Operational Risk Management

In the first half of 2021, the Group continued to strengthen operational risk management, revised operational risk management policies, improved governance structure, enriched management tools and defined control measures. It improved the management mechanism of financial services in response to emergencies by reference to regulatory requirements.

Anti-money laundering

In the first half of 2021, the Group strictly implemented regulatory requirements, and followed the risk-based management principle to continuously press ahead with AML, counter-terrorist financing and anti-tax evasion. The Bank continued to improve governance structure, policies and systems, actively satisfied performance obligations, took proactive and effective measures and significantly improved the scientific and technological level for risk management. The Group made great progress in intelligent money laundering risk assessment, differentiated management and control of high-risk customers, standardisation of AML data, integration of the Group's system construction and compliance with sanctions and anti-sanctions policies, to effectively support the development of strategic businesses across the Bank and ensure compliant operation.

3.3.4 Liquidity Risk Management

In the first half of 2021, monetary policies of central banks remained prudent, neutral, flexible, precise, and reasonably moderate. The Group adhered to the principle of robustness and prudence to manage liquidity risk and continued to strengthen liquidity risk expectation management. It appropriately arranged the use of the Group's funding sources, and ensured the coordinated development of assets and liabilities business. As a result, all related indicators continued to meet the requirements. It strengthened the coordinated liquidity management at the group level, fully improved the refined liquidity risk management, and continued to improve the level of forward-looking and precise fund adjustment and control to ensure the security of the Bank's payment and settlement.

Stress testing of liquidity risk

The Group conducted quarterly stress testing on its liquidity risk in order to gauge its risk tolerance in unlikely extreme scenarios and other adverse scenarios. It kept improving its liquidity risk stress testing methods in accordance with regulatory and internal management requirements. The results of stress testing showed that under different stress scenarios, the Group's liquidity risk was under control.

Indicators of liquidity risk management

The Group adopted liquidity indicator analysis, remaining maturity analysis and undiscounted cash flow analysis to measure the liquidity risk.

The following table sets forth the liquidity ratios and loan-to-deposit ratio of the Group as at the dates indicated.

(%)		**Regulatory standard**	**As at 30 June 2021**	As at 31 December 2020	As at 31 December 2019
Liquidity ratio[1]	RMB	≥25	**55.13**	55.66	51.87
	Foreign currency	≥25	**66.32**	58.64	68.29
Loan-to-deposit ratio[2]	RMB		**77.83**	78.49	77.68

1. Calculated by dividing current assets by current liabilities in accordance with the requirements of the CBIRC.
2. Calculated on the basis of domestic legal person in accordance with the requirements of the CBIRC.

In accordance with the requirements of the *Administrative Measures for Liquidity Risk Management of Commercial Banks*, the liquidity coverage ratio of a commercial bank is the high-quality liquid assets divided by net cash outflows in the future 30 days. High-quality liquid assets of the Group mainly include securities guaranteed or issued by sovereign states and central banks with a risk weight of zero or 20%, and central bank reserves that may be used under stress circumstances. The average daily liquidity coverage ratio of the Group for the second quarter of 2021 was 134.20%, meeting the regulatory requirements. It decreased by 14.58 percentage points from the previous quarter, mainly due to the increase in net cash outflow following the decrease in secured lending (including reverse repos and securities borrowing).

The following table sets forth the liquidity coverage ratio of the Group as at the dates indicated.

(In millions of RMB, except percentages)	**Second quarter 2021**	First quarter 2021	Fourth quarter 2020
High-quality liquid assets	**4,696,566**	4,667,230	4,719,927
Net cash outflows	**3,502,773**	3,151,858	2,981,377
Liquidity coverage ratio (%)[1]	**134.20**	148.78	158.53

1. Calculated in accordance with the applicable regulatory requirements, definitions and accounting standards for the period. All figures represent simple arithmetic means of the values for every calendar day in the quarter.

Net stable funding ratio (NSFR) is the available stable funding divided by required stable funding. NSFR is used to evaluate whether commercial banks have sufficient and stable funding sources to meet the needs of various assets and off-balance sheet risk exposures. According to the applicable regulatory requirements, definitions and accounting standards for the period, at the end of June 2021, the Group's NSFR was 123.55%, meeting the regulatory requirements. It dropped by 2.01 percentage points from the end of March, and 3.60 percentage points from the end of 2020, mainly due to the increase in the required stable funding from the increase of performing loans and securities.

The following table sets forth the NSFR of the Group as at the dates indicated.

(In millions of RMB, except percentages)	**As at 30 June 2021**	As at 31 March 2021	As at 31 December 2020
Available stable funding	**20,748,109**	20,724,535	19,727,180
Required stable funding	**16,793,067**	16,505,566	15,515,100
NSFR (%)	**123.55**	125.56	127.15

Please refer to "Unaudited Supplementary Financial Information" for more details of liquidity coverage ratio and net stable funding ratio.

The analysis of the Group's assets and liabilities by remaining maturity as at the dates indicated is set out below.

(In millions of RMB)	**Indefinite**	**Repayable on demand**	**Within one month**	**Between one and three months**	**Between three months and one year**	**Between one and five years**	**More than five years**	**Total**
Net gaps as at 30 June 2021	**3,038,753**	**(11,940,841)**	**(344,709)**	**(541,047)**	**(641,726)**	**2,271,834**	**10,620,077**	**2,462,341**
Net gaps as at 31 December 2020	2,959,627	(11,562,623)	(491,243)	(131,281)	(362,539)	2,061,094	9,916,318	2,389,353

The Group regularly monitored the maturity gaps between its assets and liabilities for various businesses in order to assess its liquidity risk in different time periods. At the end of June, the cumulative maturity gap of the Group was RMB2.46 trillion, an increase of RMB72,988 million over the end of 2020. The negative gap for repayment on demand was RMB11.94 trillion, an increase of RMB378,218 million over the end of 2020, mainly due to the Group's relatively fast growth of deposits with the expansive customer base. Considering the low turnover rate of the Group's demand deposits and steady growth of deposits, the Group expects to enjoy a steady source of funding and maintain stable liquidity in the future.

3.3.5 Reputational Risk Management

The Group conscientiously implemented regulatory requirements for reputational risk, continued to improve the reputational risk management system and mechanism, and strengthened the consolidated management of reputational risk. It consistently adhered to the forward-looking, comprehensive, proactive and effective management principle, focused on identifying and issuing early warning for potential reputational risk factors, and strengthened daily public opinions monitoring. It continued to provide training to address reputational risk and public opinions, strengthened the reputational risk awareness of all employees, improved capability in public opinion response to build a defence line against reputational risks.

3.3.6 Country Risk Management

In the first half of 2021, in the context of increasingly complex international political and economic situation, the Group continued to strengthen centralised country risk management at the group level. It closely monitored changes in country risk exposures, dynamically rechecked country risk ratings and limits, and conducted country risk monitoring and warning. It upgraded the country risk management system and enhanced the management of risk identification, measurement, monitoring, control and reporting. The Group's country risk exposure was mainly concentrated in countries or regions with "low" or "relatively low" country risk, and the overall country risk was maintained at a reasonable level.

3.3.7 Consolidated Management

In the first half of 2021, the Bank continuously enhanced consolidated management and reinforced various aspects of the Group's consolidated management, including business collaboration, corporate governance, risk management and capital management. It strengthened the strategic management of subsidiaries and deepened the building of the parent-subsidiary coordination system. It optimised the corporate governance mechanism of its subsidiaries and clarified that the board of subsidiaries was responsible for risk management. It continued to optimise the consolidated management system and improved the automation level of consolidated management.

3.3.8 Internal Audit

The Internal Audit Department is committed to evaluating and supervising the improvement of risk management, control and governance processes, promoting value creation and improving business operation. It continued to improve its audit mechanisms to cover all relevant aspects, highlight key areas, coordinate the overall business with priorities and agility, and tackle similar problems in other areas with a typical audit finding, and covered auditable units of all business segments with its audit procedures. In the first half of 2021, audit procedures were performed on credit business for large- and medium-sized customers, special assets resolution, loans to small businesses, key liability products and services, private banking, foreign exchange, credit cards, major channel operation, operational risk management, key financial matters management, important compliance matter management and other business areas. Meanwhile, it pushed relevant departments and branches to continuously improve their management mechanisms, business processes and internal management, to effectively promote the stable and healthy development of the Bank's operations and management.

3.4 Capital Management

The Group adheres to its steady and prudent capital management strategy. It strengthens capital constraints and incentives and promotes intensive capital management to continuously enhance the efficiency of capital use. The Group relies both on internal capital accumulation and external capital replenishment, and maintains capital adequacy ratios that are constantly above the regulatory requirements with a proper safety margin and buffer zone.

In the first half of 2021, the Group gave full play to the role of capital in supporting the development of various businesses, reinforced the capital-centred planning evaluation mechanism, and strived to maintain the reasonable growth and optimise the structure of total risk-weighted assets. It further implemented intensive capital management measures, and improved the efficiency of capital use. It also actively prepared for the implementation of the final set of Basel Ⅲ rules across the Bank.

3.4.1 Capital Adequacy Ratios

Capital adequacy ratios

In accordance with regulatory requirements, the scope for calculating capital adequacy ratios of the Group includes the Bank's domestic and overseas branches and sub-branches, as well as financial subsidiaries (insurance companies excluded). At the end of June, under the rules during the parallel period, the Group's total capital ratio, Tier 1 ratio and Common Equity Tier 1 ratio, which had been calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*, were 16.58%, 13.80% and 13.23%, respectively, all in compliance with regulatory requirements. They decreased by 0.48, 0.42 and 0.39 percentage points, respectively, from 31 December 2020, mainly due to the rapid growth of total risk-weighted assets to support the development of the real economy and key areas, and the slowdown in accumulation of internal capital following dividend distribution.

The following table sets forth, as at the dates indicated, information on capital adequacy ratios of the Group and the Bank.

	As at 30 June 2021		As at 31 December 2020	
(In millions of RMB, except percentages)	**The Group**	**The Bank**	The Group	The Bank
Common Equity Tier 1 capital after regulatory adjustments	**2,334,870**	**2,161,273**	2,261,449	2,105,934
Tier 1 capital after regulatory adjustments	**2,434,940**	**2,240,956**	2,361,517	2,191,258
Total capital after regulatory adjustments	**2,926,515**	**2,720,541**	2,832,681	2,649,639
Common Equity Tier 1 ratio (%)	**13.23**	**13.15**	13.62	13.63
Tier 1 ratio (%)	**13.80**	**13.63**	14.22	14.18
Total capital ratio (%)	**16.58**	**16.55**	17.06	17.15

Please refer to "Risk management – Capital management" in the notes to the financial statements for details of composition of capital.

Risk-weighted assets

Based on the approval for the Group to implement advanced capital management method in 2014, the CBIRC granted approval for the Group to further expand the implementation scope of advanced capital management method in April 2020. The Group calculated the capital requirements for financial institution credit exposures and corporate credit exposures that meet regulatory requirements with the foundation internal ratings-based approach, the capital requirements for retail credit exposures with the internal ratings-based approach, the capital requirements for market risk with the internal models approach, and the capital requirements for operational risk with the standardised approach. In accordance with regulatory requirements, the Group calculates capital adequacy ratios with both the advanced approach and other approaches for capital measurement and complies with relevant requirements for capital floors.

The following table sets forth information on the Group's risk-weighted assets.

(In millions of RMB)	**As at 30 June 2021**	As at 31 December 2020
Credit risk-weighted assets	**16,324,338**	15,274,351
Covered by the internal ratings-based approach	**11,351,790**	10,638,946
Uncovered by the internal ratings-based approach	**4,972,548**	4,635,405
Market risk-weighted assets	**111,822**	120,039
Covered by the internal models approach	**56,121**	69,610
Uncovered by the internal models approach	**55,701**	50,429
Operational risk-weighted assets	**1,210,201**	1,210,201
Additional risk-weighted assets due to the application of capital floors	**–**	–
Total risk-weighted assets	**17,646,361**	16,604,591

3.4.2 Leverage Ratio

From the first quarter of 2015, the Group measures leverage ratio in accordance with the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)*. The leverage ratio refers to the ratio of the Tier 1 capital after regulatory adjustments to the adjusted balance of on and off-balance sheet assets. The leverage ratio of commercial banks should be no less than 4%. As at 30 June 2021, the Group's leverage ratio was 7.79%, meeting regulatory requirements.

The following table sets forth general information on the Group's leverage ratio.

(In millions of RMB, except percentages)	**As at 30 June 2021**	As at 31 March 2021	As at 31 December 2020	As at 30 September 2020
Leverage ratio (%)	**7.79**	7.92	7.99	7.78
Tier 1 capital after regulatory adjustments	**2,434,940**	2,442,723	2,361,517	2,312,381
On and off-balance sheet assets after adjustments	**31,263,173**	30,826,197	29,548,554	29,722,025

For details of leverage ratio, please refer to "Unaudited Supplementary Financial Information".

3.5 Prospects

In the second half of 2021, the uncertain global development of the COVID-19 pandemic, the uneven world economic recovery, the intensified international political and economic games, and the growing expectation for the US Federal Reserve's monetary policy shift will give rise to elevated external uncertainties. China's economy is expected to maintain a sustained stable recovery as the country has carefully coordinated the pandemic prevention and control with its economic and social development, continuously deepened supply-side structural reforms, focused on releasing the potential of domestic demand, and vigorously assisted enterprises in overcoming difficulties.

The banking industry in China will face a more complex and varied operating environment, which presents both challenges and opportunities. On the one hand, the profitability, asset quality, and capital adequacy of commercial banks will be under pressure, in light of high uncertainties over issues such as the evolving pandemic, rising commodity prices and volatile international financial market, the structural problems and cyclical risks in China's economic development, more complex risks in the digital economy era, and the combined effects of different types of risks. On the other hand, key areas such as infrastructure, manufacturing, inclusive finance, green credit, and consumer credit will all bring huge demands for financial services, providing substantial support for the development of banking business. Meanwhile, the rapid growth of customer flow, fund flow and information flow will also bring new opportunities for the digitalised operation and total funds expansion of the banking industry.

The Group will adhere to the task of enhancing "capabilities to serve national construction, prevent financial risks and participate in international competition" and persist in pursuing progress while ensuring stability. With a scientific understanding of the new development stage, it will firmly implement its new development concept, support the fostering of a new development pattern, and further promote New Finance practices to accelerate the building of the mechanisms to create a mutually beneficial virtuous circle where the Group both supports the high-quality national economic development and achieves its own high-quality development. The Group will focus on promoting the following tasks: Firstly, it will deepen the "Three Major Strategies", continue to improve the construction of a house rental ecosystem, steadily promote the "Big and New Inclusive Finance" programme, and continue to optimise the supporting capabilities of FinTech. Secondly, it will focus on the development of smart finance, and improve its quality and efficiency to serve the real economy. Thirdly, it will accelerate the building of its big wealth management system to further enhance the Group's comprehensive financial service capabilities. Fourthly, it will strengthen the cross-cycle asset quality management and control to ensure that key performance indicators remain balanced, coordinated, and sustainable.

Feature Column: Key Topics in Business Development

E-CNY Pilots and Promotion

The Bank was among the first to engage in the development and testing project of the digital fiat currency (i.e., e-CNY), and steadily carried forward the development and pilots of e-CNY under the overall guidance of the PBC. The Bank has iteratively developed CCB e-CNY system and e-CNY wallet system, including modules of personal wallet, corporate wallet, software wallet, hardware wallet, parent wallet and sub-wallet, to effectively provide e-CNY exchange and circulation services. It actively engaged in e-CNY pilots in Shenzhen, Suzhou, Xiong'an and other areas, and created many scenarios such as convenient payment for payrolls, taxes, medical fees and tickets for the use of e-CNY. It innovated application models, and cooperated with e-commerce platforms such as JD.com and e.ccb.com, as well as investment and wealth management institutions such as Tiantian Fund, to enable e-CNY online payment and investment scenarios. It expanded offline scenarios to enable e-CNY payment via near field communication (NFC) and hardware wallets in environment without network coverage. As of the end of June, the Bank has extended the use of e-CNY to various scenarios, including fee payment for utilities, catering services, transportation, shopping, education, and government affairs services. More than 7.23 million personal wallets and over 1.19 million corporate wallets had been opened, with over 28.45 million transactions and a total amount approximating RMB18.9 billion.

The Bank will continue to steadily push forward the pilot projects and development of e-CNY under the guidance of the PBC, explore new technologies, deepen the application of smart contract, hardware wallet and dual offline payment, and further expand the coverage of application scenarios to achieve full coverage in designated pilot regions.

Reform of the Deposit Pricing Mechanism

In June 2021, in order to effectively maintain a healthy and well-ordered deposit market and avoid disordered competition and other issues, the Self-Regulatory Mechanism for the Pricing of Market-Oriented Interest Rates decided to reform the deposit pricing mechanism. The reform mainly consisted of two aspects: first, changing the deposit pricing method from "benchmark deposit rate * multipliers" to "benchmark deposit rate + basis points"; second, reasonably adjusting the maturity premium for deposits. The self-regulatory upper limits of deposit rates for various maturities moved in different directions after the adjustment. Specifically, the self-regulatory upper limits of interest rates for short-term time deposits and large-denomination certificates of deposit with maturities within half a year rose, while those for of long-term deposits with maturities over one year decreased. The reform will help commercial banks, including CCB, improve their independent pricing capabilities. The Group actively reformed relevant supporting systems, immediately revised the internal deposit pricing authorisation system and customer contract templates to comply with the requirements of the Self-Regulatory Mechanism, and timely evaluated the compliance of its deposit price demonstration via various channels to avoid misleading customers' deposit behaviours. At the same time, it also effectively protected the legitimate rights and interests of consumers and actively responded to customer inquiries and suggestions.

The Group will seize the opportunity of optimisation of the self-regulatory deposit pricing mechanism, steadily advance the reform of deposit rate liberalisation, alleviate the pressure of rising deposit costs, and adhere to the principle of balanced development of volume and pricing to further enhance its value creation capabilities.

Deposits from Customers

The Group earnestly implemented the *Administrative Measures for the Quality of Liabilities of Commercial Banks*, and continuously promoted the high-quality development of liabilities business. At the end of June, the Group's deposits from customers increased by RMB1.70 trillion or 8.26% from the end of 2020. From the perspective of average balance and average cost ratio, the Group's deposits from customers increased by RMB2.04 trillion or 10.62% as compared with the same period of 2020; in the first half of 2021, interest rate of deposits from customers was 1.67%. Interest rates of corporate deposits and personal deposits were 1.51% and 1.85% respectively, with balanced development in terms of volume and pricing. From the perspective of composition of customers, the Bank's domestic personal deposits increased by 9.71%, mainly because the Bank leveraged the advantage of digitalised operation, actively attracted fund sources and scenario-based funds by "building ecosystems, setting up scenarios, and expanding user base", and enhanced its ability to take deposits through diversified channels. The Bank's domestic corporate deposits increased by 7.30%, mainly because the Bank focused on the flow of funds, further expanded to upstream and downstream customers, gave full play to the advantage of settlement products to attract and retain deposits from customers, and continuously consolidated its edges in traditional businesses such as financial, social security and housing funds.

The Group will continue to improve its liability quality management and performance evaluation system, take liability quality management as the key to promote healthy and sustainable development of its liability business. It will fully strengthen liability quality management from the perspective of stability of liability sources, diversity of liability sources, appropriateness of the matching of asset and liability, active acquisition of liability and reasonableness of liability cost, ensure the compliant and sound development of the liability business, and continuously improve its sustainable development capabilities.

Asset Quality

In the first half of 2021, the Group continued to maintain its proactive management of credit risk. It conducted forward-looking and proactive risk identification and classification management in a scientific and prudent manner, made sufficient provisions, and maintained stable credit asset quality on the whole. At the end of June, the Group's NPLs were RMB276,981 million, an increase of RMB16,252 million over the end of 2020. The Group's NPL ratio was 1.53%, a decrease of 0.03 percentage points from the end of 2020. Specifically, the NPL ratios of domestic corporate loans and personal loans were 2.49% and 0.39% respectively, and that for overseas operations and subsidiaries was 1.71%. In the first half of 2021, the Group's credit impairment losses on loans and advances to customers were RMB94,450 million, a decrease of RMB11,084 million or 10.50% from the same period last year. Specifically, provisions for credit impairment losses on domestic corporate loans and discounted bills were RMB79,215 million, a decrease of RMB3,083 million or 3.75% from the same period last year, while credit impairment losses on domestic personal loans were RMB14,073 million, a decrease of RMB7,469 million or 34.67% from the same period last year.

The Group will continue to improve the comprehensive, proactive and intelligent system for risk prevention, monitoring and management, objectively reflect the COVID-19 impact on asset quality, and proactively identify risks in high carbon fields in a forward-looking manner.

4 Changes in Share Capital and Particulars of Shareholders

4.1 Changes in Ordinary Shares

Unit: share

	1 January 2021		Change during the reporting period+/(-)					30 June 2021	
	Number of shares	Percentage (%)	Issuance of new shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Shares subject to selling restrictions	–	–	–	–	–	–	–	–	–
II. Shares not subject to selling restrictions									
1. RMB ordinary shares	9,593,657,606	3.84	–	–	–	–	–	9,593,657,606	3.84
2. Overseas listed foreign investment shares	95,231,418,499	38.09	–	–	–	–	–	95,231,418,499	38.09
3. Others[1]	145,185,901,381	58.07	–	–	–	–	–	145,185,901,381	58.07
III. Total number of shares	250,010,977,486	100.00	–	–	–	–	–	250,010,977,486	100.00

1. H-shares of the Bank not subject to selling restrictions held by the promoters of the Bank, i.e. Huijin, Baowu Steel Group, State Grid, and Yangtze Power.

4.2 Number of Ordinary Shareholders and Particulars of Shareholding

At the end of the reporting period, the Bank had a total of 378,681 ordinary shareholders, of whom 338,360 were holders of A-shares and 40,321 were holders of H-shares.

Unit: share

Total number of ordinary shareholders	**378,681 (Total number of registered holders of A-shares and H-shares as at 30 June 2021)**

Particulars of shareholding of the top ten ordinary shareholders

Name of ordinary shareholder	Nature of shareholder	Shareholding percentage (%)	Changes during the reporting period	Total number of shares held	Number of shares pledged or frozen
Huijin[1]	State	57.03	–	142,590,494,651 (H-shares)	None
		0.08	–	195,941,976 (A-shares)	None
HKSCC Nominees Limited[1, 2]	Foreign legal person	37.55	+6,125,584	93,869,309,746 (H-shares)	Unknown
China Securities Finance Corporation Limited	State-owned legal person	0.88	-96	2,189,259,672 (A-shares)	None
State Grid[2, 3]	State-owned legal person	0.64	–	1,611,413,730 (H-shares)	None
Reca Investment Limited	Foreign legal person	0.34	–	856,000,000 (H-shares)	None
Yangtze Power[2]	State-owned legal person	0.26	–	648,993,000 (H-shares)	None
Hong Kong Securities Clearing Company Limited[1]	Foreign legal person	0.26	+153,462,234	648,972,995 (A-shares)	None
Central Huijin Asset Management Ltd.[1]	State-owned legal person	0.20	–	496,639,800 (A-shares)	None
Baowu Steel Group[2]	State-owned legal person	0.13	–	335,000,000 (H-shares)	None
Taiping Life Insurance Co., Ltd. — Traditional — Ordinary insurance product — 022L-CT001SH	Others	0.07	–	168,783,482 (A-shares)	None

1. Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin. HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited. Apart from these, the Bank is not aware of any connected relation or concerted action among the aforesaid shareholders.
2. As at 30 June 2021, State Grid, Yangtze Power and Baowu Steel Group held 1,611,413,730 H-shares, 648,993,000 H-shares and 335,000,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited. Save for the aforesaid H-shares of the Bank held by State Grid, Yangtze Power, and Baowu Steel Group, 93,869,309,746 H-shares of the Bank were held under the name of HKSCC Nominees Limited, which also included the H-shares held by Temasek Holdings (Private) Limited.
3. As at 30 June 2021, the holding of H-shares of the Bank by State Grid through its subsidiaries was as follows: State Grid International Development Co., Ltd. held 296,131,000 shares, and State Grid International Development Limited held 1,315,282,730 shares.
4. None of the shares held by the aforesaid shareholders were subject to selling restrictions.

4.3 Changes in Controlling Shareholders and Actual Controlling Parties

During the reporting period, there was no change in controlling shareholders or actual controlling parties.

4.4 Interests and Short Positions of Substantial Shareholders and Other Persons

On 30 June 2021, the interests and short positions of substantial shareholders and other persons in the shares and underlying shares of the Bank as recorded in the register required to be kept under Section 336 of the *Securities and Futures Ordinance* of Hong Kong were as follows:

Name	Type of shares	Number of shares	Nature of rights and interests	% of issued A-share	% of issued H-share	% of total ordinary shares issued
Huijin[1]	A-share	692,581,776	Long position	7.22	–	0.28
Huijin[2]	H-share	133,262,144,534	Long position	–	59.31	57.03

1. On 29 December 2015, Huijin declared its interests on the website of Hong Kong Stock Exchange. It disclosed that it had interests of 692,581,776 A-shares of the Bank, accounting for 7.22% of the A-shares issued (9,593,657,606 shares) and 0.28% of the ordinary shares issued (250,010,977,486 shares), in which 195,941,976 A-shares were directly held by Huijin, and 496,639,800 A-shares were held by its wholly-owned subsidiary Central Huijin Asset Management Ltd. As at 30 June 2021, according to the A-share register of shareholders of the Bank, Huijin directly held 195,941,976 A-shares of the Bank, and Central Huijin Asset Management Ltd., the wholly-owned subsidiary of Huijin, held 496,639,800 A-shares of the Bank.
2. On 26 May 2009, Huijin declared its interests on the website of Hong Kong Stock Exchange. It disclosed that it had interests of 133,262,144,534 H-shares of the Bank, accounting for 59.31% of the H-shares issued (224,689,084,000 shares) and 57.03% of the ordinary shares issued (233,689,084,000 shares) at that time. As at 30 June 2021, according to the H-share register of shareholders of the Bank, Huijin directly held 142,590,494,651 H-shares of the Bank, accounting for 59.31% of the H-shares issued (240,417,319,880 shares) and 57.03% of the ordinary shares issued (250,010,977,486 shares) respectively.

4.5 Directors' and Supervisors' Interests and Short Positions

Some directors and supervisors of the Bank indirectly held H-shares of the Bank via the employee stock incentive plan before they assumed their current positions. At the end of June 2021, Mr. Wang Jiang held 15,417 H-shares, Mr. Yang Fenglai held 16,789 H-shares, Mr. Lu Kegui held 18,989 H-shares, Mr. Wang Yi held 13,023 H-shares. Save as disclosed above, none of the directors and supervisors of the Bank had any interests or short positions in the shares, underlying shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) required to be notified to the Bank and Hong Kong Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the SFO), or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to *the Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 to the Listing Rules of Hong Kong Stock Exchange.

4.6 Details of Preference Shares

At the end of the reporting period, the Bank had 21 preference shareholders, all of which were domestic preference shareholders.

Particulars of shareholding of the top ten (including ties) domestic preference shareholders at the end of June are as follows:

Unit: share

Name of preference shareholder	Nature of shareholder	Shareholding percentage (%)	Change during the reporting period	Total number of shares held	Number of shares pledged or frozen
China International Capital Corporation Limited	Others	17.31	+52,180,000	103,860,000	None
Shanghai Branch of Bank of China Limited	Others	15.00	–	90,000,000	None
Bosera Asset Management Co., Limited	Others	10.17	-68,320,000	61,000,000	None
China Life Insurance Company Limited	Others	8.33	–	50,000,000	None
China Mobile Communications Group Co., Ltd.	State-owned legal person	8.33	–	50,000,000	None
Truvalue Asset Management Co., Limited	Others	6.67	–	40,000,000	None
Hwabao Trust Co., Ltd.	Others	4.69	+28,140,000	28,140,000	None
GF Securities Asset Management (Guangdong) Co., Ltd.	Others	4.50	–	27,000,000	None
Postal Savings Bank of China Co., Ltd.	Others	4.50	–	27,000,000	None
AXA SPDB Investment Managers Co., Ltd.	Others	3.33	–	20,000,000	None
PICC Asset Management Company Limited	Others	3.33	–	20,000,000	None

1. Particulars of shareholding of the preference shareholders were based on the information in the Bank's register of preference shareholders.
2. The Bank is not aware of any connected relation or concerted action among the aforesaid preference shareholders, or between the aforesaid preference shareholders and the top ten ordinary shareholders.
3. "Shareholding percentage" refers to the percentage of domestic preference shares held by the preference shareholder in the total number of domestic preference shares.

In accordance with *Accounting Standards for Enterprises No. 22 – Recognition* and *Measurement of Financial Instruments, Accounting Standards for Enterprise No. 37 – Presentation of Financial Instruments* and *Rules on Distinguishing Financial Liabilities and Equity Instruments and Relevant Accounting Treatments* promulgated by the MOF, as well as *International Financial Reporting Standard No. 9 – Financial Instruments* and *International Accounting Standard No. 32 – Financial Instruments: Presentation* formulated by the International Accounting Standards Board, the existing preference shares issued by the Bank meet the requirements of equity instruments in their terms and conditions, and are treated as equity instruments.

The Bank had not issued any preference shares in the past three years. During the reporting period, there was no dividends, redemption, conversion or restoration of voting rights of preference shares issued by the Bank.

The Bank is in strict compliance with the Company Law of the PRC, the Law of the PRC on Commercial Banks and other laws and regulations, as well as the listing rules of the listing venues. The Bank continued to refine its corporate governance mechanism and governance rules based on its corporate governance practices, give full play to the assessment and guiding role of corporate governance and maintain sound and good operation of corporate governance. During the reporting period, the Bank has complied with the code provisions of the *Corporate Governance Code and Corporate Governance Report* as set out in Appendix 14 to the Listing Rules of Hong Kong Stock Exchange, and has substantially adopted the recommended best practices therein.

5.1 Shareholders' General Meeting Convened

On 25 June 2021, the Bank held the 2020 annual general meeting, which reviewed and approved proposals including the 2020 report of the board of directors, 2020 report of the board of supervisors, 2020 final financial accounts, 2020 profit distribution plan, 2021 fixed assets investment budget, election of independent non-executive directors, the appointment of external auditors for 2021. The executive directors, namely Mr. Tian Guoli and Mr. Wang Jiang, the non-executive directors, namely Mr. Xu Jiandong, Mr. Zhang Qi, Mr. Tian Bo, Mr. Xia Yang, Ms. Shao Min and Ms. Liu Fang, and the independent non-executive directors, namely Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Carl Walter, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler and Mr. Michel Madelain attended the meeting. The directors' attendance rate was 100%. The domestic and international accounting firms of the Bank, the legal advisors as to PRC laws and Hong Kong laws of the Bank attended the meeting. The convening of this shareholders' general meeting was in compliance with relevant laws and regulations. The announcement on the resolutions of the meeting was published on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank on 25 June 2021, and on the Bank's designated newspapers for information disclosure on 26 June 2021.

On 26 March 2021, the Bank held the 2021 first extraordinary general meeting, which reviewed and approved proposals including election of executive director, confirming the donations of anti-pandemic materials made in 2020, additional limit on poverty alleviation donations. The executive directors, namely Mr. Tian Guoli and Mr. Lyu Jiajin, the non-executive directors, namely Mr. Xu Jiandong, Mr. Zhang Qi, Mr. Tian Bo, Mr. Xia Yang, Ms. Shao Min and Ms. Liu Fang, and the independent non-executive directors, namely Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Carl Walter, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler and Mr. Michel Madelain attended the meeting. The directors' attendance rate was 100%. The domestic and international accounting firms of the Bank, the legal advisors as to PRC laws and Hong Kong laws of the Bank attended the meeting. The convening of this shareholders' general meeting was in compliance with relevant laws and regulations. The announcement on the resolutions of the meeting was published on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank on 26 March 2021, and on the Bank's designated newspapers for information disclosure on 27 March 2021.

5.2 Profiles of Directors, Supervisors and Senior Management

5.2.1 Particulars of Directors, Supervisors and Senior Management

Directors of the Bank

Members of the Board of the Bank include executive directors: Mr. Tian Guoli and Mr. Wang Jiang; non-executive directors: Mr. Xu Jiandong, Mr. Zhang Qi, Mr. Tian Bo, Mr. Xia Yang, Ms. Shao Min and Ms. Liu Fang; and independent non-executive directors: Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler, Mr. Michel Madelain and Mr. William Coen.

Supervisors of the Bank

Members of the board of supervisors of the Bank include shareholder representative supervisors: Mr. Wang Yongqing and Mr. Yang Fenglai; employee representative supervisors: Mr. Lu Kegui and Mr. Wang Yi; and external supervisors: Mr. Zhao Xijun, Mr. Liu Huan and Mr. Ben Shenglin.

Senior Management of the Bank

Senior management of the Bank include Mr. Wang Jiang, Mr. Ji Zhihong, Mr. Wang Hao, Ms. Zhang Min, Mr. Hu Changmiao, Mr. Jin Panshi and Mr. Cheng Yuanguo.

5.2.2 Changes in Directors, Supervisors and Senior Management

Directors of the Bank

Upon election at the 2020 annual general meeting of the Bank, Mr. Kenneth Patrick Chung continued to serve as independent non-executive director of the Bank from June 2021. Upon election at the 2021 first extraordinary general meeting and approval of the Board of the Bank, Mr. Wang Jiang commenced his position as vice chairman and executive director of the Bank from March 2021. Upon election at the 2020 first extraordinary general meeting of the Bank and approval of the CBIRC, Ms. Shao Min and Ms. Liu Fang commenced their positions as non-executive directors of the Bank from January 2021. Upon election at the 2020 first extraordinary general meeting of the Bank and approval of the CBIRC, Mr. William Coen commenced his position as independent non-executive director of the Bank from June 2021. Upon approval of the Board of the Bank, Mr. Leung Kam Chung, Antony was nominated as independent non-executive director of the Bank, and relevant proposal has been considered by the 2020 general meeting of the Bank with his appointment qualification subject to approval of the CBIRC.

Due to expiration of their terms of office, Ms. Anita Fung Yuen Mei and Mr. Carl Walter ceased to serve as independent non-executive directors of the Bank from June 2021. Due to change of job, Mr. Lyu Jiajin ceased to serve as executive director of the Bank from May 2021. Due to change of job, Ms. Feng Bing ceased to serve as non-executive director of the Bank from January 2021.

Supervisors of the Bank

Due to expiration of his term of office, Mr. Wu Jianhang ceased to serve as shareholder representative supervisor of the Bank from June 2021. Due to change of job, Mr. Cheng Yuanguo ceased to serve as employee representative supervisor of the Bank from March 2021.

Senior Management of the Bank

Upon appointment of the Board of the Bank and approval of the CBIRC, Mr. Zhang Yi commenced his position as chief financial officer of the Bank from April 2021 and Mr. Cheng Yuanguo commenced his position as chief risk officer of the Bank from April 2021. Upon appointment of the Board of the Bank and filing with the CBIRC, Mr. Jin Panshi commenced his position as chief information officer of the Bank from March 2021. Upon appointment of the Board of the Bank and filing with the CBIRC, Mr. Wang Jiang commenced his position as president of the Bank from February 2021.

Due to change of job, Mr. Zhang Yi ceased to serve as chief financial officer of the Bank from September 2021. Due to change of job, Mr. Lyu Jiajin ceased to serve as executive vice president of the Bank from May 2021. Due to change of job, Mr. Jin Yanmin ceased to serve as chief risk officer of the Bank from April 2021.

5.2.3 Changes in Personal Information of Directors, Supervisors and Senior Management

Mr. Wang Jiang, vice chairman of the Board, executive director and president of the Bank ceased to serve as the vice chairman of the board of directors, executive director, president of Bank of China Limited, and the vice chairman of the board of directors, non-executive director of BOC Hong Kong (Holdings) Limited from February 2021.

Mr. William Coen, independent non-executive director of the Bank, commenced his positions as member of the Advisory Board of Baton Systems, Inc. from June 2021, chief regulatory adviser of Suade Labs from April 2021, and vice chairman of Reference Point from January 2021.

Mr. Liu Huan, external supervisor of the Bank, ceased to serve as independent non-executive director of Liaoning Wellhope Agri-Tech Joint Stock Co., Ltd. from February 2021.

Mr. Ben Shenglin, external supervisor of the Bank, commenced his position as independent non-executive director of Industrial Bank Co., Ltd. from August 2021 and ceased to serve as external supervisor of Industrial Bank Co., Ltd. from June 2021.

5.2.4 Directors' and Supervisors' Securities Transactions

The Bank has adopted a code of practice in relation to securities transactions by directors and supervisors as set out in the Appendix 10 *Model Code for Securities Transactions by Directors of Listed Issuers* to the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors had complied with the provisions of this code during the reporting period.

5.3 Formulation and Implementation of Cash Dividend Policy

As approved by the 2020 annual general meeting, the Bank distributed the 2020 cash dividend of RMB0.326 per share (including tax), totalling RMB3,128 million approximately, on 15 July 2021 to its A-share holders whose names appeared on the register of members after the close of market on 14 July 2021; it distributed the 2020 cash dividend of RMB0.326 per share (including tax), totalling RMB78,376 million approximately, on 5 August 2021 to its H-share holders whose names appeared on the register of members after the close of market on 14 July 2021. The Bank does not declare 2021 interim dividend nor does it propose any capitalisation of capital reserve into share capital.

Pursuant to the articles of association of the Bank, the Bank may distribute dividends in the form of cash, shares or a combination of cash and shares. Unless under special circumstances, as long as it is in profit for the year and has positive accumulative undistributed profits, the Bank distributes cash dividends no less than 10% of the net profit attributable to shareholders of the Bank on a consolidated basis for the accounting year. For adjustments of the profit distribution policy, the Board shall hold a special discussion to verify the rationale to make the adjustments in detail and produce a written report, independent non-executive directors shall express their opinions, and a special resolution shall be submitted to the shareholders' general meeting for approval. The Bank shall provide the shareholders with online voting channels when considering the adjustments to the profit distribution policy.

The formulation and implementation of the Bank's profit distribution policy are in line with the provisions of the articles of association and the requirements of the resolution of the shareholders' general meeting. The procedures and mechanism for decision-making are sound, and the dividend criteria and payout ratio are clear and explicit. The independent non-executive directors performed their duties with due diligence in the decision-making process of the profit distribution plan. Minority shareholders can fully express their opinions and requests, with their legitimate rights and interests fully protected.

5.4 Progress of Implementation of Employee Stock Incentive Plan

During the reporting period, the Bank did not implement any new round of stock incentive plan.

6 Corporate Social Responsibilities (Environmental, Social and Governance)

The Group attaches great importance to environmental, social and governance (ESG) work, and integrates ESG management concept and key elements into the operating management process of the Group. While working on its own ESG management, it guided its customers to strengthen their ESG management. The Group also closely tracked domestic and international regulatory requirements, and incorporated ESG risks, including environmental and climate risks, into its comprehensive risk management framework. It enhanced environmental and climate risk control mechanisms, and explored stress testing of environmental and climate risks, so as to establish a financial service and risk control system that meets the requirements of high-quality development.

6.1 Governance

The Board of the Bank is responsible for formulating the Group's ESG strategies, and supervising and evaluating their implementation. In April 2021, the Board held an ESG seminar to carry out in-depth communication and discussion on ESG development trends, information disclosure requirements, and regulatory developments at home and abroad as well as management recommendations. In the first half of 2021, the related party transaction, social responsibility and consumer protection committee of the Board convened five meetings. It revised the committee's working rules, and clarified its responsibilities in providing guidance to push forward work related to ESG and green finance, and reviewed reports on issues such as the ESG work progress. The risk management committee of the Board continuously encouraged the management to establish an ESG risk reporting mechanism, focusing on the integration of goals for achieving carbon peak and carbon neutrality with operating management and risk appetite. It stressed the importance of forward-looking management of environmental and climate risks, and promptly adjusted its credit policies for high energy consumption and high emission industries according to policy requirements.

The board of supervisors of the Bank paid close attention to the implementation of the Group's ESG work from the perspective of sustainable operation and development, focused on promoting the establishment of green finance system, and included the promotion of green finance development as one of its priorities in annual supervision. In the first half of 2021, the finance and internal control supervision committee of the board of supervisors listened to special reports on the development of green credit, put forward opinions such as timely formulating green finance development plans, and seizing market opportunities to accelerate structural adjustments. The committee also closely followed up on the implementation of supervisory opinions.

The Bank's management continued to improve ESG and green finance management structure and strengthened the assessment of green finance work. In the first half of 2021, a leading team for achieving carbon peak and carbon neutrality was set up to coordinate and promote related work and formulate relevant action plans; an environmental, social and governance promotion committee was set up to promote the implementation of ESG work. Performance indicators for "work done to support ecological civilisation strategy" were included as performance appraisal measurements with an expanded scope of departments subject to assessment, and the weight of green finance indicator was raised in assessment. In May 2021, the Bank became a supporting organisation of the Task Force on Climate-related Financial Disclosures (TCFD), and would gradually improve its response to climate change risk and related information disclosure in future based on the disclosure framework of TCFD. The Bank strengthened ESG training for all employees. In the first half of 2021, the Bank organised 448 ESG training sessions, including live webcasts, through CCB University, covering topics such as ESG strategy and management, risks and procedures, and information disclosure, so as to improve its staff's ESG working capabilities.

The Bank attaches great importance to corporate code of conduct. It has implemented whole-process procurement management, and formulated and refined rules and regulations on procurement. It strictly implements probity requirements on procurement, and prohibits employees from having improper financial and non-financial dealings with suppliers. The internal auditors conduct risk-based audits over all business segments within every two to three years. Please refer to "Corporate Governance" and "Management Discussion and Analysis – Risk Management" for additional information on governance.

6.2 Environment

Green Finance

In the first half of 2021, the Group focused on national visions and goals of achieving carbon peak and carbon neutrality, continued to enrich the green connotation of New Finance Initiative, accelerated the fostering of new advantages in green finance, and improved the long-term mechanism for green finance development. It formulated and coordinated to advance the action plan for "achieving carbon peak and carbon neutrality"; held bank-level committee meetings on green finance, leading team meetings for achieving carbon peak and carbon neutrality, and special meetings on granting green loans on a regular basis; researched and conducted credit structure adjustment with an emphasis on green development; and strengthened environmental and climate risk management.

The Group gave full play to the advantages of FinTech and full-coverage financial licenses, and actively explored new products, new services and new initiatives for the development of green finance. With an array of financial instruments such as green loans, green bonds, green leasing and green trusts, it extensively attracted funds to actively support key areas including clean energy, green transportation, green construction, green manufacturing, and biodiversity conservation, as well as the research, development and application of advanced low-carbon technologies. In accordance with the definition of the former CBRC, at the end of June, the Bank's green loans amounted to RMB1.57 trillion, up RMB223,601 million or 16.65% from the end of 2020. The Bank strengthened management over industries with high energy consumption and high emissions such as the thermal power industry and steel industry, and eliminated industries with outdated production capacity, and the proportion of loans to industries with high energy consumption and high emissions has been declining for many consecutive years. In the first half of 2021, the Bank simultaneously issued multi-currency ESG-themed bonds overseas, which were well received by the market with total proceeds approximating US$2.4 billion.

The Bank focused on improving its capacity to provide comprehensive green finance services. It formulated an implementation plan for expanding its footprint in green capital market, and promoted the development of its innovative business of green direct financing in a coordinated manner. It was elected as the "2021 Low Carbon Role Model", an award jointly reviewed by China News Service, the National Development and Reform Commission (NDRC), and the Ministry of Ecology and Environment. The "FITS®-Green" green investment and financing service platform and Shandong Shouguang vegetable smart management service platform of the Bank were recognised as "2021 Excellent Cases of Green Influence in China" and "2021 Leading Financial Service Innovation Project" by Xinhuanet. It released the "CCB-WIND Green ESG Bond Issuance Index and Yield Curve", which were dynamically updated in Wind Terminal and the Luxembourg Stock Exchange, to assist domestic and foreign market participants in understanding the trend of China's green bond market in real time. In the first half of 2021, the Bank cumulatively underwrote 14 green bonds and sustainability-linked bonds, amounting to RMB10.8 billion, up 108% from the same period last year, including the first batch of non-financial corporate "carbon neutrality bonds" and "sustainability-linked bonds" in China's interbank bond market. At the end of June, the Bank underwrote 97 domestic and overseas green bonds, with a cumulative amount of over RMB430 billion.

CCB subsidiaries actively carried out green investment and financing business. CCB Principal Asset Management joined the United Nations Principles for Responsible Investment (UN PRI) programme and issued several ESG-themed products. CCB Wealth Management launched special ESG wealth management products and increased investment in green assets. CCB Life and CCB Futures continued to increase the allocation of various types of green assets. CCB Financial Leasing took the lead in building a green leasing brand in the industry, and completed RMB106,491 million green leases at the end of June on a cumulative basis.

The Bank focused on incorporating environmental and climate risk factors into whole-process credit management, and integrating environmental and climate related indicators into relevant industrial policies, and took the carbon emission indicators as well as environmental and social risks as important criteria for pre-lending customer selection and loan granting. Fixed asset loans must comply with national policies and requirements on environmental protection and green development, as well as the Bank's policies on environment and social risk management. The Bank promoted the green and low-carbon transformation of credit structure, formulated and continuously updated relevant policies for agriculture, electricity, forestry, mining, petroleum and natural gas, transportation, materials and construction industries, and guided the optimisation of credit resources allocation so as to promote a credit asset structure in line with economic structure transformation.

- The Bank focused on supporting modern agriculture in areas such as agricultural industrialisation, agricultural mechanisation, research and promotion of agricultural science and technology, and distribution of agricultural products, and actively supported energy-saving agricultural customers.

- The Bank controlled total loans to the thermal power industry and increased the proportion of loans for clean energy such as wind power and photovoltaic power.

- The Bank focused on supporting the construction of key national bases for improving forest tree breeds and key projects such as the national forest management planning, and actively supported land greening and forest stock expansion.

- The Bank strictly controlled total loans to mining-related industries, specified the requirements for production safety, environmental protection, and resource utilisation in the customer selection criteria, and resolutely reduced and withdrew from loans to enterprises with illegal or outdated production capacity that did not conform to the national industrial policies, and enterprises whose environmental protection and safety production did not meet relevant goals.

- The Bank controlled total loans to petroleum and natural gas-related industries, specified the requirements for safe production, clean production, energy consumption level and carbon emission intensity in customer selection criteria, and resolutely withdrew from projects that did not meet the national industrial planning and environmental protection policies, as well as enterprises that did not meet the requirements of green and low-carbon development and those with high environmental and climate risks.

- The Bank actively supported the green transformation of transportation structure, focused on supporting key green transportation projects such as urban public transport and rail transit, and satisfied the credit demand for the electrification, new energy transformation and clean upgrading of transportation.

- The Bank strictly controlled total loans to steel, cement and chemical industries, specified the requirements for low-carbon environmental protection and energy efficiency level in customer selection criteria, paid close attention to the impact of corporate production and project construction on areas such as energy consumption, carbon emission, ecological environment and biodiversity, and resolutely withdrew from projects that did not meet the national industrial planning and environmental protection policies, and enterprises that did not meet the environmental protection and safety production goals.

- The Bank actively advanced the coordinated development of green finance, green city construction and green building promotion, and supported energy conservation and carbon emission reduction in construction sector. The Bank considered green building standards as an important factor when selecting real estate projects.

- The Bank valued biodiversity conservation, focused on supporting the industrial application of biological breeding, basic breeding research and key breeding projects, and paid close attention to the impact of relevant projects on biodiversity.

Green Operations

The Bank attached great importance to green operations, took the lead in setting up a carbon footprint management work group, and steadily promoted a "zero carbon" pilot program. It practiced energy conservation and emission reduction through technology upgrade, management optimisation, publicity and education, and promoted energy conservation and emission reduction in an all-round way. The Bank used green design, environment-friendly building materials and energy-efficient and water-saving equipment in building or renovating office premises. It upgraded key energy-consuming equipment such as central air-conditioning systems and elevators, and used LED energy-saving lighting to reduce carbon emissions. It expanded the application of information management platforms such as "Smart Canteen" to prepare meals on demand. Electricity consumption at the head office declined continuously in recent years, and carbon emissions continued to fall after reaching a peak in 2014. The Bank accelerated intelligent operations, leveraged technologies to promote the implementation of a paperless office, reduced the use of disposable office supplies and increased the use of video conferencing systems. It spread knowledge and skills on energy conservation, emission reduction, and green and low-carbon development, advocated green travelling, launched "Clear Your Plate" campaign, and organised "CCB Low-Carbon Life Month" activity to encourage customers and citizens to actively participate in low-carbon environmental protection. Qinghai Branch has been engaging in afforestation in barren mountains for years, planting 3,967.6 thousand trees of various species and covering an area of 3,100 mu (1,000 mu = 66.67 hectares). The Bank promoted a "zero carbon" pilot program in outlets and strived to build itself into a low-carbon bank. The Zhongshan Cuiheng New District Sub-branch of Guangdong Branch became the first "zero-carbon outlet" in the industry and obtained a carbon neutrality certificate issued by China Emissions Exchange.

The Bank upheld the concept of green procurement, and considered factors such as energy conservation, environmental protection, and green and low-carbon development in supplier and product selection and procurement review. It established a recycling mechanism and was the first among its peers to standardise the recycling of wasted power supplies. In addition, it promoted the use of new energy vehicles and increased the proportion of new energy business vehicles procurement.

6.3 Society

Rural Revitalisation and Consolidation of Achievements in Poverty Alleviation

The Bank made great efforts to realise the smooth transition from consolidation of achievements in poverty alleviation to rural revitalisation, and activated the momentum of sustainable rural development with its green development concept and New Finance practices. Based on the previous team on poverty alleviation, a leading team on rural revitalisation was set up and headed by the Chairman of the Board, under which an office was set up to coordinate and facilitate related work. The Bank built on its experience in eradicating poverty in designated regions in 2020, i.e. Hanbin District, Hanyin County, Ziyang County, and Langao County of Ankang City in Shaanxi Province, and made sure that poverty alleviation policies, mechanisms and teams would continue and the strength of its support would not abate.

The Bank strengthened assistance in local industrial development, refined its products including online supply chains, Mingonghui, Quick Loan for Small and Micro Businesses, loans to new community factories, and cloud-based corporate loans, and promoted the innovative application of these products. It also increased loans for poverty alleviation. The growth of its loans to key counties that need national assistance in rural revitalisation was higher than that of loans to provinces where they are located. The Bank also expanded its financial poverty alleviation products and service models. Its 520 thousand "CCB Yunongtong" inclusive finance service outlets covered nearly 80% of towns and administrative villages across the country, and the "CCB Yunongtong" comprehensive service platform for rural revitalisation cumulatively extended loans of RMB2,115 million.

The Bank carried out consumption-driven poverty alleviation via e.ccb.com. In light of daily needs of rural customers, it placed an entrance to the rural zone of e.ccb.com on the rural customer version of mobile banking, and introduced an entrance to the consumption upgrading zone on the "CCB Yunongtong" comprehensive service platform for rural revitalisation as well as CCB WeChat official account, to reach rural customers and Yunongtong users. At the end of June, e.ccb.com had 5,444 merchants from assisted areas, with total transaction volume of RMB6,911 million.

The Bank's poverty alleviation work has been widely recognised. In the first half of 2021, the Bank's leading team for poverty alleviation and the poverty alleviation special task force to Ankang received the accolade of "China's Outstanding Group in Eradicating Poverty" awarded by the State Council. The Bank's initiative of poverty alleviation through e-commerce via e.ccb.com won the award of "Best Inclusive Finance Service" from the China e-Finance Alliance.

Charity

The Bank actively supported flood control and disaster relief, and assisted in combating the pandemic and resuming work and production in China. It provided effective financial services in the critical periods, and ensured the life and property safety of domestic and overseas staff and customers to support economic and social development. The Bank also donated RMB20 million to the flood-stricken areas in Henan Province to support flood control and disaster relief and post-disaster reconstruction.

Protection of Consumer Rights and Interests

Adhering to its "customer-centric" philosophy, the Bank integrated the protection of consumer rights and interests into its business development strategy and corporate culture development. It continuously improved the management rules and operation mechanism for consumer rights protection, and constantly pushed forward the work in a more systematic, standardised and comprehensive manner to protect the rights and interests of financial consumers effectively.

The Board of the Bank assumes the ultimate responsibility for protection of consumer rights and interests and is responsible for formulating relevant strategies, policies and objectives. The related party transaction, social responsibility and consumer protection committee of the Board is responsible for guiding and overseeing the formulation and improvement of the system of management rules for protection of consumer rights and interests, and supervising the comprehensiveness, timeliness and effectiveness of related work of senior management and the department of protection of consumer rights and interests. The performance and due diligence supervision committee under the board of supervisors regularly listens to reports on and reviews the progress of the work on consumer rights and interests protection, and puts forward guidance, opinions and work requirements. The consumer rights protection committee at the management level is responsible for overall planning and deployment of the work on consumer rights and interests protection throughout the bank, and regularly studies work progress in areas including complaint resolution, reviews from consumer protection perspective, consumer education and publicity. The department of protection of consumer rights and interests is responsible for organising, coordinating, supervising and guiding the work related to consumer interests and rights protection across the bank.

The Bank attaches importance to the management of customer issues and complaints. The related party transaction, social responsibility and consumer protection committee under the Board, as well as the consumer rights protection committee at the management level, regularly listen to work progress reports on the protection of consumer rights and interests, including complaints, presale review of products and services, and consumer education and publicity. The committee meetings are usually held every six months. According to regulatory requirements, the Bank formulated rules for complaint management and contingency plans for major complaints among others, in order to clarify the principles of complaint management, refine the division of responsibilities, standardise the complaint handling process, and improve the quality and efficiency of the Bank's complaint response and management capability. Rules and measures concerning the reviews for protection of consumer rights and interests and the complaint management were all reviewed and approved by the consumer rights protection committee. The Bank maintained smooth complaint channels, standardised the complaint handling process, and flexibly employed diversified measures to settle customer complaints. It publicised the complaint hotline through outlets, self-service devices, online banking platform and other channels, and strengthened the supervision and management of the quality and efficiency of complaint response by setting up a complaint supervision hotline at the head office. It established a presale review mechanism for products and services to eliminate customer complaints from the source of problems and proactively safeguard the rights and interests of consumers. The Bank formulated rules and procedures for advertising management and operations, and strictly complied with related laws and regulations. A specialised department conducts comprehensive reviews on the content of advertisements, ensuring that these advertisements accurately reflect product research and development intentions and related risk considerations, so as to help customers better understand their financial needs and make informed decisions. The Bank also published online and offline service contact information such as telephone numbers and websites to facilitate customers' further inquiry.

The Bank continued to strengthen information protection of financial consumers by continuously improving relevant rules and IT controls. It enhanced the early warning and monitoring capability for information protection, effectively protected data security and customer privacy, and improved the security of e-banking transactions. It formulated rules and measures for information security, IT information security protection, and production data application security. It established an information system use behaviour monitoring platform and a behaviour model base to oversee its staff's use of customer financial information. The Bank adhered to the principles of "He who uses the data should take responsibility" and "least privilege" for data access and use, with full authorisation from customers. The analysis, implementation, delivery, use, archiving and destruction of data requests, as well as the acquisition and use of external data, strictly complied with relevant laws, regulations and the Bank's information security requirements. The Bank monitored and controlled transactions through various channels from all aspects, provided proactive risk early warning, linked automatic response mechanism with manual involvement, addressed risk transactions before they would cause any financial loss to customers, interrupted dubious transactions, and effectively prevented the risk of customers' funds being stolen due to suspected external data leakage.

The Bank strengthened training on the protection of consumer rights and interests for employees at all levels, and leveraged on CCB University's platform to set up the "CCB Consumer Protection • Protection of Rights and Interests" channel to post courses on special topics. It organised special training sessions on protection of consumer rights and interests across the bank, interpreted various rules and regulations in depth, and clarified management requirements. It embedded special topics on protection of consumer rights and interests in training for each business line, to further promote the integration of business development with concepts of protection of consumer rights and interests. It established a mechanism for information security training, security warning, education and annual inspection for all employees. It issued a series of training manuals and online coursewares, and organised on-site sessions or webcasts to introduce relevant policies, conduct case analysis and promote security technologies, to continuously strengthen employees' awareness of the protection of consumer rights and interests and their capability of risk prevention.

The Bank actively engaged in public financial knowledge education, and expanded the coverage of consumer education, particularly focusing on the elderly, teenagers, migrant workers and people with disabilities. It regularly carried out financial knowledge education activities, providing people with access to financial knowledge and skills to prevent risks. The Talent Exchange Centre of the Ministry of Industry and Information Technology (MIIT) included CCB in its organisation pool for operation and management leading talents training project for small and medium-sized enterprises, to provide customers with practical and effective financial empowerment training. The "Financial Literacy Promotion" project focused on advancing universal financial education in terms of rural finance, inclusive finance, and protection of consumer rights and interests via online and offline channels. By the end of June 2021, 3.87 million people had benefited from the project. The Bank set up a feature column called "Public Education and Consumer Rights and Interests Protection Classroom" in "Financial Literacy Promotion" channel on CCB University learning platform to provide various courses to customers, and continuously updated information on the protection of consumer rights and interest through multiple social applications. The Bank organised activities such as "Publicity Month for Prevention of Illegal Fund-raising" and "Education Tour of Financial Knowledge", to effectively improve financial consumers' knowledge of financial products and services, their capability to identify illegal fund-raising activity and telecommunications fraud, and the public awareness of self-protection and risk prevention.

Employee Rights and Interests

The Bank actively implemented the guiding spirit of the policies on ensuring stability in employment, financial operations, foreign trade, foreign investment, domestic investment and economic expectations, as well as security in job, basic living needs, operations of market participants, food and energy supply, stable industrial and supply chains, and the normal functioning of primary-level governments, and was committed to not taking initiatives to reduce headcount, continuously expanding recruitment scale, providing welfare and social security to employees at all levels, and enhancing care for the staff. The Bank improved the mechanisms for collecting employee opinions and suggestions and conveying their appeals, such as the systems for employee representatives' meeting, solicitation of proposals and grassroot visits by employee representatives to understand the extent of employee satisfaction. The Bank dealt with employees' concerns and improved employee satisfaction by means of the president's open day and the chairman's mailbox. The labour union actively mediated labour disputes to protect the legitimate rights and interests of employees.

The Bank attaches great importance to talent cultivation. It improved the professional and technical ranking management, formulated policies on professional and technical roles' qualification examinations, and organised related examinations across the bank, creating a full-process talent cultivation mechanism. The Bank signed a memorandum of understanding with the Hong Kong University of Science and Technology to launch a master programme in FinTech, the first one of its kind jointly initiated by banks and Hong Kong universities in the Guangdong-Hong Kong-Macao Greater Bay Area, so as to explore a new path for young people from the Chinese mainland and Hong Kong to integrate and grow together.

Performance of Undertakings

In September 2004, Huijin made a commitment of "non-competition within the industry", i.e. as long as Huijin continues to hold any shares of the Bank, or is deemed as a controlling shareholder or a related party of a controlling shareholder of the Bank in accordance with the laws or listing rules in China or other listing places of the Bank, Huijin would not engage or participate in any competing commercial banking businesses, including but not limited to granting loans, taking deposits, and providing settlement, fund custody, bank card and currency exchange services. However, Huijin may still engage or participate in competing businesses through investing in other commercial banks. Accordingly, Huijin committed that it would: (1) fairly treat its investments in commercial banks, and would not abuse its shareholder position in the Bank or the information it obtained through its shareholder position in the Bank to make decisions detrimental to the Bank and beneficial to other commercial banks; (2) exercise its shareholder's rights in the best interests of the Bank.

On 6 April 2016, in accordance with relevant rules of the CSRC, in order to ensure the effective fulfilment of the measures to make up for the immediate return diluted by the issuance of preference shares of the Bank, Huijin undertook not to intervene with the operation and management of the Bank and not to misappropriate the interests of the Bank.

As of 30 June 2021, Huijin had not breached any of the above undertakings.

Misappropriation of Funds for Non-operational Purpose

During the reporting period, there was no misappropriation of the Bank's funds by its controlling shareholder or other related parties for non-operational purpose.

Illegal Guarantees

During the reporting period, the Bank had not entered into any guarantee contract in non-compliance.

Material Litigations and Arbitrations

During the reporting period, the Bank was not subject to any material litigation or arbitration.

Purchase, Sale and Redemption of Shares

During the reporting period, there was no purchase, sale or redemption of the shares of the Bank by the Bank or any of its subsidiaries.

Penalties

During the reporting period, the Bank was not subject to any investigations in accordance with the law for any suspected crimes. Neither the controlling shareholder, the actual controller, the directors, the supervisors nor senior management of the Bank was subject to coercive measures in accordance with the law for any suspected crimes or was detained by disciplinary inspection and supervision authorities for suspected serious violations of discipline and law or duty-related crimes and was unable to fulfil the duties due to such reason. Neither the Bank, its controlling shareholder, the actual controller, the directors, the supervisors nor senior management was subject to criminal penalty, investigation or administrative penalty by the CSRC for suspected violations of discipline and law, material administrative punishments by other relevant authorities, or administrative supervision measures by the CSRC and disciplinary sanctions by the stock exchanges. Neither the directors, the supervisors nor senior management of the Bank was subject to coercive measures by other relevant authorities for suspected violations of laws and regulations and was unable to fulfil the duties due to such reason.

Integrity

During the reporting period, there was no significant unperformed judgement of the courts, or significant outstanding debt at maturity of the Bank and its controlling shareholder.

Material Related Party Transactions

During the reporting period, there was no material related party transaction of the Bank. For the details of related party transactions, please refer to "Related party relationships and transactions" in the notes to the financial statements.

Material Contracts and Their Performance

During the reporting period, the Bank did not enter into any material arrangement for custody, contracting or leasing of other companies' assets, or allow its assets to be subject to such arrangements by other companies.

The guarantee business is an off-balance sheet service in the ordinary course of the Bank's business. The Bank did not have any material guarantee that is required to be disclosed except for the financial guarantee services within its business scope approved by the regulators. During the reporting period, the Bank did not enter into any other material contract that is required to be disclosed.

Other Shareholding or Share Participations

In May 2021, the Bank completed the fourth capital contribution of RMB750 million to the National Financing Guarantee Fund Co., Ltd. Up to now, the Bank has completed all four instalments of capital contribution with the total capital contribution of RMB3 billion. Please refer to the announcement published by the Bank on 31 July 2018 for details.

In April 2021, upon approval of the CBIRC, the Bank intended to contribute RMB8 billion to the National Green Development Fund Co., Ltd. In May 2021, the Bank completed the first capital contribution of RMB800 million. Please refer to the announcement published by the Bank on 29 April 2021 for details.

In March 2021, CCB Investment completed the procedures related to capital injection, and the registered capital increased from RMB12 billion to RMB27 billion. Please refer to the announcement published by the Bank on 2 December 2020 for details.

Major Events

In April 2021, the Bank simultaneously issued multi-currency ESG-themed bonds overseas, including three-year and five-year dual tranche sustainability-linked bonds of US$1.15 billion, a three-year green bond of EUR800 million, and a two-year offshore transition bond of RMB2 billion. The USD bond, listed simultaneously in Hong Kong and Dubai exchanges, was the first sustainability-linked USD bond issued by financial institution; the EUR bond, listed simultaneously in Hong Kong, Luxembourg and London exchanges, was the first offshore "water area protection" themed green bond issued by Chinese-funded institutions; the offshore RMB bond, listed simultaneously in Hong Kong and Singapore exchanges, was the largest offshore RMB transition bond.

In January 2021, with approvals from the CBIRC and PBC, the Bank issued a three-year special financial bond for small and micro business loans with a fixed interest rate of 3.30% and a total face value of RMB20 billion issued in the domestic interbank bond market. The proceeds were specifically used for financing small and micro business loans. Please refer to the announcement published by the Bank on 27 January 2021 for details.

For other major events during the reporting period, please refer to announcements disclosed by the Bank on the websites of Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank.

Review of Half-Year Report

The Group's 2021 half-year financial statements prepared under PRC GAAP have been reviewed by Ernst & Young Hua Ming LLP, and the Group's 2021 half-year financial statements prepared under IFRS have been reviewed by Ernst & Young.

The Group's 2021 half-year report has been reviewed by the audit committee of the Bank and approved by the Board.

Events after the Reporting Period

On 10 August 2021, the Bank completed the issuance of Tier 2 capital bonds amounting to RMB80 billion in the domestic market. The bonds consist of two types. The first type of the bonds is fixed rate bonds with a term of 10 years, coupon rate of 3.45% and an issue size of RMB65 billion, and the issuer is entitled to redeem such bonds at the end of the fifth year. The second type of the bonds is fixed rate bonds with a term of 15 years, coupon rate of 3.80% and an issue size of RMB15 billion, and the issuer is entitled to redeem such bonds at the end of the tenth year. Proceeds were used to replenish the Bank's Tier 2 capital.

On 22 July 2021, the Group completed the issuance of US$600 million fixed-rate bonds maturing in 2026 with a five-year term and a coupon rate of 1.80% in the overseas market.

CONTENTS

Report on Review of Interim Financial Information

27/F, One Taikoo Place,
979 King's Road,
Quarry Bay, Hong Kong

To the Board of Directors of China Construction Bank Corporation
(Established in the People's Republic of China with limited liability)

Introduction

We have reviewed the accompanying interim condensed financial information set out on pages 71 to 170, which comprises the consolidated statement of financial position of China Construction Bank Corporation (the "Bank") and its subsidiaries (the "Group") as at 30 June 2021 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, and condensed 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 Bank are responsible for the preparation and presentation of interim condensed financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim condensed financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Ernst & Young
Certified Public Accountants

Hong Kong
27 August 2021

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021
(Expressed in millions of RMB, unless otherwise stated)

	Note	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)
Interest income		**515,949**	485,537
Interest expense		**(219,864)**	(204,029)
Net interest income	3	**296,085**	281,508
Fee and commission income		**77,570**	72,706
Fee and commission expense		**(8,132)**	(7,700)
Net fee and commission income	4	**69,438**	65,006
Net trading gain	5	**2,870**	3,313
Dividend income	6	**3,657**	1,496
Net gain arising from investment securities	7	**1,853**	3,984
Net gain on derecognition of financial assets measured at amortised cost	8	**2,527**	1,381
Other operating income, net:			
– Other operating income		**40,289**	32,779
– Other operating expense		**(35,812)**	(29,543)
Other operating income, net	9	**4,477**	3,236
Operating income		**380,907**	359,924
Operating expenses	10	**(88,160)**	(79,805)
		292,747	280,119
Credit impairment losses	11	**(108,320)**	(111,378)
Other impairment losses	12	**(192)**	(188)
Share of profits of associates and joint ventures		**228**	220
Profit before tax		**184,463**	168,773
Income tax expense	13	**(30,357)**	(29,834)
Net profit		**154,106**	138,939
Other comprehensive income:			
(1) Other comprehensive income that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		**121**	160
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income		**(139)**	(277)
Others		**4**	–
Subtotal		**(14)**	(117)
(2) Other comprehensive income that may be reclassified subsequently to profit or loss			
Fair value changes of debt instruments measured at fair value through other comprehensive income		**2,627**	6,825
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income		**(47)**	605
Reclassification adjustments included in profit or loss due to disposals		**(248)**	(377)
Net gain on cash flow hedges		**245**	115
Exchange difference on translating foreign operations		**(2,819)**	180
Subtotal		**(242)**	7,348
Other comprehensive income for the period, net of tax		**(256)**	7,231
Total comprehensive income for the period		**153,850**	146,170

The notes on pages 78 to 170 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2021
(Expressed in millions of RMB, unless otherwise stated)

	Note	Six months ended 30 June **2021 (Unaudited)**	2020 (Unaudited)
Net profit attributable to:			
Equity shareholders of the Bank		**153,300**	137,626
Non-controlling interests		**806**	1,313
		154,106	138,939
Total comprehensive income attributable to:			
Equity shareholders of the Bank		**153,007**	144,813
Non-controlling interests		**843**	1,357
		153,850	146,170
Basic and diluted earnings per share (in RMB Yuan)	14	**0.61**	0.55

The notes on pages 78 to 170 form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2021
(Expressed in millions of RMB, unless otherwise stated)

	Note	**30 June 2021 (Unaudited)**	31 December 2020 (Audited)
Assets:			
Cash and deposits with central banks	15	**2,780,438**	2,816,164
Deposits with banks and non-bank financial institutions	16	**469,534**	453,233
Precious metals		**132,842**	101,671
Placements with banks and non-bank financial institutions	17	**330,107**	368,404
Positive fair value of derivatives	18	**52,304**	69,029
Financial assets held under resale agreements	19	**705,282**	602,239
Loans and advances to customers	20	**17,493,902**	16,231,369
Financial investments	21		
Financial assets measured at fair value through profit or loss		**575,380**	577,952
Financial assets measured at amortised cost		**4,696,655**	4,505,243
Financial assets measured at fair value through other comprehensive income		**1,956,288**	1,867,458
Long-term equity investments	22	**14,755**	13,702
Fixed assets	24	**166,138**	172,505
Land use rights	25	**13,818**	14,118
Intangible assets	26	**5,100**	5,279
Goodwill	27	**2,168**	2,210
Deferred tax assets	28	**102,518**	92,950
Other assets	29	**335,959**	238,728
Total assets		**29,833,188**	28,132,254
Liabilities:			
Borrowings from central banks	31	**765,913**	781,170
Deposits from banks and non-bank financial institutions	32	**1,778,272**	1,943,634
Placements from banks and non-bank financial institutions	33	**366,938**	349,638
Financial liabilities measured at fair value through profit or loss	34	**292,401**	254,079
Negative fair value of derivatives	18	**43,797**	81,956
Financial assets sold under repurchase agreements	35	**115,668**	56,725
Deposits from customers	36	**22,317,969**	20,614,976
Accrued staff costs	37	**31,387**	35,460
Taxes payable	38	**51,114**	84,161
Provisions	39	**63,729**	54,114
Debt securities issued	40	**957,161**	940,197
Deferred tax liabilities	28	**1,401**	1,551
Other liabilities	41	**585,097**	545,240
Total liabilities		**27,370,847**	25,742,901
Equity:			
Share capital	42	**250,011**	250,011
Other equity instruments	43		
Preference shares		**59,977**	59,977
Perpetual bonds		**39,991**	39,991
Capital reserve	44	**134,924**	134,263
Other comprehensive income	45	**14,755**	15,048
Surplus reserve	46	**275,995**	275,995
General reserve	47	**349,885**	350,228
Retained earnings	48	**1,311,434**	1,239,295
Total equity attributable to equity shareholders of the Bank		**2,436,972**	2,364,808
Non-controlling interests		**25,369**	24,545
Total equity		**2,462,341**	2,389,353
Total liabilities and equity		**29,833,188**	28,132,254

Approved and authorised for issue by the Board of Directors on 27 August 2021.

Wang Jiang	**Kenneth Patrick Chung**	**Michel Madelain**
Vice Chairman, executive director and president	*Independent non-executive director*	*Independent non-executive director*

The notes on pages 78 to 170 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021
(Expressed in millions of RMB, unless otherwise stated)

	(Unaudited)									
	Attributable to equity shareholders of the Bank									
		Other equity instruments								
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
As at 1 January 2021	250,011	59,977	39,991	134,263	15,048	275,995	350,228	1,239,295	24,545	2,389,353
Movements during the period	–	–	–	661	(293)	–	(343)	72,139	824	72,988
(1) Total comprehensive income for the period	–	–	–	–	(293)	–	–	153,300	843	153,850
(2) Changes in share capital										
i Change in shareholdings in subsidiaries	–	–	–	661	–	–	–	–	109	770
(3) Profit distribution										
i Appropriation to general reserve	–	–	–	–	–	–	(343)	343	–	–
ii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(81,504)	–	(81,504)
iii Dividends to non-controlling interests holders	–	–	–	–	–	–	–	–	(128)	(128)
As at 30 June 2021	250,011	59,977	39,991	134,924	14,755	275,995	349,885	1,311,434	25,369	2,462,341

	(Unaudited)									
	Attributable to equity shareholders of the Bank									
		Other equity instruments								
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
As at 1 January 2020	250,011	79,636	39,991	134,537	31,986	249,178	314,389	1,116,529	18,870	2,235,127
Movements during the period	–	–	–	–	7,187	–	132	57,490	1,381	66,190
(1) Total comprehensive income for the period	–	–	–	–	7,187	–	–	137,626	1,357	146,170
(2) Changes in share capital										
i Capital injection by other shareholders	–	–	–	–	–	–	–	–	75	75
ii Change in shareholdings in subsidiaries	–	–	–	–	–	–	–	–	58	58
iii Disposal of subsidiaries	–	–	–	–	–	–	–	–	(14)	(14)
(3) Profit distribution										
i Appropriation to general reserve	–	–	–	–	–	–	132	(132)	–	–
ii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(80,004)	–	(80,004)
iii Dividends to non-controlling interests holders	–	–	–	–	–	–	–	–	(95)	(95)
As at 30 June 2020	250,011	79,636	39,991	134,537	39,173	249,178	314,521	1,174,019	20,251	2,301,317

The notes on pages 78 to 170 form part of these financial statements.

(Expressed in millions of RMB, unless otherwise stated)

	(Audited)									
	Attributable to equity shareholders of the Bank									
		Other equity instruments								
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
As at 1 January 2020	250,011	79,636	39,991	134,537	31,986	249,178	314,389	1,116,529	18,870	2,235,127
Movements during the year	–	(19,659)	–	(274)	(16,938)	26,817	35,839	122,766	5,675	154,226
(1) Total comprehensive income for the year	–	–	–	–	(16,938)	–	–	271,050	2,549	256,661
(2) Changes in share capital										
i Capital injection by other shareholders	–	–	–	–	–	–	–	–	3,607	3,607
ii Capital deduction by other equity instrument holders	–	(19,659)	–	(274)	–	–	–	–	–	(19,933)
iii Disposal of subsidiaries	–	–	–	–	–	–	–	–	(15)	(15)
iv Change in shareholdings in subsidiaries	–	–	–	–	–	–	–	–	46	46
(3) Profit distribution										
i Appropriation to surplus reserve	–	–	–	–	–	26,817	–	(26,817)	–	–
ii Appropriation to general reserve	–	–	–	–	–	–	35,839	(35,839)	–	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(80,004)	–	(80,004)
iv Dividends to other equity instruments holders	–	–	–	–	–	–	–	(5,624)	–	(5,624)
v Dividends to non-controlling interests holders	–	–	–	–	–	–	–	–	(512)	(512)
As at 31 December 2020	250,011	59,977	39,991	134,263	15,048	275,995	350,228	1,239,295	24,545	2,389,353

The notes on pages 78 to 170 form part of these financial statements.

Consolidated Statement of Cash Flows

For the six months ended 30 June 2021
(Expressed in millions of RMB, unless otherwise stated)

	Note	Six months ended 30 June 2021 (Unaudited)	2020 (Unaudited)
Cash flows from operating activities			
Profit before tax		**184,463**	168,773
Adjustments for:			
– Credit impairment losses	11	**108,320**	111,378
– Other impairment losses	12	**192**	188
– Depreciation and amortisation	10	**13,185**	13,070
– Interest income from impaired financial assets		**(2,364)**	(1,710)
– Revaluation loss on financial instruments measured at fair value through profit or loss		**552**	484
– Share of profits of associates and joint ventures		**(228)**	(220)
– Dividend income	6	**(3,657)**	(1,496)
– Unrealised foreign exchange (gain)/loss		**(8,347)**	1,823
– Interest expense on bonds issued		**9,014**	8,432
– Interest income from investment securities and net income from disposal		**(110,080)**	(101,697)
– Net (gain)/loss on disposal of fixed assets and other long-term assets		**(182)**	21
		190,868	199,046
Changes in operating assets:			
Net decrease/(increase) in deposits with central banks and with banks and non-bank financial institutions		**67,846**	(605,099)
Net decrease/(increase) in placements with banks and non-bank financial institutions		**6,791**	(24,339)
Net (increase)/decrease in financial assets held under resale agreements		**(103,211)**	105,505
Net increase in loans and advances to customers		**(1,365,735)**	(1,458,816)
Net decrease in financial assets held for trading purposes		**5,879**	31,373
Net increase in other operating assets		**(123,181)**	(184,720)
		(1,511,611)	(2,136,096)
Changes in operating liabilities:			
Net (decrease)/increase in borrowings from central banks		**(20,583)**	38,549
Net increase in deposits from customers and from banks and non-bank financial institutions		**1,512,541**	2,073,737
Net increase/(decrease) in placements from banks and non-bank financial institutions		**19,702**	(57,500)
Net increase in financial liabilities measured at fair value through profit or loss		**38,521**	130,648
Net increase in financial assets sold under repurchase agreements		**59,138**	10,031
Net decrease in certificates of deposit issued		**(20,463)**	(167,508)
Income tax paid		**(74,013)**	(81,859)
Net (decrease)/increase in other operating liabilities		**(21,941)**	53,652
		1,492,902	1,999,750
Net cash from operating activities		**172,159**	62,700

The notes on pages 78 to 170 form part of these financial statements.

(Expressed in millions of RMB, unless otherwise stated)

	Note	Six months ended 30 June 2021 (Unaudited)	2020 (Unaudited)
Cash flows from investing activities			
Proceeds from sales and redemption of financial investments		**1,000,396**	782,014
Interest and dividends received		**111,886**	97,230
Proceeds from disposal of fixed assets and other long-term assets		**1,049**	473
Purchase of investment securities		**(1,287,737)**	(1,319,629)
Purchase of fixed assets and other long-term assets		**(5,422)**	(6,203)
Acquisition of subsidiaries, associates and joint ventures		**(1,440)**	(2,580)
Cash payment for other investing activities		**–**	(21)
Net cash used in investing activities		**(181,268)**	(448,716)
Cash flows from financing activities			
Issue of bonds		**54,102**	25,947
Cash received from subsidiaries' capital injection by non-controlling interests holders		**770**	75
Dividends paid		**(100)**	(95)
Repayment of borrowings		**(18,203)**	(36,884)
Cash paid by subsidiaries for purchase of non-controlling interests holders' equity		**–**	(19)
Interest paid on bonds issued		**(2,293)**	(3,418)
Cash payment for other financing activities		**(3,317)**	(3,939)
Net cash from/(used in) financing activities		**30,959**	(18,333)
Effect of exchange rate changes on cash and cash equivalents		**(4,623)**	4,766
Net increase/(decrease) in cash and cash equivalents		**17,227**	(399,583)
Cash and cash equivalents as at 1 January	49	**878,931**	1,052,340
Cash and cash equivalents as at 30 June	49	**896,158**	652,757
Cash flows from operating activities include:			
Interest received, excluding interest income from investment securities		**400,886**	372,826
Interest paid, excluding interest expense on bonds issued		**(166,364)**	(159,512)

The notes on pages 78 to 170 form part of these financial statements.

1 Company information

The history of China Construction Bank Corporation (the "Bank") dates back to 1954, which was previously known as the People's Construction Bank of China when it was established. It was responsible for the management and distribution of government funds for construction and infrastructure related projects under the state economic plan. The People's Construction Bank of China gradually evolved into a comprehensive commercial bank following the takeover of the function of granting policy loans by China Development Bank in 1994. In 1996, the People's Construction Bank of China changed its name to China Construction Bank ("CCB"). On 17 September 2004, China Construction Bank Corporation was established in the People's Republic of China (the "PRC") as a result of a separation procedure undertaken by its predecessor, China Construction Bank. In October 2005 and September 2007, the Bank's H shares and A shares were listed on the Hong Kong Stock Exchange (Stock Code: 939) and the Shanghai Stock Exchange (Stock Code: 601939), successively. As at 30 June 2021, the Bank issued the total ordinary share capital of RMB250,011 million, with a par value of RMB1.00 per share.

The Bank obtained its finance permit No. B0004H111000001 from the China Banking Regulatory Commission ("CBRC") (In 2018, it was renamed as China Banking and Insurance Regulatory Commission, hereinafter referred to as the "CBIRC") of the PRC. The Bank obtained its unified social credit code No.911100001000044477 from the Beijing Administration for Industry and Commerce. The registered office of the Bank is located at No.25, Financial Street, Xicheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, trustee, finance leasing, investment banking, insurance and other financial services. The Group mainly operates in the Chinese mainland and also has a number of overseas branches and subsidiaries. For the purpose of these financial statements, "the Chinese mainland" refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. "Overseas" refers to countries and regions other than the Chinese mainland.

The Bank is under the supervision of the banking regulatory bodies empowered by the State Council of the PRC (the "State Council"). The overseas financial institutions of the Bank are required to comply with the regulatory requirements of their respective local jurisdictions. Central Huijin Investment Ltd. ("Huijin"), a wholly-owned subsidiary of China Investment Corporation ("CIC"), exercises its rights and obligations as an investor in accordance with laws on behalf of the PRC government.

2 Basis of preparation and significant accounting policies

(1) Basis of preparation

The interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting and all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The unaudited interim financial statements contain selected explanatory notes, which provide explanations of events and transactions that are significant to the understanding of the changes in financial position and performance of the Group since the financial statements for the year ended 31 December 2020. The selected notes do not include all of the information and disclosures required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"), and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2020.

(2) Use of estimates and assumptions

The preparation of the interim financial statements 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 in the future may differ from those reported as a result of the use of estimates and assumptions about future conditions.

(3) Consolidation

The interim financial statements comprise the Bank and its subsidiaries and the Group's interests in associates and joint ventures.

The financial results and performance of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Necessary adjustments on the accounting period and accounting policies of subsidiaries are made to comply with those of the Bank. Intragroup balances and transactions, and any profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The Group's interests in associates or joint ventures are included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. Profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures.

(Expressed in millions of RMB, unless otherwise stated)

2 Basis of preparation and significant accounting policies (continued)

(4) Changes in significant accounting policies

The Group has adopted the following amendments for the first time for the current interim period.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform: Phase 2
Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

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

Except for those described above, the significant accounting policies adopted by the Group for the interim financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

(5) Taxation

The Group's main applicable taxes and tax rates are as follows:

Value added tax ("VAT")

Pursuant to the Circular on the Comprehensive Plan for Levying VAT in place of Business Tax (CaiShui [2016] No.36) jointly issued by the Ministry of Finance and the State Administration of Taxation, business tax that used to be levied on taxable income of the Bank and its subsidiaries in the Chinese mainland was replaced by VAT from 1 May 2016, and the main VAT taxation rate is 6%.

City construction tax

City construction tax is calculated as 1% to 7% of VAT.

Education surcharge

Education surcharge is calculated as 3% of VAT.

Local education surcharge

Local education surcharge is calculated as 2% of VAT.

Income tax

The income tax rate that is applicable to the Bank and its subsidiaries in the Chinese mainland is 25%. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is set off to the extent allowed under the relevant income tax laws of the PRC.

(6) Interim financial statements

The interim financial statements have been reviewed by the Audit Committee of the Bank, and were approved by the Board of Directors of the Bank on 27 August 2021. The interim financial statements have also been reviewed by the Bank's auditors, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial statements is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2021.

(Expressed in millions of RMB, unless otherwise stated)

3 Net interest income

	Six months ended 30 June	
	2021	2020
Interest income arising from:		
Deposits with central banks	**18,514**	17,688
Deposits with banks and non-bank financial institutions	**6,891**	7,608
Placements with banks and non-bank financial institutions	**2,824**	5,517
Financial assets held under resale agreements	**6,239**	5,321
Investment securities	**108,236**	97,783
Loans and advances to customers		
– Corporate loans and advances	**191,612**	180,145
– Personal loans and advances	**179,043**	165,056
– Discounted bills	**2,590**	6,419
Total	**515,949**	485,537
Interest expense arising from:		
Borrowings from central banks	**(10,692)**	(9,136)
Deposits from banks and non-bank financial institutions	**(16,429)**	(21,778)
Placements from banks and non-bank financial institutions	**(2,552)**	(5,562)
Financial assets sold under repurchase agreements	**(326)**	(561)
Debt securities issued	**(14,323)**	(16,085)
Deposits from customers		
– Corporate deposits	**(76,264)**	(68,763)
– Personal deposits	**(99,278)**	(82,144)
Total	**(219,864)**	(204,029)
Net interest income	**296,085**	281,508

(1) Interest income from impaired financial assets is listed as follows:

	Six months ended 30 June	
	2021	2020
Impaired loans and advances	**2,355**	1,639
Other impaired financial assets	**9**	71
Total	**2,364**	1,710

(2) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debt securities issued.

(Expressed in millions of RMB, unless otherwise stated)

4 Net fee and commission income

	Six months ended 30 June	
	2021	2020
Fee and commission income		
Electronic banking service fees	**14,429**	14,308
Agency service fees	**11,842**	10,053
Commission on trust and fiduciary activities	**10,980**	9,491
Bank card fees	**10,443**	10,483
Wealth management service fees	**9,116**	8,536
Consultancy and advisory fees	**8,520**	7,989
Settlement and clearing fees	**7,943**	7,574
Guarantee fees	**2,191**	1,952
Credit commitment fees	**801**	755
Others	**1,305**	1,565
Total	**77,570**	72,706
Fee and commission expense		
Bank card transaction fees	**(2,992)**	(2,204)
Inter-bank transaction fees	**(570)**	(458)
Others	**(4,570)**	(5,038)
Total	**(8,132)**	(7,700)
Net fee and commission income	**69,438**	65,006

5 Net trading gain

	Six months ended 30 June	
	2021	2020
Debt securities	**2,097**	2,840
Derivatives	**239**	330
Equity investments	**14**	(22)
Others	**520**	165
Total	**2,870**	3,313

6 Dividend income

	Six months ended 30 June	
	2021	2020
Dividend income from equity investments measured at fair value through profit or loss	**3,649**	1,491
Dividend income from equity investments measured at fair value through other comprehensive income	**8**	5
Total	**3,657**	1,496

(Expressed in millions of RMB, unless otherwise stated)

7 Net gain arising from investment securities

	Six months ended 30 June 2021	2020
Net gain related to financial assets designated as measured at fair value through profit or loss	**1,071**	3,269
Net loss related to financial liabilities designated as measured at fair value through profit or loss	**(5,371)**	(4,298)
Net gain related to other financial assets and liabilities measured at fair value through profit or loss	**5,307**	4,178
Net gain related to financial assets measured at fair value through other comprehensive income	**520**	257
Net revaluation gain reclassified from other comprehensive income on disposal	**330**	503
Others	**(4)**	75
Total	**1,853**	3,984

8 Net gain on derecognition of financial assets measured at amortised cost

For the six months ended 30 June 2021, a net gain on derecognition of financial assets measured at amortised cost mainly attributes to the Group's issuance of asset-backed securities, which led to RMB2,478 million net gains arising from derecognition of loans and advances to customers (for the six months ended 30 June 2020: net gains of RMB1,281 million).

9 Other operating income, net

Other operating income	Six months ended 30 June 2021	2020
Insurance related income	**27,440**	24,223
Foreign exchange gains	**4,289**	1,965
Rental income	**1,743**	1,615
Others	**6,817**	4,976
Total	**40,289**	32,779

Foreign exchange gains or losses include gains and losses in connection with the translation of foreign currency denominated monetary assets and liabilities, and net realised and unrealised gains and losses on foreign exchange derivatives (including those foreign exchange swaps, foreign exchange options and cross currency swaps entered into in order to economically hedge positions in foreign currency assets).

Other operating expense	Six months ended 30 June 2021	2020
Insurance related costs	**28,710**	24,272
Others	**7,102**	5,271
Total	**35,812**	29,543

(Expressed in millions of RMB, unless otherwise stated)

10 Operating expenses

	Six months ended 30 June	
	2021	2020
Staff costs		
– Salaries, bonuses, allowances and subsidies	**34,608**	33,102
– Housing funds	**3,378**	3,136
– Union running costs and employee education costs	**1,121**	1,246
– Defined contribution plans	**7,003**	4,329
– Early retirement expenses	**1**	9
– Compensation to employees for termination of employment relationship	**3**	–
– Others	**4,502**	3,435
	50,616	45,257
Premises and equipment expenses		
– Depreciation charges	**11,670**	11,716
– Rent and property management expenses	**1,973**	1,929
– Maintenance	**1,076**	917
– Utilities	**792**	715
– Others	**974**	937
	16,485	16,214
Taxes and surcharges	**3,538**	3,336
Amortisation expenses	**1,515**	1,354
Other general and administrative expenses	**16,006**	13,644
Total	**88,160**	79,805

11 Credit impairment losses

	Six months ended 30 June	
	2021	2020
Loans and advances to customers	**94,450**	105,534
Financial investments		
– Financial assets measured at amortised cost	**3,332**	2,688
– Financial assets measured at fair value through other comprehensive income	**(59)**	141
Off-balance sheet credit business	**742**	1,213
Others	**9,855**	1,802
Total	**108,320**	111,378

12 Other impairment losses

	Six months ended 30 June	
	2021	2020
Other impairment losses	**192**	188

13 Income tax expense

(1) Income tax expense

	Six months ended 30 June	
	2021	2020
Current tax	**40,842**	42,634
– The Chinese mainland	**39,905**	41,290
– Hong Kong	**470**	630
– Other countries and regions	**467**	714
Adjustments for prior years	**–**	473
Deferred tax	**(10,485)**	(13,273)
Total	**30,357**	29,834

The provisions for income taxes for the Chinese mainland and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from the Chinese mainland and Hong Kong operations for the reporting period, respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(2) Reconciliation between income tax expense and accounting profit

		Six months ended 30 June	
	Note	**2021**	2020
Profit before tax		**184,463**	168,773
Income tax calculated at the 25% statutory tax rate		**46,116**	42,193
Effects of different applicable rates of tax prevailing in other countries/regions		**(104)**	(303)
Non-deductible expenses	(a)	**6,539**	6,984
Non-taxable income	(b)	**(22,194)**	(19,513)
Adjustments on income tax for prior years which affect profit or loss		**–**	473
Income tax expense		**30,357**	29,834

(a) Non-deductible expenses primarily include non-deductible losses resulting from write-off of loans, and items that are in excess of deductible amount under the relevant PRC tax regulations such as staff costs and entertainment expenses.

(b) Non-taxable income primarily includes interest income from PRC government bonds and local government bonds.

14 Earnings per share

Basic earnings per share for the six months ended 30 June 2021 and 2020 has been computed by dividing the net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the periods.

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 shareholders of the Bank. The Bank has not declared any dividend on preference shares for the six months ended 30 June 2021.

The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur for the six months ended 30 June 2021 and 2020, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	Six months ended 30 June	
	2021	2020
Net profit attributable to equity shareholders of the Bank	**153,300**	137,626
Net profit attributable to ordinary shareholders of the Bank	**153,300**	137,626
Weighted average number of ordinary shares (in millions of shares)	**250,011**	250,011
Basic earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	**0.61**	0.55
Diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	**0.61**	0.55

(Expressed in millions of RMB, unless otherwise stated)

15 Cash and deposits with central banks

	Note	30 June 2021	31 December 2020
Cash		**47,210**	49,068
Deposits with central banks			
– Statutory deposit reserves	(1)	**2,330,867**	2,285,486
– Surplus deposit reserves	(2)	**343,116**	434,199
– Fiscal deposits and others		**58,200**	46,323
Accrued interest		**1,045**	1,088
Total		**2,780,438**	2,816,164

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

As at the end of the reporting period, the Bank's statutory deposit reserve rates in the Chinese mainland were as follows:

	30 June 2021	31 December 2020
Reserve rate for RMB deposits	**11.00%**	11.00%
Reserve rate for foreign currency deposits	**7.00%**	5.00%

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by the PBOC.

The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(2) The surplus deposit reserve maintained with the PBOC is mainly for the purpose of clearing.

16 Deposits with banks and non-bank financial institutions

(1) Analysed by type of counterparties

	30 June 2021	31 December 2020
Banks	**456,312**	440,339
Non-bank financial institutions	**11,014**	11,602
Accrued interest	**2,481**	1,590
Gross balances	**469,807**	453,531
Allowances for impairment losses (Note 30)	**(273)**	(298)
Net balances	**469,534**	453,233

(2) Analysed by geographical sectors

	30 June 2021	31 December 2020
The Chinese mainland	**421,618**	405,588
Overseas	**45,708**	46,353
Accrued interest	**2,481**	1,590
Gross balances	**469,807**	453,531
Allowances for impairment losses (Note 30)	**(273)**	(298)
Net balances	**469,534**	453,233

For the six months ended 30 June 2021 and for the year ended 31 December 2020, the book value of deposits with banks and non-bank financial institutions was in Stage 1. The book value and the impairment loss allowances do not involve the transfers between stages.

(Expressed in millions of RMB, unless otherwise stated)

17 Placements with banks and non-bank financial institutions

(1) Analysed by type of counterparties

	30 June 2021	31 December 2020
Banks	233,334	258,711
Non-bank financial institutions	95,634	108,478
Accrued interest	1,357	1,525
Gross balances	330,325	368,714
Allowances for impairment losses (Note 30)	(218)	(310)
Net balances	330,107	368,404

(2) Analysed by geographical sectors

	30 June 2021	31 December 2020
The Chinese mainland	233,242	291,791
Overseas	95,726	75,398
Accrued interest	1,357	1,525
Gross balances	330,325	368,714
Allowances for impairment losses (Note 30)	(218)	(310)
Net balances	330,107	368,404

For the six months ended 30 June 2021 and for the year ended 31 December 2020, the book value of placements with banks and non-bank financial institutions was in Stage 1. The book value and the impairment loss allowances do not involve the transfers between stages.

18 Derivatives and hedge accounting

(1) Analysed by type of contract

		30 June 2021			31 December 2020		
	Note	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Interest rate contracts		688,408	1,721	2,980	650,225	1,802	4,168
Exchange rate contracts		3,143,422	43,416	39,249	3,461,021	63,881	73,376
Other contracts	(a)	158,466	7,167	1,568	126,071	3,346	4,412
Total		3,990,296	52,304	43,797	4,237,317	69,029	81,956

(Expressed in millions of RMB, unless otherwise stated)

18 Derivatives and hedge accounting (continued)

(2) Analysed by counterparty credit risk-weighted assets

	Note	30 June 2021	31 December 2020
Counterparty credit default risk-weighted assets			
– Interest rate contracts		**4,256**	4,073
– Exchange rate contracts		**39,315**	38,946
– Other contracts	(a)	**19,271**	10,015
Subtotal		**62,842**	53,034
Risk-weighted assets for credit valuation adjustment		**14,211**	14,739
Total		**77,053**	67,773

The notional amounts of derivatives only represent the unsettled transaction volumes as at the end of the reporting period, instead of the amounts of risk assets. Since 1 January 2013, the Group has adopted Capital Rules for Commercial Banks (Provisional) and other related policies. According to the rules set out by the CBIRC, the counterparty credit risk-weighted assets included risk-weighted assets for credit valuation adjustments, with the considerations of the status of counterparty and maturity characteristics, and included back-to-back client-driven transactions. The risk-weighted assets for counterparty credit risk of derivatives of the Group were calculated in accordance with the Rules on Measuring Derivatives Counterparty Default Risk Assets since 1 January 2019.

(a) Other contracts mainly consist of precious metals and commodity contracts.

(3) Hedge accounting

The following designated hedging instruments are included in the derivative financial instruments disclosed above.

	30 June 2021			31 December 2020		
	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	**31,588**	**77**	**(679)**	29,692	62	(1,131)
Cross currency swaps	**29**	**–**	**(2)**	30	–	(3)
Cash flow hedges						
Foreign exchange swaps	**9,640**	**46**	**(51)**	7,082	273	(82)
Cross currency swaps	**646**	**–**	**(65)**	654	–	(95)
Interest rate swaps	**6,698**	**–**	**(70)**	8,028	–	(160)
Total	**48,601**	**123**	**(867)**	45,486	335	(1,471)

(a) Fair value hedges

The Group uses interest rate swaps and cross currency swaps to hedge against changes in fair value of financial assets measured at fair value through other comprehensive income, debt securities issued, and loans and advances to customers arising from changes in interest rates and exchange rates.

Net gains/(losses) on fair value hedges are as follows:

	Six months ended 30 June	
	2021	2020
Net gains/(losses) on		
– hedging instruments	**432**	(1,099)
– hedged items	**(432)**	1,124

The gain and loss arising from the ineffective portion of fair value hedges were immaterial for the six months ended 30 June 2021 and 2020.

(Expressed in millions of RMB, unless otherwise stated)

18 Derivatives and hedge accounting (continued)

(3) Hedge accounting (continued)

(b) Cash flow hedges

The Group uses foreign exchange swaps, cross currency swaps and interest rate swaps to hedge against exposures to cash flow variability primarily from foreign exchange and interest rate risks of placements with banks and non-bank financial institutions, loans and advances to customers, placements from banks and non-bank financial institutions, deposits from customers, and debt securities issued. The maturities of hedging instruments and hedged items are both within five years.

For the six months ended 30 June 2021, the Group's net gain from the cash flow hedges of RMB245 million was recognised in other comprehensive income (for the six months ended 30 June 2020: net gain from cash flow hedges of RMB115 million) and the gain and loss arising from the ineffective portion of cash flow hedges was immaterial.

19 Financial assets held under resale agreements

Financial assets held under resale agreements analysed by underlying assets are shown as follows:

	30 June 2021	31 December 2020
Debt securities		
– Government bonds	**231,914**	200,006
– Debt securities issued by policy banks, banks and non-bank financial institutions	**395,431**	289,459
– Corporate bonds	**688**	133
Subtotal	**628,033**	489,598
Discounted bills	**77,116**	112,458
Accrued interest	**263**	350
Total	**705,412**	602,406
Allowances for impairment losses (Note 30)	**(130)**	(167)
Net balances	**705,282**	602,239

For the six months ended 30 June 2021 and for the year ended 31 December 2020, the book value of financial assets held under resale agreements was in Stage 1. The book value and the impairment loss allowances do not involve the transfers between stages.

20 Loans and advances to customers

(1) Analysed by measurement

	Note	**30 June 2021**	31 December 2020
Loans and advances to customers measured at amortised cost		**17,818,775**	16,476,817
Less: allowances for impairment losses		**(615,141)**	(556,063)
The carrying amount of loans and advances to customers measured at amortised cost	(a)	**17,203,634**	15,920,754
The carrying amount of loans and advances to customers measured at fair value through other comprehensive income	(b)	**241,305**	259,061
The carrying amount of loans and advances to customers measured at fair value through profit or loss	(c)	**4,659**	9,890
Accrued interest		**44,304**	41,664
The carrying amount of loans and advances to customers		**17,493,902**	16,231,369

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

(1) Analysed by measurement (continued)

(a) Loans and advances to customers measured at amortised cost

	30 June 2021	31 December 2020
Corporate loans and advances		
– Loans	**10,060,812**	9,028,785
– Finance leases	**145,535**	136,849
	10,206,347	9,165,634
Personal loans and advances		
– Residential mortgages	**6,166,585**	5,885,022
– Personal consumer loans	**236,529**	274,635
– Personal business loans	**193,355**	138,481
– Credit cards	**842,300**	828,943
– Others	**173,659**	184,102
	7,612,428	7,311,183
Gross loans and advances to customers measured at amortised cost	**17,818,775**	16,476,817
Stage 1	**(320,230)**	(275,428)
Stage 2	**(121,046)**	(108,099)
Stage 3	**(173,865)**	(172,536)
Allowances for impairment losses (Note 30)	**(615,141)**	(556,063)
Net loans and advances to customers measured at amortised cost	**17,203,634**	15,920,754

(b) Loans and advances to customers measured at fair value through other comprehensive income

	30 June 2021	31 December 2020
Discounted bills	**241,305**	259,061

(c) Loans and advances to customers measured at fair value through profit or loss

	30 June 2021	31 December 2020
Corporate loans and advances	**4,659**	9,890

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

(2) Analysed by assessment method of expected credit losses

	30 June 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross loans and advances to customers measured at amortised cost	**16,975,011**	**566,783**	**276,981**	**17,818,775**
Less: allowances for impairment losses	**(320,230)**	**(121,046)**	**(173,865)**	**(615,141)**
The carrying amount of loans and advances to customers measured at amortised cost	**16,654,781**	**445,737**	**103,116**	**17,203,634**
The provision percentage for loans and advances to customers measured at amortised cost	**1.89%**	**21.36%**	**62.77%**	**3.45%**
The carrying amount of loans and advances to customers measured at fair value through other comprehensive income	**237,786**	**3,519**	**–**	**241,305**
Allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	**(709)**	**(130)**	**–**	**(839)**

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances to customers measured at amortised cost	15,682,498	533,590	260,729	16,476,817
Less: allowances for impairment losses	(275,428)	(108,099)	(172,536)	(556,063)
The carrying amount of loans and advances to customers measured at amortised cost	15,407,070	425,491	88,193	15,920,754
The provision percentage for loans and advances to customers measured at amortised cost	1.76%	20.26%	66.17%	3.37%
The carrying amount of loans and advances to customers measured at fair value through other comprehensive income	255,470	3,591	–	259,061
Allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(603)	(237)	–	(840)

For loans and advances to customers at Stage 1 and 2 and personal loans and advances at Stage 3, the expected credit losses ("ECL") model is used to calculate the ECL amount, while for corporate loans and advances and discounted bills at Stage 3, the discounted cash flow model is used.

The segmentation of the loans mentioned above is defined in Note 56(1).

(3) Movements of allowances for impairment losses

		Six months ended 30 June 2021			
	Note	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2021		**275,428**	**108,099**	**172,536**	**556,063**
Transfers:					
Transfers in/(out) to Stage 1		**5,482**	**(5,023)**	**(459)**	**–**
Transfers in/(out) to Stage 2		**(6,929)**	**8,421**	**(1,492)**	**–**
Transfers in/(out) to Stage 3		**(1,152)**	**(14,793)**	**15,945**	**–**
Newly originated or purchased financial assets		**97,899**	**–**	**–**	**97,899**
Transfer out/repayment	(a)	**(62,111)**	**(10,910)**	**(18,828)**	**(91,849)**
Remeasurements	(b)	**11,613**	**35,252**	**29,728**	**76,593**
Write-off		**–**	**–**	**(30,146)**	**(30,146)**
Recoveries of loans and advances written off		**–**	**–**	**6,581**	**6,581**
As at 30 June 2021		**320,230**	**121,046**	**173,865**	**615,141**

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

(3) Movements of allowances for impairment losses (continued)

	Note	2020 Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020		240,027	92,880	149,251	482,158
Transfers:					
Transfers in/(out) to Stage 1		4,187	(3,944)	(243)	–
Transfers in/(out) to Stage 2		(10,992)	11,901	(909)	–
Transfers in/(out) to Stage 3		(3,804)	(27,823)	31,627	–
Newly originated or purchased financial assets		141,273	–	–	141,273
Transfer out/repayment	(a)	(94,802)	(15,131)	(45,863)	(155,796)
Remeasurements	(b)	(461)	50,216	85,229	134,984
Write-off		–	–	(57,383)	(57,383)
Recoveries of loans and advances written off		–	–	10,827	10,827
As at 31 December 2020		275,428	108,099	172,536	556,063

(a) Transfer out/repayment refers to transfer of creditor's rights, securitisation of assets, debt-to-equity swaps and reversal of loss provision due to repayment of debt in the form of other assets, as well as repayment of the loans.

(b) Remeasurements comprise the impact of changes in Probability of Default ("PD"), Loss Given Default ("LGD") or Exposure at Default ("EAD"); changes in model assumptions and methodologies; credit loss changes due to stage-transfer; unwinding of discount; and the impact of exchange rate changes, etc.

The allowances for impairment losses disclosed above are for loans and advances to customers measured at amortised cost.

(4) Overdue loans analysed by overdue period

	30 June 2021				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**17,223**	**16,681**	**10,897**	**2,506**	**47,307**
Guaranteed loans	**8,868**	**23,564**	**25,737**	**7,743**	**65,912**
Loans secured by property and other immovable assets	**29,197**	**21,373**	**20,047**	**4,313**	**74,930**
Other pledged loans	**1,856**	**2,566**	**1,940**	**489**	**6,851**
Total	**57,144**	**64,184**	**58,621**	**15,051**	**195,000**
As a percentage of gross loans and advances to customers	**0.32%**	**0.36%**	**0.32%**	**0.08%**	**1.08%**

	31 December 2020				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	15,572	20,264	6,769	684	43,289
Guaranteed loans	12,862	18,439	29,069	2,300	62,670
Loans secured by property and other immovable assets	25,531	20,083	19,350	4,400	69,364
Other pledged loans	334	1,679	4,700	187	6,900
Total	54,299	60,465	59,888	7,571	182,223
As a percentage of gross loans and advances to customers	0.32%	0.36%	0.36%	0.05%	1.09%

Overdue loans represent loans of which the whole or part of the principal or interest is overdue for 1 day or more.

(Expressed in millions of RMB, unless otherwise stated)

20 Loans and advances to customers (continued)

(5) Packaged disposal of non-performing loans

For the six months ended 30 June 2021, the Group's total amount of non-performing loans sold through packaged disposal to external asset management companies was RMB3,227 million (for the six months ended 30 June 2020: RMB10,624 million).

(6) Write-off

According to the Group's write-off policy, it is required to continue to recover the bad debts that are written off. For the six months ended 30 June 2021, the amount of loans and advances to customers that the Group has written off under litigation-related condition but still under enforcement is RMB9,552 million (for the six month ended 30 June 2020: RMB13,793 million).

21 Financial investments

(1) Analysed by measurement

	Note	**30 June 2021**	31 December 2020
Financial assets measured at fair value through profit or loss	(a)	**575,380**	577,952
Financial assets measured at amortised cost	(b)	**4,696,655**	4,505,243
Financial assets measured at fair value through other comprehensive income	(c)	**1,956,288**	1,867,458
Total		**7,228,323**	6,950,653

(a) Financial assets measured at fair value through profit or loss

Analysed by nature

	Note	**30 June 2021**	31 December 2020
Held-for-trading purposes			
– Debt securities	(i)	**164,880**	170,365
– Equity instruments and funds	(ii)	**1,370**	1,415
		166,250	171,780
Financial assets designated as measured at fair value through profit or loss			
– Other debt instruments	(iii)	**31,757**	61,180
Others			
– Credit investments	(iv)	**17,035**	14,202
– Debt securities	(v)	**120,024**	115,571
– Funds and others	(vi)	**240,314**	215,219
		377,373	344,992
Total		**575,380**	577,952

(Expressed in millions of RMB, unless otherwise stated)

21 Financial investments (continued)

(1) Analysed by measurement (continued)

(a) *Financial assets measured at fair value through profit or loss (continued)*

Analysed by type of issuers

Held-for-trading purposes

(i) Debt securities

	30 June 2021	31 December 2020
Government	**10,896**	20,173
Policy banks	**35,677**	51,723
Banks and non-bank financial institutions	**48,689**	33,769
Enterprises	**69,618**	64,700
Total	**164,880**	170,365
Listed (Note)	**164,780**	170,365
– of which in Hong Kong	**751**	712
Unlisted	**100**	–
Total	**164,880**	170,365

Note: Debt securities traded on the China Interbank Bond Market are classified as "Listed".

(ii) Equity instruments and funds

	30 June 2021	31 December 2020
Banks and non-bank financial institutions	**906**	681
Enterprises	**464**	734
Total	**1,370**	1,415
Listed	**465**	1,385
– of which in Hong Kong	**379**	629
Unlisted	**905**	30
Total	**1,370**	1,415

Financial assets designated as measured at fair value through profit or loss

(iii) Other debt instruments

	30 June 2021	31 December 2020
Banks and non-bank financial institutions	**23,970**	32,150
Enterprises	**7,787**	29,030
Total	**31,757**	61,180

Other debt instruments were mainly the deposits with banks and non-bank financial institutions, debt securities and credit assets invested by principal guaranteed wealth management products (Note 23(2)).

The amounts of changes in the fair value of these financial assets that are attributable to changes in credit risk are considered not significant during the period and the year presented and cumulatively as at 30 June 2021 and 31 December 2020.

(Expressed in millions of RMB, unless otherwise stated)

21 Financial investments (continued)

(1) Analysed by measurement (continued)

(a) *Financial assets measured at fair value through profit or loss (continued)*

Analysed by type of issuers (continued)

Others

(iv) *Credit investments*

	30 June 2021	31 December 2020
Banks and non-bank financial institutions	**1,180**	663
Enterprises	**15,855**	13,539
Total	**17,035**	14,202
Listed	**–**	643
– of which in Hong Kong	**–**	198
Unlisted	**17,035**	13,559
Total	**17,035**	14,202

(v) *Debt securities*

	30 June 2021	31 December 2020
Policy banks	**7,525**	7,361
Banks and non-bank financial institutions	**111,953**	108,185
Enterprises	**546**	25
Total	**120,024**	115,571
Listed (Note)	**119,713**	115,325
– of which in Hong Kong	**388**	–
Unlisted	**311**	246
Total	**120,024**	115,571

Note: Debt securities traded on the China Interbank Bond Market are classified as “Listed”.

(vi) *Funds and others*

	30 June 2021	31 December 2020
Banks and non-bank financial institutions	**107,220**	86,628
Enterprises	**133,094**	128,591
Total	**240,314**	215,219
Listed	**41,366**	74,164
– of which in Hong Kong	**1,724**	1,086
Unlisted	**198,948**	141,055
Total	**240,314**	215,219

There was no significant limitation on the ability of the Group to dispose of financial assets measured at fair value through profit or loss.

(Expressed in millions of RMB, unless otherwise stated)

21 Financial investments (continued)

(1) Analysed by measurement (continued)

(b) Financial assets measured at amortised cost

Analysed by type of issuers

	30 June 2021	31 December 2020
Government	**4,006,988**	3,799,421
Central banks	**1,838**	5,231
Policy banks	**281,281**	300,679
Banks and non-bank financial institutions	**138,335**	130,946
Enterprises	**178,183**	177,534
Special government bond	**49,200**	49,200
Subtotal	**4,655,825**	4,463,011
Accrued interest	**63,607**	62,470
Gross balances	**4,719,432**	4,525,481
Allowances for impairment losses		
– Stage 1	**(14,415)**	(13,211)
– Stage 2	**(182)**	(282)
– Stage 3	**(8,180)**	(6,745)
Subtotal	**(22,777)**	(20,238)
Net balances	**4,696,655**	4,505,243
Listed (Note)	**4,559,740**	4,341,559
– of which in Hong Kong	**6,986**	7,747
Unlisted	**136,915**	163,684
Total	**4,696,655**	4,505,243
Market value of listed bonds	**4,612,344**	4,371,059

Note: Debt securities traded on the China Interbank Bond Market are classified as "Listed".

(Expressed in millions of RMB, unless otherwise stated)

21 Financial investments (continued)

(1) Analysed by measurement (continued)

(c) *Financial assets measured at fair value through other comprehensive income*

Analysed by nature

	Note	**30 June 2021**	31 December 2020
Debt securities	(i)	**1,948,571**	1,860,503
Equity instruments	(ii)	**7,717**	6,955
Total		**1,956,288**	1,867,458

Analysed by type of issuers

(i) *Debt securities*

	30 June 2021	31 December 2020
Government	**1,199,145**	1,159,963
Central banks	**28,406**	34,295
Policy banks	**421,793**	400,032
Banks and non-bank financial institutions	**124,056**	88,887
Enterprises	**124,023**	130,324
Accumulated changes of fair value charged in other comprehensive income	**23,366**	21,231
Subtotal	**1,920,789**	1,834,732
Accrued interest	**27,782**	25,771
Total	**1,948,571**	1,860,503
Listed (Note)	**1,886,798**	1,785,650
– of which in Hong Kong	**59,618**	57,198
Unlisted	**61,773**	74,853
Total	**1,948,571**	1,860,503

Note: Debt securities traded on the China Interbank Bond Market are classified as "Listed".

(ii) *Equity instruments*

	30 June 2021		31 December 2020	
	Fair value	**Dividend income**	Fair value	Dividend income
Equity instruments	**7,717**	**8**	6,955	16

For the six months ended 30 June 2021 and for the year ended 31 December 2020, the Group neither sold any of the investments above nor transferred any cumulative profit or loss in the equity.

(Expressed in millions of RMB, unless otherwise stated)

21 Financial investments (continued)

(2) Movements of allowances for impairment losses

(a) Financial assets measured at amortised cost

	Note	Six months ended 30 June 2021			
		Stage 1	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2021		**13,211**	**282**	**6,745**	**20,238**
Transfers:					
Transfers in/(out) to Stage 1		**–**	**–**	**–**	**–**
Transfers in/(out) to Stage 2		**(9)**	**9**	**–**	**–**
Transfers in/(out) to Stage 3		**–**	**(116)**	**116**	**–**
Newly originated or purchased financial assets		**1,965**	**–**	**851**	**2,816**
Financial assets derecognised during the period		**(654)**	**(47)**	**(153)**	**(854)**
Remeasurements	(i)	**(80)**	**56**	**1,394**	**1,370**
Foreign exchange and other movements		**(18)**	**(2)**	**(773)**	**(793)**
As at 30 June 2021		**14,415**	**182**	**8,180**	**22,777**

	Note	2020			
		Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020		8,932	134	3,636	12,702
Transfers:					
Transfers in/(out) to Stage 1		–	–	–	–
Transfers in/(out) to Stage 2		(3)	3	–	–
Transfers in/(out) to Stage 3		(38)	(14)	52	–
Newly originated or purchased financial assets		4,703	–	–	4,703
Financial assets derecognised during the year		(1,493)	(48)	(33)	(1,574)
Remeasurements	(i)	1,182	219	3,389	4,790
Foreign exchange and other movements		(72)	(12)	(299)	(383)
As at 31 December 2020		13,211	282	6,745	20,238

(b) Financial assets measured at fair value through other comprehensive income

	Note	Six months ended 30 June 2021			
		Stage 1	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2021		**3,334**	**11**	**–**	**3,345**
Transfers:					
Transfers in/(out) to Stage 1		**–**	**–**	**–**	**–**
Transfers in/(out) to Stage 2		**–**	**–**	**–**	**–**
Transfers in/(out) to Stage 3		**–**	**–**	**–**	**–**
Newly originated or purchased financial assets		**444**	**–**	**–**	**444**
Financial assets derecognised during the period		**(458)**	**–**	**–**	**(458)**
Remeasurements	(i)	**(41)**	**(4)**	**–**	**(45)**
Foreign exchange and other movements		**(2)**	**–**	**–**	**(2)**
As at 30 June 2021		**3,277**	**7**	**–**	**3,284**

(Expressed in millions of RMB, unless otherwise stated)

21 Financial investments (continued)

(2) Movements of allowances for impairment losses (continued)

(b) Financial assets measured at fair value through other comprehensive income (continued)

		2020			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020		3,580	–	–	3,580
Transfers:					
Transfers in/(out) to Stage 1		–	–	–	–
Transfers in/(out) to Stage 2		(6)	6	–	–
Transfers in/(out) to Stage 3		–	–	–	–
Newly originated or purchased financial assets		1,490	–	–	1,490
Financial assets derecognised during the year		(1,896)	–	–	(1,896)
Remeasurements	(i)	157	5	–	162
Foreign exchange and other movements		9	–	–	9
As at 31 December 2020		3,334	11	–	3,345

(i) Remeasurements mainly comprise the impact of changes in PD, LGD, EAD and credit loss changes due to stage-transfer.

As at 30 June 2021, the Group's financial assets measured at amortised cost with carrying amount of RMB11,002 million (as at 31 December 2020: RMB10,420 million) were impaired and classified as Stage 3, financial assets measured at amortised cost with carrying amount of RMB1,698 million (as at 31 December 2020: RMB2,047 million) and financial assets measured at fair value through other comprehensive income with carrying amount of RMB1,506 million(as at 31 December 2020: RMB1,528 million) were classified as Stage 2, and the remaining financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income were classified as Stage 1.

For the six months ended 30 June 2021, the increase in the Group's Stage 1 financial assets due to newly originated or purchased financial assets amounted to RMB730,656 million(for the year ended 31 December 2020: RMB1,786,779 million), the decrease in Stage 1 financial assets due to derecognition amounted to RMB444,559 million (for the year ended 31 December 2020: RMB925,069 million), and there were no significant changes in the balances of financial assets classified as Stage 2 and 3. Both the amounts of financial assets transferred between stages and the amounts of financial assets with modifications of contractual cash flows that did not result in a derecognition were not significant.

(Expressed in millions of RMB, unless otherwise stated)

22 Long-term equity investments

(1) Investments in subsidiaries

(a) Investment balance

	Note	30 June 2021	31 December 2020
CCB Financial Asset Investment Co., Ltd. ("CCB Investment")	(i)	**27,000**	12,000
CCB Wealth Management Co., Ltd. ("CCB Wealth Management")		**15,000**	15,000
CCB Financial Leasing Co., Ltd. ("CCB Financial Leasing")		**11,163**	11,163
CCB Brazil Financial Holding – Investimentos e Participações Ltda.		**9,542**	9,542
CCB Trust Co., Ltd. ("CCB Trust")		**7,429**	7,429
CCB Life Insurance Co., Ltd. ("CCB Life")		**6,962**	6,962
China Construction Bank (Europe) S.A. ("CCB Europe")		**4,406**	4,406
China Construction Bank (London) Limited ("CCB London")		**2,861**	2,861
PT Bank China Construction Bank Indonesia Tbk ("CCB Indonesia")		**2,215**	2,215
CCB Pension Management Co., Ltd. ("CCB Pension")		**1,955**	1,955
Sino-German Bausparkasse Co., Ltd. ("Sino-German Bausparkasse")		**1,502**	1,502
China Construction Bank (Malaysia) Berhad ("CCB Malaysia")		**1,334**	1,334
China Construction Bank (New Zealand) Limited ("CCB New Zealand")		**976**	976
China Construction Bank (Russia) Limited ("CCB Russia")		**851**	851
Golden Fountain Finance Limited ("Golden Fountain")		**676**	676
CCB Principal Asset Management Co., Ltd. ("CCB Principal Asset Management")		**130**	130
CCB International Group Holdings Limited ("CCBIG")		**–**	–
Subtotal		**94,002**	79,002
Less: Allowance for impairment losses		**(8,110)**	(8,110)
Total		**85,892**	70,892

(i) In January 2021, the Bank increased capital of CCB Investment by RMB15,000 million with its own funds. CCB Investment has remained a wholly-owned subsidiary of the Bank.

(b) *Except for CCB Indonesia, the major subsidiaries of the Group are unlisted enterprises, details of the investments in subsidiaries are as follows:*

Name of company	Principal place of business	Particulars of issued and paid-up capital	Kind of legal entity	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank	Method of investment
CCB Investment	Beijing, the PRC	RMB27,000 million	Company with Limited Liability	Investment	100%	–	100%	Establishment
CCB Wealth Management	Shenzhen, the PRC	RMB15,000 million	Company with Limited Liability	Wealth Management	100%	–	100%	Establishment
CCB Financial Leasing	Beijing, the PRC	RMB11,000 million	Company with Limited Liability	Financial Leasing	100%	–	100%	Establishment
CCB Brazil Financial Holding – Investimentos e Participações Ltda.	Sao Paulo, Brasil	R$4,281 million	Company with Limited Liability	Investment	99.99%	0.01%	100%	Acquisition
CCB Trust	Anhui, the PRC	RMB10,500 million	Company with Limited Liability	Trust business	67%	–	67%	Acquisition
CCB Life	Shanghai, the PRC	RMB7,120 million	Company Limited by Shares	Insurance	51%	–	51%	Acquisition
CCB Europe	Luxembourg	EUR550 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB London	London, United Kingdom	US$200 million RMB1,500 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB Indonesia	Jakarta, Indonesia	IDR3,791,973 million	Company Limited by Shares	Commercial Banking	60%	–	60%	Acquisition

(Expressed in millions of RMB, unless otherwise stated)

22 Long-term equity investments (continued)

(1) Investments in subsidiaries (continued)

(b) Except for CCB Indonesia, the major subsidiaries of the Group are unlisted enterprises, details of the investments in subsidiaries are as follows: (continued)

Name of company	Principal place of business	Particulars of issued and paid-up capital	Kind of legal entity	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank	Method of investment
CCB Pension	Beijing, the PRC	RMB2,300 million	Company with Limited Liability	Pension Management	85%	–	85%	Establishment
Sino-German Bausparkasse	Tianjin, the PRC	RMB2,000 million	Company with Limited Liability	House savings	75.10%	–	75.10%	Establishment
CCB Malaysia	Kuala Lumpur, Malaysia	MYR823 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB New Zealand	Auckland, New Zealand	NZD199 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB Russia	Moscow, Russia	RUB4,200 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
Golden Fountain	British Virgin Islands	US$50,000	Company with Limited Liability	Investment	100%	–	100%	Acquisition
CCB Principal Asset Management	Beijing, the PRC	RMB200 million	Company with Limited Liability	Fund management services	65%	–	65%	Establishment
CCBIG	Hong Kong, the PRC	HK$1	Company with Limited Liability	Investment	100%	–	100%	Establishment
CCB International (Holdings) Limited ("CCB International")	Hong Kong, the PRC	US$601 million	Company with Limited Liability	Investment	–	100%	100%	Acquisition
China Construction Bank (Asia) Corporation Limited ("CCB Asia")	Hong Kong, the PRC	HK$6,511 million RMB17,600 million	Company Limited by Shares	Commercial Banking	–	100%	100%	Acquisition
China Construction Bank (Brasil) Banco Múltiplo S/A. ("CCB Brasil")	Sao Paulo, Brasil	R$2,957 million	Company Limited by Shares	Commercial Banking	–	100%	100%	Acquisition

(c) As at 30 June 2021, the amount of the non-controlling interests of the subsidiaries was immaterial to the Group.

(Expressed in millions of RMB, unless otherwise stated)

22 Long-term equity investments (continued)

(2) Interests in associates and joint ventures

(a) The movements of the Group's interests in associates and joint ventures are as follows:

	Note	Six months ended 30 June 2021	2020
As at 1 January		**13,702**	11,353
Increase in capital during the period/year	(i)	**1,440**	4,995
Decrease in capital during the period/year		**(483)**	(3,214)
Share of profits		**228**	895
Cash dividend receivable		**(75)**	(162)
Effect of exchange difference and others		**(57)**	(165)
As at 30 June/31 December		**14,755**	13,702

(i) In April 2021, the Bank intended to contribute RMB8,000 million to the National Green Development Fund Co., Ltd. upon approval by the CBIRC; In May 2021, the Bank completed the first phase of investment of RMB800 million.

(b) Details of the interests in major associates and joint ventures are as follows:

Name of Company	Principal place of business	Particulars of issued and paid-up capital	Principal activities	% of ownership held	% of voting held	Total assets at period end	Total liabilities at period end	Revenue for the period	Net profit for the period
Guoxin Jianxin Equity Investment Fund (Chengdu) Partnership (Limited Partnership)	Chengdu, the PRC	RMB6,173 million	Equity investment	50.00%	50.00%	6,462	–	9	(33)
CCB Gold Investment Infrastructure Equity Investment Fund (Tianjin) Partnership (Limited Partnership)	Tianjin, the PRC	RMB3,500 million	Equity investment	48.57%	40.00%	3,822	–	103	103
Diamond String Limited	Hong Kong, the PRC	HK$10,000	Property investment	50.00%	50.00%	1,566	1,516	112	55
Maotai CCBT Private Equity Fund (Limited Partnership)	Guiyang, the PRC	RMB900 million	Investment management and consultancy	38.11%	40.00%	1,474	–	7	1
Shaanxi Yanchang Petroleum Finance Limited	Xi'an, the PRC	RMB3,500 million	Settlement, loans and financial leasing	8.00%	20.00%	23,266	18,038	254	114

(Expressed in millions of RMB, unless otherwise stated)

23 Structured entities

(1) Unconsolidated structured entities

Unconsolidated structured entities of the Group include trust plans, asset management plans, funds, asset-backed securities and wealth management products held for investment purposes and non-principal guaranteed wealth management products, trust plans and funds, etc., which are issued or established by the Group for providing wealth management services to customers and earning management fees, commission and custodian fees in return.

As at 30 June 2021 and 31 December 2020, the assets recognised for the Group's interests in the unconsolidated structured entities above included related investment and management fee, commission and custodian fee receivables accrued. The related carrying amounts presented in the line items in the consolidated statement of financial position and the maximum exposure were as follows:

	30 June 2021	31 December 2020
Financial investments		
Financial assets measured at fair value through profit or loss	**105,078**	93,206
Financial assets measured at amortised cost	**34,166**	41,407
Financial assets measured at fair value through other comprehensive income	**589**	703
Long-term equity investments	**9,513**	9,028
Other assets	**3,534**	2,840
Total	**152,880**	147,184

For the six months ended 30 June 2021 and 2020, the income from these unconsolidated structured entities held by the Group presented in the line items in the consolidated statement of comprehensive income was as follows:

	Six months ended 30 June	
	2021	2020
Interest income	**885**	1,741
Fee and commission income	**9,242**	8,285
Net trading gain	**549**	204
Dividend income	**303**	355
Net gain arising from investment securities	**2,395**	1,869
Share of profits of associates and joint ventures	**77**	159
Total	**13,451**	12,613

As at 30 June 2021, the balance of the non-principal guaranteed wealth management products set up by the Group amounted to RMB1,821,065 million (as at 31 December 2020: RMB2,167,886 million) and the balance of trust plans, funds and asset management plans issued or established by the Group amounted to RMB3,114,289 million (as at 31 December 2020: RMB3,068,334 million). For the six months ended 30 June 2021, the Group also entered into a small number of resale agreements with above-mentioned non-principal guaranteed wealth management products. These resale agreement transactions were conducted in accordance with market price or general commercial terms and conditions, and the gains or losses from such transactions had no significant impact on the Group.

(2) Consolidated structured entities

The consolidated structured entities of the Group are primarily the principal guaranteed wealth management products (Note 21(1)(a)(iii)) and certain asset management plans and trust plans.

(Expressed in millions of RMB, unless otherwise stated)

24 Fixed assets

	Bank premises	Construction in progress	Equipment	Aircraft and vessels	Others	Total
Cost/Deemed cost						
As at 1 January 2021	**141,234**	**17,242**	**52,750**	**34,698**	**46,834**	**292,758**
Additions	**604**	**879**	**1,794**	**–**	**694**	**3,971**
Transfer in/(out)	**422**	**(3,609)**	**2,084**	**–**	**1,103**	**–**
Other movements	**(431)**	**(308)**	**(2,328)**	**(682)**	**(2,147)**	**(5,896)**
As at 30 June 2021	**141,829**	**14,204**	**54,300**	**34,016**	**46,484**	**290,833**
Accumulated depreciation						
As at 1 January 2021	**(47,755)**	**–**	**(35,927)**	**(5,872)**	**(30,207)**	**(119,761)**
Charge for the period	**(2,380)**	**–**	**(3,072)**	**(752)**	**(2,380)**	**(8,584)**
Other movements	**93**	**–**	**2,195**	**59**	**1,855**	**4,202**
As at 30 June 2021	**(50,042)**	**–**	**(36,804)**	**(6,565)**	**(30,732)**	**(124,143)**
Allowances for impairment losses (Note 30)						
As at 1 January 2021	**(392)**	**(1)**	**–**	**(96)**	**(3)**	**(492)**
Charge for the period	**–**	**–**	**–**	**(60)**	**–**	**(60)**
Other movements	**–**	**–**	**–**	**–**	**–**	**–**
As at 30 June 2021	**(392)**	**(1)**	**–**	**(156)**	**(3)**	**(552)**
Net carrying value						
As at 1 January 2021	**93,087**	**17,241**	**16,823**	**28,730**	**16,624**	**172,505**
As at 30 June 2021	**91,395**	**14,203**	**17,496**	**27,295**	**15,749**	**166,138**

	Bank premises	Construction in progress	Equipment	Aircraft and vessels	Others	Total
Cost/Deemed cost						
As at 1 January 2020	137,641	16,726	57,893	30,810	48,141	291,211
Additions	2,299	5,993	5,636	5,604	3,425	22,957
Transfer in/(out)	2,749	(5,281)	48	–	2,484	–
Other movements	(1,455)	(196)	(10,827)	(1,716)	(7,216)	(21,410)
As at 31 December 2020	141,234	17,242	52,750	34,698	46,834	292,758
Accumulated depreciation						
As at 1 January 2020	(43,405)	–	(40,035)	(4,525)	(32,085)	(120,050)
Charge for the year	(4,676)	–	(6,444)	(1,654)	(4,578)	(17,352)
Other movements	326	–	10,552	307	6,456	17,641
As at 31 December 2020	(47,755)	–	(35,927)	(5,872)	(30,207)	(119,761)
Allowances for impairment losses (Note 30)						
As at 1 January 2020	(393)	(1)	–	(24)	(3)	(421)
Charge for the year	–	–	–	(79)	–	(79)
Other movements	1	–	–	7	–	8
As at 31 December 2020	(392)	(1)	–	(96)	(3)	(492)
Net carrying value						
As at 1 January 2020	93,843	16,725	17,858	26,261	16,053	170,740
As at 31 December 2020	93,087	17,241	16,823	28,730	16,624	172,505

Notes:

(1) Other movements include disposals, retirements and exchange differences of fixed assets.

(2) As at 30 June 2021, the ownership documentation for the Group's bank premises with a net carrying value of RMB11,001 million (as at 31 December 2020: RMB12,002 million) was being finalised. However, management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

(Expressed in millions of RMB, unless otherwise stated)

25 Land use rights

	Six months ended 30 June 2021	2020
Cost/Deemed cost		
As at 1 January	**22,652**	22,793
Additions	**–**	2
Disposals	**(50)**	(143)
As at 30 June/31 December	**22,602**	22,652
Amortisation		
As at 1 January	**(8,399)**	(7,919)
Charge for the period/year	**(260)**	(524)
Disposals	**10**	44
As at 30 June/31 December	**(8,649)**	(8,399)
Allowances for impairment losses (Note 30)		
As at 1 January	**(135)**	(136)
Disposals	**–**	1
As at 30 June/31 December	**(135)**	(135)
Net carrying value		
As at 1 January	**14,118**	14,738
As at 30 June/31 December	**13,818**	14,118

The Group's right-of-use assets include the above fully prepaid land use rights and other right-of-use assets disclosed in Note 29(2).

26 Intangible assets

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2021	**13,494**	**1,475**	**14,969**
Additions	**1,055**	**46**	**1,101**
Disposals	**(49)**	**(461)**	**(510)**
As at 30 June 2021	**14,500**	**1,060**	**15,560**
Amortisation			
As at 1 January 2021	**(9,100)**	**(581)**	**(9,681)**
Charge for the period	**(927)**	**(66)**	**(993)**
Disposals	**47**	**176**	**223**
As at 30 June 2021	**(9,980)**	**(471)**	**(10,451)**
Allowances for impairment losses (Note 30)			
As at 1 January 2021	**–**	**(9)**	**(9)**
Additions	**–**	**–**	**–**
Disposals	**–**	**–**	**–**
As at 30 June 2021	**–**	**(9)**	**(9)**
Net carrying value			
As at 1 January 2021	**4,394**	**885**	**5,279**
As at 30 June 2021	**4,520**	**580**	**5,100**

(Expressed in millions of RMB, unless otherwise stated)

26 Intangible assets (continued)

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2020	11,698	1,423	13,121
Additions	2,075	131	2,206
Disposals	(279)	(79)	(358)
As at 31 December 2020	13,494	1,475	14,969
Amortisation			
As at 1 January 2020	(8,071)	(541)	(8,612)
Charge for the year	(1,277)	(77)	(1,354)
Disposals	248	37	285
As at 31 December 2020	(9,100)	(581)	(9,681)
Allowances for impairment losses (Note 30)			
As at 1 January 2020	–	(7)	(7)
Additions	–	(2)	(2)
Disposals	–	–	–
As at 31 December 2020	–	(9)	(9)
Net carrying value			
As at 1 January 2020	3,627	875	4,502
As at 31 December 2020	4,394	885	5,279

27 Goodwill

(1) The goodwill is mainly attributable to the expected synergies arising from the acquisition of CCB Asia, CCB Brasil and CCB Indonesia. The movements of the goodwill are as follows:

	Six months ended 30 June 2021	2020
As at 1 January	**2,587**	2,809
Effect of exchange difference	**(42)**	(222)
As at 30 June/31 December	**2,545**	2,587
Less: Allowances for impairment losses (Note 30)	**(377)**	(377)
As at 30 June/31 December	**2,168**	2,210

(2) Impairment test for cash-generating unit ("CGU") containing goodwill

The Group calculated the recoverable amounts of CGUs (including goodwill) in accordance with accounting policies. The Group estimated present values of future cash flows of CGUs using expected future cash flow projections based on financial forecasts approved by management. The average growth rates used by the Group were consistent with the forecasts in industry reports, while the discount rates reflected specific risks relating to relevant segments. The Group estimated net amounts of fair value less costs of disposal based on net assets within the CGUs.

As at 30 June 2021, the Group's goodwill impairment provision amounted to RMB377 million (as at 31 December 2020: RMB377 million), mainly due to goodwill impairment of CCB Brasil CGU.

(Expressed in millions of RMB, unless otherwise stated)

28 Deferred tax

	30 June 2021	31 December 2020
Deferred tax assets	102,518	92,950
Deferred tax liabilities	(1,401)	(1,551)
Total	101,117	91,399

(1) Analysed by nature

	30 June 2021		31 December 2020	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	(32,773)	(8,200)	(19,059)	(4,700)
– Allowances for impairment losses	463,551	115,690	406,810	101,782
– Employee benefits	12,278	3,031	15,331	3,801
– Others	(34,177)	(8,003)	(32,582)	(7,933)
Total	408,879	102,518	370,500	92,950
Deferred tax liabilities				
– Fair value adjustments	(5,813)	(1,295)	(5,910)	(1,283)
– Others	(745)	(106)	(1,469)	(268)
Total	(6,558)	(1,401)	(7,379)	(1,551)

(2) Movements of deferred tax

	Fair value adjustments	Allowances for impairment losses	Employee benefits	Others	Total
As at 1 January 2021	(5,983)	101,782	3,801	(8,201)	91,399
Recognised in profit or loss	(2,745)	13,908	(770)	92	10,485
Recognised in other comprehensive income	(767)	–	–	–	(767)
As at 30 June 2021	(9,495)	115,690	3,031	(8,109)	101,117
As at 1 January 2020	(9,503)	82,330	4,348	(5,318)	71,857
Recognised in profit or loss	192	19,452	(547)	(2,883)	16,214
Recognised in other comprehensive income	3,328	–	–	–	3,328
As at 31 December 2020	(5,983)	101,782	3,801	(8,201)	91,399

The Group did not have significant unrecognised deferred tax as at the end of the reporting period.

(Expressed in millions of RMB, unless otherwise stated)

29 Other assets

	Note	30 June 2021	31 December 2020
Repossessed assets	(1)		
– Buildings		**1,392**	1,458
– Land use rights		**115**	115
– Others		**359**	421
		1,866	1,994
Clearing and settlement accounts		**89,149**	23,004
Right-of-use assets	(2)	**25,986**	25,982
Fee and commission receivables		**24,235**	22,405
Policyholder account assets and accounts receivable of insurance business		**12,099**	10,435
Leasehold improvements		**2,529**	2,632
Deferred expenses		**1,506**	1,299
Others		**184,242**	156,412
Gross balance		**341,612**	244,163
Allowances for impairment losses (Note 30)			
– Repossessed assets		**(1,138)**	(1,197)
– Others		**(4,515)**	(4,238)
Net balance		**335,959**	238,728

(1) For the six months ended 30 June 2021, the original cost of repossessed assets disposed of by the Group amounted to RMB125 million (for the six months ended 30 June 2020: RMB428 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and transfer.

(2) Right-of-use assets

	Bank premises	Others	Total
Cost			
As at 1 January 2021	**38,685**	**80**	**38,765**
Additions	**4,218**	**11**	**4,229**
Other movements	**(1,434)**	**(5)**	**(1,439)**
As at 30 June 2021	**41,469**	**86**	**41,555**
Accumulated depreciation			
As at 1 January 2021	**(12,745)**	**(38)**	**(12,783)**
Charge for the period	**(3,818)**	**(10)**	**(3,828)**
Other movements	**1,038**	**4**	**1,042**
As at 30 June 2021	**(15,525)**	**(44)**	**(15,569)**
Net carrying value			
As at 1 January 2021	**25,940**	**42**	**25,982**
As at 30 June 2021	**25,944**	**42**	**25,986**

	Bank premises	Others	Total
Cost			
As at 1 January 2020	30,610	104	30,714
Additions	10,617	14	10,631
Other movements	(2,542)	(38)	(2,580)
As at 31 December 2020	38,685	80	38,765
Accumulated depreciation			
As at 1 January 2020	(6,221)	(33)	(6,254)
Charge for the period	(7,669)	(26)	(7,695)
Other movements	1,145	21	1,166
As at 31 December 2020	(12,745)	(38)	(12,783)
Net carrying value			
As at 1 January 2020	24,389	71	24,460
As at 31 December 2020	25,940	42	25,982

The Group's right-of-use assets include the above assets and land use rights disclosed in Note 25.

(Expressed in millions of RMB, unless otherwise stated)

30 Movements of allowances for impairment losses

		Six months ended 30 June 2021				
	Note	**As at 1 January**	**(Reversal)/ charge for the period**	**Transfer (out)/in**	**Write-off and others**	**As at 30 June**
Deposits with banks and non-bank financial institutions	16	**298**	**(25)**	**–**	**–**	**273**
Precious metals		**9**	**3**	**–**	**–**	**12**
Placements with banks and non-bank financial institutions	17	**310**	**(101)**	**–**	**9**	**218**
Financial assets held under resale agreements	19	**167**	**(36)**	**(1)**	**–**	**130**
Loans and advances to customers	20	**556,063**	**94,451**	**(5,227)**	**(30,146)**	**615,141**
Financial assets measured at amortised cost	21(2)(a)	**20,238**	**3,332**	**(793)**	**–**	**22,777**
Fixed assets	24	**492**	**60**	**–**	**–**	**552**
Land use rights	25	**135**	**–**	**–**	**–**	**135**
Intangible assets	26	**9**	**–**	**–**	**–**	**9**
Goodwill	27	**377**	**–**	**–**	**–**	**377**
Other assets	29	**5,435**	**1,375**	**–**	**(1,157)**	**5,653**
Total		**583,533**	**99,059**	**(6,021)**	**(31,294)**	**645,277**

		2020				
	Note	As at 1 January	Charge/ (reversal) for the year	Transfer (out)/in	Write-off and others	As at 31 December
Deposits with banks and non-bank financial institutions	16	218	80	–	–	298
Precious metals		38	(29)	–	–	9
Placements with banks and non-bank financial institutions	17	225	86	(1)	–	310
Financial assets held under resale agreements	19	63	104	–	–	167
Loans and advances to customers	20	482,158	167,448	(36,160)	(57,383)	556,063
Financial assets measured at amortised cost	21(2)(a)	12,702	7,919	(383)	–	20,238
Fixed assets	24	421	79	–	(8)	492
Land use rights	25	136	–	–	(1)	135
Intangible assets	26	7	2	–	–	9
Goodwill	27	–	377	–	–	377
Other assets	29	4,793	3,016	–	(2,374)	5,435
Total		500,761	179,082	(36,544)	(59,766)	583,533

Transfer (out)/in includes exchange differences.

31 Borrowings from central banks

	30 June 2021	31 December 2020
The Chinese mainland	**708,375**	740,904
Overseas	**43,424**	31,815
Accrued interest	**14,114**	8,451
Total	**765,913**	781,170

(Expressed in millions of RMB, unless otherwise stated)

32 Deposits from banks and non-bank financial institutions

(1) Analysed by type of counterparties

	30 June 2021	31 December 2020
Banks	**245,352**	248,404
Non-bank financial institutions	**1,524,211**	1,689,533
Accrued interest	**8,709**	5,697
Total	**1,778,272**	1,943,634

(2) Analysed by geographical sectors

	30 June 2021	31 December 2020
The Chinese mainland	**1,621,117**	1,797,413
Overseas	**148,446**	140,524
Accrued interest	**8,709**	5,697
Total	**1,778,272**	1,943,634

33 Placements from banks and non-bank financial institutions

(1) Analysed by type of counterparties

	30 June 2021	31 December 2020
Banks	**330,538**	331,259
Non-bank financial institutions	**35,135**	17,103
Accrued interest	**1,265**	1,276
Total	**366,938**	349,638

(2) Analysed by geographical sectors

	30 June 2021	31 December 2020
The Chinese mainland	**204,909**	171,124
Overseas	**160,764**	177,238
Accrued interest	**1,265**	1,276
Total	**366,938**	349,638

(Expressed in millions of RMB, unless otherwise stated)

34 Financial liabilities measured at fair value through profit or loss

	30 June 2021	31 December 2020
Principal guaranteed wealth management products	**28,330**	56,961
Financial liabilities related to precious metals	**29,100**	31,453
Structured financial instruments	**234,971**	165,665
Total	**292,401**	254,079

The Group's financial liabilities measured at fair value through profit or loss are those designated as measured at fair value through profit or loss. As at the end of the reporting period, the difference between the fair value of these financial liabilities and the contractual payables at maturity is not material. The amounts of changes in the fair value of these financial liabilities that are attributable to changes in credit risk are considered not significant during the period and the year presented and cumulatively as at 30 June 2021 and 31 December 2020.

35 Financial assets sold under repurchase agreements

Financial assets sold under repurchase agreements analysed by underlying assets are shown as follows:

	30 June 2021	31 December 2020
Debt securities		
– Government bonds	**99,091**	42,111
– Debt securities issued by policy banks, banks and non-bank financial institutions	**12,189**	10,488
– Corporate bonds	**1,900**	1,478
Subtotal	**113,180**	54,077
Discounted bills	**1,275**	1,408
Others	**1,186**	1,198
Accrued interest	**27**	42
Total	**115,668**	56,725

(Expressed in millions of RMB, unless otherwise stated)

36 Deposits from customers

	30 June 2021	31 December 2020
Demand deposits		
– Corporate customers	**6,770,328**	6,354,893
– Personal customers	**4,915,232**	4,716,452
Subtotal	**11,685,560**	11,071,345
Time deposits (including call deposits)		
– Corporate customers	**3,868,486**	3,596,898
– Personal customers	**6,450,333**	5,670,385
Subtotal	**10,318,819**	9,267,283
Accrued interest	**313,590**	276,348
Total	**22,317,969**	20,614,976

Deposits from customers include:

		30 June 2021	31 December 2020
(1)	Pledged deposits		
	– Deposits for acceptance	**76,128**	63,427
	– Deposits for guarantee	**41,184**	42,540
	– Deposits for letter of credit	**18,849**	17,760
	– Others	**234,899**	190,387
	Total	**371,060**	314,114
(2)	Outward remittance and remittance payables	**15,259**	17,542

(Expressed in millions of RMB, unless otherwise stated)

37 Accrued staff costs

	Note	Six months ended 30 June 2021 As at 1 January	Increased	Decreased	As at 30 June
Salaries, bonuses, allowances and subsidies		**23,230**	**34,608**	**(38,161)**	**19,677**
Housing funds		**251**	**3,378**	**(3,391)**	**238**
Union running costs and employee education costs		**5,764**	**1,121**	**(902)**	**5,983**
Post-employment benefits	(1)	**596**	**7,003**	**(7,171)**	**428**
Early retirement benefits		**1,005**	**7**	**(51)**	**961**
Compensation to employees for termination of employment relationship		**–**	**3**	**(3)**	**–**
Others	(2)	**4,614**	**4,502**	**(5,016)**	**4,100**
Total		**35,460**	**50,622**	**(54,695)**	**31,387**

	Note	2020 As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		24,025	71,356	(72,151)	23,230
Housing funds		355	6,809	(6,913)	251
Union running costs and employee education costs		4,983	2,624	(1,843)	5,764
Post-employment benefits	(1)	3,970	12,261	(15,635)	596
Early retirement benefits		1,396	32	(423)	1,005
Compensation to employees for termination of employment relationship		2	5	(7)	–
Others	(2)	4,344	11,281	(11,011)	4,614
Total		39,075	104,368	(107,983)	35,460

The Group had no overdue balance of accrued staff costs as at the end of the reporting period.

(1) Post-employment benefits

(a) Defined contribution plans

	Six months ended 30 June 2021 As at 1 January	Increased	Decreased	As at 30 June
Basic pension insurance	**529**	**4,236**	**(4,116)**	**649**
Unemployment insurance	**49**	**157**	**(157)**	**49**
Annuity contribution	**874**	**2,610**	**(2,763)**	**721**
Total	**1,452**	**7,003**	**(7,036)**	**1,419**

	2020 As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	608	6,551	(6,630)	529
Unemployment insurance	42	225	(218)	49
Annuity contribution	3,683	5,485	(8,294)	874
Total	4,333	12,261	(15,142)	1,452

(Expressed in millions of RMB, unless otherwise stated)

37 Accrued staff costs (continued)

(1) Post-employment benefits (continued)

(b) Defined benefit plans – Supplementary retirement benefits

The Group's obligations in respect of the supplementary retirement benefits as at the end of the reporting period were calculated using the projected unit credit method and reviewed by an external independent actuary, Towers Watson Management Consulting (Shenzhen) Co., Ltd.

	Present value of defined benefit plan obligations		**Fair value of plan assets**		**Net assets of defined benefit plans**	
	Six months ended 30 June 2021	2020	**Six months ended 30 June 2021**	2020	**Six months ended 30 June 2021**	2020
As at 1 January	**5,266**	5,776	**6,122**	6,139	**(856)**	(363)
Cost of the net defined benefit liability in profit or loss						
– *Interest costs*	**81**	169	**95**	183	**(14)**	(14)
Remeasurements of the defined benefit liability in other comprehensive income						
– *Actuarial gains*	**(30)**	(105)	**–**	–	**(30)**	(105)
– *Returns on plan assets*	**–**	–	**91**	374	**(91)**	(374)
Other changes						
– *Benefits paid*	**(260)**	(574)	**(260)**	(574)	**–**	–
As at 30 June/31 December	**5,057**	5,266	**6,048**	6,122	**(991)**	(856)

Interest cost was recognised in operating expenses.

(i) Principal actuarial assumptions of the Group as at the end of the reporting period were as follows:

	30 June 2021	31 December 2020
Discount rate	**3.25%**	3.25%
Health care cost increase rate	**7.00%**	7.00%
Average expected future lifetime of eligible employees	**11.2 years**	11.4 years

Mortality assumptions are based on China Life Insurance Mortality Table (2010-2013). The Table published historical statistics in China.

(Expressed in millions of RMB, unless otherwise stated)

37 Accrued staff costs (continued)

(1) Post-employment benefits (continued)

(b) *Defined benefit plans – Supplementary retirement benefits (continued)*

(ii) *The sensitivity of the present value of supplementary retirement benefit obligations to changes in the weighted principal assumption is:*

	Impact on present value of supplementary retirement benefit obligations	
	Increase in assumption by 0.25%	Decrease in assumption by 0.25%
Discount rate	(97)	100
Health care cost increase rate	39	(38)

(iii) *As at 30 June 2021, the weighted average duration of supplementary retirement benefit obligations of the Group was 7.8 years (as at 31 December 2020: 7.9 years).*

(iv) *Plan assets of the Group are as follows:*

	30 June 2021	31 December 2020
Cash and cash equivalents	**992**	315
Equity instruments	**988**	1,007
Debt instruments and others	**4,068**	4,800
Total	**6,048**	6,122

(2) Accrued staff costs – others mainly include employee welfare, medical insurance, maternity insurance and employment injury insurance.

38 Taxes payable

	30 June 2021	31 December 2020
Income tax	**38,898**	72,174
Value added tax	**10,557**	9,701
Others	**1,659**	2,286
Total	**51,114**	84,161

(Expressed in millions of RMB, unless otherwise stated)

39 Provisions

	Note	30 June 2021	31 December 2020
Expected credit losses from off-balance sheet credit business	(1)	**32,569**	31,833
Expected losses from other businesses	(2)	**31,160**	22,281
Total		**63,729**	54,114

(1) Movements of the provision – expected credit losses on off-balance sheet business

	Note	Six months ended 30 June 2021			
		Stage 1	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2021		**26,480**	**4,009**	**1,344**	**31,833**
Transfers:					
Transfers in/(out) to Stage 1		**61**	**(61)**	**–**	**–**
Transfers in/(out) to Stage 2		**(74)**	**203**	**(129)**	**–**
Transfers in/(out) to Stage 3		**(4)**	**(66)**	**70**	**–**
Newly originated		**13,771**	**–**	**–**	**13,771**
Matured		**(11,778)**	**(2,479)**	**(427)**	**(14,684)**
Remeasurements	(a)	**(316)**	**1,856**	**109**	**1,649**
As at 30 June 2021		**28,140**	**3,462**	**967**	**32,569**

	Note	2020			
		Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020		24,773	4,401	6,305	35,479
Transfers:					
Transfers in/(out) to Stage 1		13	(13)	–	–
Transfers in/(out) to Stage 2		(236)	248	(12)	–
Transfers in/(out) to Stage 3		(10)	(46)	56	–
Newly originated		20,706	–	–	20,706
Matured		(15,227)	(3,586)	(5,865)	(24,678)
Remeasurements	(a)	(3,539)	3,005	860	326
As at 31 December 2020		26,480	4,009	1,344	31,833

(a) Remeasurements comprise the impact of changes in PD, LGD or EAD; changes in model assumptions and methodologies; credit loss changes due to stage-transfer; and the impact of exchange rate changes.

(2) Other businesses include off-balance sheet businesses other than off-balance sheet credit business, outstanding litigations and precious metals leasing business.

(Expressed in millions of RMB, unless otherwise stated)

40 Debt securities issued

	Note	30 June 2021	31 December 2020
Certificates of deposit issued	(1)	**512,844**	537,050
Bonds issued	(2)	**154,585**	125,871
Subordinated bonds issued	(3)	**85,998**	79,986
Eligible Tier 2 capital bonds issued	(4)	**192,756**	193,049
Accrued interest		**10,978**	4,241
Total		**957,161**	940,197

(1) Certificates of deposit issued were mainly issued by the head office, overseas branches, CCB International, CCB Europe and CCB New Zealand.

(2) Bonds issued

Issue date	Maturity date	Interest rate per annum	Issue place	Currency	30 June 2021	31 December 2020
05/09/2014	05/09/2021	4.00%	Taiwan	RMB	**600**	600
18/11/2014	18/11/2021	3.95%	Taiwan	RMB	**1,000**	1,000
18/11/2014	18/11/2024	4.08%	Taiwan	RMB	**600**	600
30/03/2016	30/03/2021	4.08%	The Chinese mainland	RMB	**–**	3,500
31/05/2016	31/05/2021	2.75%	Hong Kong	USD	**–**	1,951
21/10/2016	21/10/2021	2.25%	Hong Kong	USD	**4,521**	4,579
09/11/2016	09/11/2021	3.05%	The Chinese mainland	RMB	**800**	800
13/06/2017	13/06/2022	2.75%	Hong Kong	USD	**3,876**	3,925
25/10/2017	25/10/2022	3.15%	Hong Kong	USD	**646**	654
09/11/2017	09/11/2022	3.93%	Auckland	NZD	**676**	708
04/12/2017	04/12/2022	3.00%	Hong Kong	USD	**2,584**	2,616
13/03/2018	13/03/2021	3.20%	Auckland	NZD	**–**	47
17/04/2018	26/03/2021	3M LIBOR +0.75%	Hong Kong	USD	**–**	523
18/04/2018	18/04/2021	4.88%	The Chinese mainland	RMB	**–**	6,000
30/04/2018	30/04/2021	3M LIBOR +0.75%	Hong Kong	USD	**–**	131
04/05/2018	04/05/2021	3M LIBOR +0.80%	Hong Kong	USD	**–**	164
08/06/2018	08/06/2021	3M LIBOR +0.73%	Hong Kong	USD	**–**	5,887
08/06/2018	08/06/2023	3M LIBOR +0.83%	Hong Kong	USD	**3,876**	3,925
19/06/2018	19/06/2023	4.01%	Auckland	NZD	**451**	472
12/07/2018	12/07/2023	3M LIBOR +1.25%	Hong Kong	USD	**2,584**	2,616
20/07/2018	20/07/2021	4.48%	The Chinese mainland	RMB	**3,000**	3,000
21/08/2018	19/06/2023	4.005%	Auckland	NZD	**158**	165
23/08/2018	23/08/2021	4.25%	The Chinese mainland	RMB	**2,500**	2,500
24/09/2018	24/09/2021	3M LIBOR +0.75%	Hong Kong	USD	**6,459**	6,541
24/09/2018	24/09/2021	3M EURIBOR +0.60%	Luxembourg	EUR	**3,839**	4,022
20/12/2018	20/12/2021	3M LIBOR +0.75%	Auckland	USD	**644**	654
16/05/2019	16/05/2024	3.50%	Hong Kong	USD	**2,587**	2,603
16/05/2019	16/05/2029	3.88%	Hong Kong	USD	**1,292**	1,308
26/06/2019	24/06/2022	0.21%	Japan	JPY	**1,169**	1,268
26/08/2019	26/08/2022	3.30%	The Chinese mainland	RMB	**6,300**	6,300
26/08/2019	26/08/2024	3.40%	The Chinese mainland	RMB	**3,000**	3,000
11/09/2019	16/05/2024	3.50%	Hong Kong	USD	**1,938**	1,962
12/09/2019	12/08/2022	3M LIBOR +0.68%	Auckland	USD	**644**	654
22/10/2019	22/10/2022	0.05%	Luxembourg	EUR	**3,839**	4,022
24/10/2019	24/10/2024	3M LIBOR +0.77%	Hong Kong	USD	**4,327**	4,383
22/11/2019	22/11/2024	2.393%	Auckland	NZD	**383**	401
10/12/2019	10/11/2022	3-month New Zealand benchmark interest rate +0.88%	Auckland	NZD	**406**	425
20/12/2019	20/06/2022	3M LIBOR +0.63%	Luxembourg	USD	**1,940**	1,967
16/03/2020	15/03/2023	2.68%	The Chinese mainland	RMB	**6,000**	6,000
16/03/2020	15/03/2025	2.75%	The Chinese mainland	RMB	**5,000**	5,000
19/03/2020	19/03/2022	2.95%	Hong Kong	RMB	**802**	802
21/07/2020	21/07/2025	1.99%	Hong Kong	USD	**2,920**	2,950
25/09/2020	25/09/2023	0.954%	Auckland	NZD	**676**	708
28/09/2020	28/09/2025	1.78%	Hong Kong	USD	**1,292**	1,308
28/09/2020	28/09/2030	2.55%	Hong Kong	USD	**646**	654
27/10/2020	29/10/2023	3.50%	The Chinese mainland	RMB	**20,000**	20,000
03/11/2020	05/11/2023	3.70%	The Chinese mainland	RMB	**2,600**	2,600
26/01/2021	26/01/2024	3.30%	The Chinese mainland	RMB	**20,000**	–
02/02/2021	04/02/2024	3.65%	The Chinese mainland	RMB	**2,240**	–
07/04/2021	12/04/2024	3.55%	The Chinese mainland	RMB	**2,200**	–
22/04/2021	22/04/2023	2.85%	Singapore	RMB	**1,997**	–
22/04/2021	22/04/2024	0.043%	Luxembourg	EUR	**6,143**	–
22/04/2021	22/04/2024	0.86%	Hong Kong	USD	**3,876**	–
22/04/2021	22/04/2026	1.46%	Hong Kong	USD	**3,553**	–
27/05/2021	01/06/2024	3.33%	The Chinese mainland	RMB	**1,950**	–
28/06/2021	28/06/2024	0.06%	Luxembourg	EUR	**6,143**	–
Total nominal value					**154,677**	125,895
Less: unamortised issuance costs					**(92)**	(24)
Carrying value as at period/year end					**154,585**	125,871

(Expressed in millions of RMB, unless otherwise stated)

40 Debt securities issued (continued)

(3) Subordinated bonds issued

The carrying value of the Group's subordinated bonds issued upon the approval of the PBOC and the CBIRC is as follows:

Issue date	Maturity date	Interest rate per annum	Currency	Note	30 June 2021	31 December 2020
03/11/2011	07/11/2026	5.70%	RMB	(a)	**40,000**	40,000
20/11/2012	22/11/2027	4.99%	RMB	(b)	**40,000**	40,000
28/01/2021	01/02/2031	4.30%	RMB	(c)	**6,000**	–
Total nominal value					**86,000**	80,000
Less: unamortised issuance cost					**(2)**	(14)
Carrying value as at period/year end					**85,998**	79,986

(a) The Group has an option to redeem the bonds on 7 November 2021, subject to approval from the relevant authority.

(b) The Group has an option to redeem the bonds on 22 November 2022, subject to approval from the relevant authority.

(c) The Group has an option to redeem the part or all of the bonds on 1 February 2026, subject to registration from the PBOC and the CBIRC.

(4) Eligible Tier 2 capital bonds issued

Issue date	Maturity date	Interest rate per annum	Currency	Note	30 June 2021	31 December 2020
18/08/2014	18/08/2029	5.98%	RMB	(a)	**20,000**	20,000
25/09/2018	25/09/2028	4.86%	RMB	(b)	**43,000**	43,000
29/10/2018	29/10/2028	4.70%	RMB	(c)	**40,000**	40,000
27/02/2019	27/02/2029	4.25%	USD	(d)	**11,949**	12,100
24/06/2020	24/06/2030	2.45%	USD	(e)	**12,918**	13,081
10/09/2020	14/09/2030	4.20%	RMB	(f)	**65,000**	65,000
Total nominal value					**192,867**	193,181
Less: unamortised issuance cost					**(111)**	(132)
Carrying value as at period/year end					**192,756**	193,049

(a) The Group has an option to redeem the bonds on 18 August 2024, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(b) The Group has an option to redeem the bonds on 25 September 2023, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(c) The Group has an option to redeem the bonds on 29 October 2023, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(d) The Group has an option to redeem the bonds on 27 February 2024, subject to approval from the relevant authority. If the Group does not exercise the option to redeem, then, from 27 February 2024 onward, the interest rate will be reset. The coupon rate will be equal to 5-year US treasury bond benchmark interest rate as at the interest reset date plus 1.88%. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(e) The Group has an option to redeem the bonds on 24 June 2025, subject to approval from the relevant authority. If they are not redeemed by the Group, the interest rate will be reset on 24 June 2025 and increase by 2.15% on the basis of five-year USD treasury benchmark applicable on the interest reset date.These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(f) The Group has an option to redeem the bonds on 14 September 2025, subject to an approval from relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(Expressed in millions of RMB, unless otherwise stated)

41 Other liabilities

	Note	30 June 2021	31 December 2020
Insurance related liabilities		**194,714**	172,327
Dividend Payable		**81,509**	–
Clearing and settlement accounts		**19,839**	93,031
Payment and collection clearance accounts		**34,174**	47,169
Lease liabilities	(1)	**23,522**	23,591
Deferred income		**18,106**	17,894
Cash pledged and rental income received in advance		**10,063**	8,850
Dormant accounts		**8,045**	7,195
Capital expenditure payable		**6,104**	9,673
Accrued expenses		**5,591**	5,225
Others		**183,430**	160,285
Total		**585,097**	545,240

(1) Lease liabilities

Maturity analysis – undiscounted analysis

	30 June 2021	31 December 2020
Within one year	**7,387**	7,037
Between one year and five years	**12,070**	13,975
More than five years	**7,994**	7,031
Total undiscounted lease liabilities	**27,451**	28,043
Lease liabilities	**23,522**	23,591

42 Share capital

	30 June 2021	31 December 2020
Listed in Hong Kong (H shares)	**240,417**	240,417
Listed in the Chinese mainland (A shares)	**9,594**	9,594
Total	**250,011**	250,011

All H and A shares are ordinary shares, have a par value of RMB1 per share and rank pari passu with the same rights and benefits.

(Expressed in millions of RMB, unless otherwise stated)

43 Other equity instruments

(1) Preference shares

(a) *Preference shares outstanding as at the end of the reporting period*

Financial instrument outstanding	Issue date	Classification	Initial interest rate	Issue price	Quantity (million shares)	Total amount: Currency	Total amount: Original currency	Total amount: (RMB)	Maturity date	Redemption/ conversion conditions
2017 Domestic Preference Shares	21 December 2017	Equity instruments	4.75%	RMB100 per share	600	RMB	60,000	60,000	No maturity date	None
Less: Issue fee								(23)		
Carrying amount								59,977		

(b) *The key terms*

Dividend

The nominal dividend rate of the Domestic Preference Shares is adjusted on a phase-by-phase basis. It is the sum of the benchmark rate plus the fixed interest spread, and is adjusted every five years. The fixed interest spread is determined as the nominal dividend rate set for issuance less the benchmark rate at the time of issuance, and will not be subject to future adjustments. The dividends for domestic preference shares are non-cumulative. The Bank has the right to cancel dividend distribution on Domestic Preference Shares, and the cancellation does not constitute a default event. The Bank may, at its discretion, use the cancelled dividends to repay other indebtedness due and payable. If the Bank cancels all or part of the dividends on the Domestic Preference Shares, the Bank shall make no profit distribution to shareholders holding ordinary shares from the day after the cancellation proposal is adopted by the General Shareholders' Meeting to the day when full distribution of dividends is resumed. The cancellation of dividends on Domestic Preference Shares will not constitute other restrictions to the Bank except for the distribution of dividends to ordinary shareholders.

The dividends on the Domestic Preference Shares are distributed annually.

Redemption

The Bank may, subject to CBIRC approval and compliance with the Redemption Preconditions, redeem in whole or in part of the Domestic Preference Shares after at least five years from the completion date of the issuance (i.e., 27 December 2017). The redemption period begins from the first day of the redemption and ends on the day when all Domestic Preference Shares are redeemed or converted. The redemption price of the Domestic Preference Shares shall be their issue price plus any dividends accrued but unpaid in the current period.

Compulsory conversion of preference shares

If an Additional Tier 1 Capital Instrument Trigger Event occurs, i.e., the Core Tier 1 Capital Adequacy Ratio of the Bank has fallen to 5.125% or below, the Bank has the right to, without prior consent from the shareholders of the Domestic Preference Shares and as agreed, convert all or part of the Domestic Preference Shares issued and outstanding to ordinary A shares, to restore the Bank's Core Tier 1 Capital Adequacy Ratio to above the trigger point (i.e., 5.125%). In the case of partial conversion, the Domestic Preference Shares shall be subject to the same proportion and conditions of conversion. Once Domestic Preference Shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances.

When a Tier 2 Capital Instrument Trigger Event occurs, the Bank has the right to, without prior consent of the shareholders of the Domestic Preference Shares and as agreed, convert all the Domestic Preference Shares issued and outstanding to ordinary A shares. Once Domestic Preference Shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances. A Tier 2 Capital Instrument Trigger Event is the earlier of the following two scenarios: (1) the CBIRC having decided that without a conversion or write-off of the Bank's capital, the Bank would become non-viable; and (2) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. When the compulsory conversion of preference shares occurs, the Bank shall report to the CBIRC for approval and decision, and perform the announcement obligation according to the regulations of the Securities Law and CSRC.

The Bank classifies preference shares issued as an equity instrument and presented as an equity item on the statement of financial position. Capital raised from the issuance of the above preference shares, after deduction of the expenses relating to the issuance, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratio.

(Expressed in millions of RMB, unless otherwise stated)

43 Other equity instruments (continued)

(1) Preference shares (continued)

(c) Changes in preference shares outstanding

Financial instrument outstanding	1 January 2021 Amount (million shares)	1 January 2021 Carrying value	Increase/(Decrease) Amount (million shares)	Increase/(Decrease) Carrying value	30 June 2021 Amount (million shares)	30 June 2021 Carrying value
2017 Domestic Preference Shares	600	59,977	–	–	**600**	**59,977**
Total	600	59,977	–	–	**600**	**59,977**

(2) Perpetual bonds

(a) Perpetual bonds outstanding at the end of the reporting period

Financial instrument outstanding	Issue date	Classification	Initial interest rate	Issue price	Quantity (million pieces)	Currency	Total amount	Maturity date	Redemption/ write-down conditions
Undated Additional Tier 1 Capital Bonds	13 November 2019	Equity instruments	4.22%	100 per unit	400	RMB	40,000	No maturity date	None
Less: Issue fee							(9)		
Carrying amount							39,991		

(b) The key terms

Distribution rate and distribution payment

The distribution rate of the Undated Additional Tier 1 Capital Bonds (or "the Bonds") will be adjusted at defined intervals, with a distribution rate adjustment period every 5 years since the payment settlement date. In any distribution rate adjusted period, the distribution payments on the Bonds will be made at a prescribed fixed distribution rate. The distribution rate is determined by a benchmark rate plus a fixed spread.

The Bank shall have the right to cancel, in whole or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Bank will take into full consideration the interest of the holders of the Bonds. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. In the case of cancelling any distributions on the Bonds, no matter in whole or in part, the Bank shall not make any distribution to the ordinary shareholders from the next day following the resolution being approved by the general shareholders meeting, until its decision to resume the distribution payments in whole to the holders of the Bonds. The distributions on the Bonds are non-cumulative, namely, upon cancellation, any amount of distribution unpaid to the holders of the Bonds in the applicable period will not accumulate or compound to the subsequent distribution period thereafter.

The distributions of the Bonds will be payable annually.

Conditional redemption rights of the Bank

From the fifth anniversary since the issuance of the Bonds, the Bank may redeem whole or part of the Bonds on each distribution payment date (including the fifth distribution payment date since the issuance). If, after the issuance, the Bonds no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the whole but not part of the Bonds.

The exercise of the Bank's redemption right shall be subject to the consent of the CBIRC and the satisfaction of the following preconditions: (i)the Bank shall use capital instruments of the same or better quality to replace the instruments to be redeemed, and such replacement shall only be carried out at conditions which are sustainable for the income capacity; (ii)or the capital position of the Bank after the redemption right is exercised will remain well above the regulatory capital requirements stipulated by the CBIRC.

(Expressed in millions of RMB, unless otherwise stated)

43 Other equity instruments (continued)

(2) Perpetual bonds (continued)

(b) The key terms (continued)

Write-down/write-off clauses

Upon the occurrence of an Additional Tier 1 Capital Trigger Event, namely, the Bank's Core Tier 1 Capital Adequacy Ratio having fallen to 5.125% (or below), the Bank has the right, subject to the approval of the CBIRC but without the need for the consent of the holders of the Bonds, to write down whole or part of the aggregate amount of the Bonds then issued and outstanding, in order to restore the Core Tier 1 Capital Adequacy Ratio to above 5.125%. In the case of a partial write-down, all of the Bonds then issued and outstanding shall be written down on a pro rata basis, according to the outstanding amount, with all other Additional Tier 1 Capital instruments with equivalent write-down clauses of the Bank.

Upon the occurrence of a Tier 2 Capital Trigger Event, the Bank has the right to write off in whole, without the need for the consent of the holders of the Bonds, the aggregate amount of the Bonds then issued and outstanding. A Tier 2 Capital Trigger Event refers to the earlier of the following events: (i)the CBIRC having decided that the Bank would become non-viable without a write-off; (ii)any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. Upon write-off of the bonds, such bonds are to be permanently cancelled and will not be restored under any circumstances.

Subordination

The claims in respect of the Bonds will be subordinated to the claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Bonds; will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

The Bank classifies the Bonds issued as an equity instrument and presented as an equity item on the statement of financial position. Capital raised from the issuance of the Bonds, after deduction of the expenses relating to the issuance, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratios.

(c) Changes in perpetual bonds outstanding

	1 January 2021		Increase/(Decrease)		30 June 2021	
Financial instrument outstanding	Amount (million pieces)	Carrying value	Amount (million pieces)	Carrying value	Amount (million pieces)	Carrying value
Undated Additional Tier 1 Capital Bonds	400	39,991	–	–	**400**	**39,991**
Total	400	39,991	–	–	**400**	**39,991**

(3) Interests attributable to the holders of equity instruments

Items	30 June 2021	31 December 2020
1. Total equity attributable to equity holders of the Bank	**2,436,972**	2,364,808
(1) Equity attributable to ordinary equity holders of the Bank	**2,337,004**	2,264,840
(2) Equity attributable to other equity holders of the Bank	**99,968**	99,968
Of which: net profit	**–**	5,624
dividends received	**–**	5,624
2. Total equity attributable to non-controlling interests	**25,369**	24,545
(1) Equity attributable to non-controlling interests of ordinary shares	**21,916**	21,092
(2) Equity attributable to non-controlling interests of other equity instruments	**3,453**	3,453

44 Capital reserve

	30 June 2021	31 December 2020
Share premium	**134,924**	134,263

(Expressed in millions of RMB, unless otherwise stated)

45 Other comprehensive income

		Other comprehensive income of the statement of financial position			Other comprehensive income of the statement of comprehensive income				
					Six months ended 30 June 2021				
		1 January 2021	Net-of-tax amount attributable to equity shareholders of the Bank	30 June 2021	The amount before income taxes	Less: Reclassification adjustments included in profit or loss due to disposals	Less: Income taxes	Net-of-tax amount attributable to equity shareholders of the Bank	Net-of-tax amount attributable to non-controlling interests
(1)	Other comprehensive income that will not be reclassified to profit or loss								
	Remeasurements of post-employment benefit obligations	272	121	**393**	121	–	–	121	–
	Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	764	(139)	**625**	(186)	–	47	(139)	–
	Others	604	4	**608**	4	–	–	4	–
(2)	Other comprehensive income that may be reclassified subsequently to profit or loss								
	Fair value changes of debt instruments measured at fair value through other comprehensive income	16,372	2,338	**18,710**	3,538	(330)	(829)	2,338	41
	Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	3,139	(47)	**3,092**	(62)	–	15	(47)	–
	Net (loss)/gain on cash flow hedges	(300)	245	**(55)**	245	–	–	245	–
	Exchange difference on translating foreign operations	(5,803)	(2,815)	**(8,618)**	(2,819)	–	–	(2,815)	(4)
Total		15,048	(293)	**14,755**	841	(330)	(767)	(293)	37

		Other comprehensive income of the statement of financial position			Other comprehensive income of the statement of comprehensive income				
					2020				
		1 January 2020	Net-of-tax amount attributable to equity shareholders of the Bank	31 December 2020	The amount before income taxes	Less: Reclassification adjustments included in profit or loss due to disposals	Less: Income taxes	Net-of-tax amount attributable to equity shareholders of the Bank	Net-of-tax amount attributable to non-controlling interests
(1)	Other comprehensive income that will not be reclassified to profit or loss								
	Remeasurements of post-employment benefit obligations	(207)	479	272	479	–	–	479	–
	Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	1,043	(279)	764	(372)	–	93	(279)	–
	Others	580	24	604	24	–	–	24	–
(2)	Other comprehensive income that may be reclassified subsequently to profit or loss								
	Fair value changes of debt instruments measured at fair value through other comprehensive income	25,974	(9,602)	16,372	(11,924)	(655)	2,980	(9,602)	3
	Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	3,901	(762)	3,139	(1,017)	–	255	(762)	–
	Net loss on cash flow hedges	(239)	(61)	(300)	(61)	–	–	(61)	–
	Exchange difference on translating foreign operations	934	(6,737)	(5,803)	(6,720)	–	–	(6,737)	17
Total		31,986	(16,938)	15,048	(19,591)	(655)	3,328	(16,938)	20

(Expressed in millions of RMB, unless otherwise stated)

46 Surplus reserve

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund.

The Bank is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF on 15 February 2006. After making appropriations to the statutory surplus reserve fund, the Bank may also allocate its net profit to the discretionary surplus reserve fund upon approval by shareholders in Annual General Meetings.

47 General reserve

The general reserve of the Group is set up based upon the requirements of:

	Note	**30 June 2021**	31 December 2020
MOF	(1)	**341,307**	341,307
Hong Kong Banking Ordinance	(2)	**2,124**	2,124
Other regulatory bodies in the Chinese mainland	(3)	**5,756**	6,104
Other overseas regulatory bodies		**698**	693
Total		**349,885**	350,228

(1) Pursuant to relevant regulations issued by the MOF, the Bank has to appropriate a certain amount of its net profit as general reserve to cover potential losses against its assets. In accordance with the “Regulation on Management of Financial Institutions for Reserves” (Cai Jin [2012] No. 20) issued by the MOF on 30 March 2012, the general reserve balance for financial institutions should not be lower than 1.5% of the ending balance of gross risk-bearing assets.

(2) Pursuant to the requirements of the Hong Kong Banking Ordinance, the Group’s banking operations in Hong Kong are required to set aside amounts in a regulatory reserve in respect of losses which it will, or may, incur on loans and advances to customers, in addition to impairment losses recognised in accordance with the accounting policies of the Group. Transfers to and from the regulatory reserve are made through retained earnings.

(3) Pursuant to the relevant regulatory requirements in the Chinese mainland, the Bank’s subsidiaries are required to appropriate a certain amount of its net profit as general reserve.

48 Profit distribution

In the Annual General Meeting held on 25 June 2021, the shareholders approved the profit distribution for the year ended 31 December 2020. The Bank appropriated cash dividend for the year ended 31 December 2020 in an aggregate amount of RMB81,504 million.

49 Notes to the statement of cash flows

Cash and cash equivalents

	30 June 2021	31 December 2020	30 June 2020
Cash	**47,210**	49,068	61,051
Surplus deposit reserves with central banks	**343,116**	434,199	246,721
Demand deposits with banks and non-bank financial institutions	**77,909**	75,870	110,732
Time deposits with banks and non-bank financial institutions with original maturity with or within three months	**251,305**	112,194	63,410
Placements with banks and non-bank financial institutions with original maturity with or within three months	**176,618**	207,600	170,843
Total	**896,158**	878,931	652,757

50 Transferred 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 structured entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

Securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities lent under agreements to repurchase in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 30 June 2021, the carrying value of the Group's debt securities lent to counterparties was RMB6,039 million (as at 31 December 2020: RMB4,010 million).

Credit asset securitisation transactions

The Group enters into securitisation transactions by which it transfers credit assets to structured entities which issue asset-backed securities to investors. The Group may retain interests in the form of holding subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement, otherwise the financial assets are derecognized.

As at 30 June 2021, loans with an original carrying amount of RMB930,439 million (as at 31 December 2020: RMB829,400 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 30 June 2021, the carrying amount of assets that the Group continued to recognise was RMB96,255 million (as at 31 December 2020: RMB88,625 million). As at 30 June 2021, the carrying amount of continuing involvement assets and liabilities that the Group continued to recognise was RMB97,008 million (as at 31 December 2020: RMB88,951 million).

As at 30 June 2021, the carrying amount of asset-backed securities held in the securitisation transaction derecognised by the Group was RMB1,234 million (as at 31 December 2020: RMB1,340 million), and its maximum loss exposure approximates to the carrying amount.

51 Operating segments

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense". Interest income and expense earned from third parties are referred to as "external net interest income/expense".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and results are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

51 Operating segments (continued)

(1) Geographical segments

The Group operates principally in the Chinese mainland with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in the Chinese mainland. The Group also has bank branch operations in Hong Kong, Macau, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg, Toronto, London, Zurich, Dubai, Chile, Astana, Labuan, Auckland, etc., and certain subsidiaries operating in Hong Kong, London, Moscow, Luxembourg, British Virgin Islands, Auckland, Jakarta, San Paulo and Kuala Lumpur, etc.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

Geographical segments of the Group, as defined for management reporting purposes, are defined as follows:

– “Yangtze River Delta” refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;

– “Pearl River Delta” refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;

– “Bohai Rim” refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;

– the “Central” region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province and Anhui Province;

– the “Western” region refers to the following areas where the tier-1 branches of the Bank operate: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and

– the “Northeastern” region refers to the following areas where the tier-1 branches of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

(Expressed in millions of RMB, unless otherwise stated)

51 Operating segments (continued)

(1) Geographical segments (continued)

	Six months ended 30 June 2021								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	33,741	31,537	18,737	38,675	31,181	2,312	133,534	6,368	296,085
Internal net interest income/(expense)	16,549	13,629	24,922	17,329	16,517	10,822	(99,723)	(45)	–
Net interest income	50,290	45,166	43,659	56,004	47,698	13,134	33,811	6,323	296,085
Net fee and commission income	12,559	14,450	12,102	10,899	7,598	2,644	7,658	1,528	69,438
Net trading gain/(loss)	400	165	228	216	49	16	2,232	(436)	2,870
Dividend income	237	–	2,979	291	1	–	26	123	3,657
Net (loss)/gain arising from investment securities	(602)	(557)	(955)	78	(853)	(206)	4,862	86	1,853
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(5)	–	(13)	(2)	–	–	2,547	–	2,527
Other operating (expense)/income, net	(2,823)	273	834	218	822	47	2,810	2,296	4,477
Operating income	60,056	59,497	58,834	67,704	55,315	15,635	53,946	9,920	380,907
Operating expenses	(13,440)	(10,876)	(14,105)	(16,105)	(13,574)	(5,335)	(7,210)	(7,515)	(88,160)
Credit impairment losses	(16,702)	(21,154)	(14,003)	(16,956)	(16,577)	(8,330)	(12,617)	(1,981)	(108,320)
Other impairment losses	(5)	63	(169)	(18)	6	–	(7)	(62)	(192)
Share of profits of associates and joint ventures	5	–	33	86	–	–	–	104	228
Profit before tax	29,914	27,530	30,590	34,711	25,170	1,970	34,112	466	184,463
Capital expenditure	758	310	572	577	371	463	1,090	460	4,601
Depreciation and amortisation	1,773	1,515	2,118	2,304	1,919	831	1,614	1,111	13,185
	30 June 2021								
Segment assets	5,264,993	4,147,726	6,879,968	4,648,731	4,179,766	1,494,281	10,861,398	1,601,417	39,078,280
Long-term equity investments	608	401	5,096	6,814	–	–	800	1,036	14,755
	5,265,601	4,148,127	6,885,064	4,655,545	4,179,766	1,494,281	10,862,198	1,602,453	39,093,035
Deferred tax assets									102,518
Elimination									(9,362,365)
Total assets									29,833,188
Segment liabilities	5,210,266	4,091,537	6,768,157	4,590,768	4,147,716	1,488,491	8,964,804	1,470,072	36,731,811
Deferred tax liabilities									1,401
Elimination									(9,362,365)
Total liabilities									27,370,847
Off-balance sheet credit commitments	631,016	613,790	678,599	669,719	470,851	159,707	–	235,606	3,459,288

(Expressed in millions of RMB, unless otherwise stated)

51 Operating segments (continued)

(1) Geographical segments (continued)

	Six months ended 30 June 2020								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	31,597	29,214	19,023	37,052	30,447	4,007	124,707	5,461	281,508
Internal net interest income/ (expense)	12,072	11,946	21,367	12,870	13,549	8,127	(81,655)	1,724	–
Net interest income	43,669	41,160	40,390	49,922	43,996	12,134	43,052	7,185	281,508
Net fee and commission income	10,801	14,154	11,241	9,844	6,919	2,477	8,194	1,376	65,006
Net trading gain/(loss)	143	126	115	155	91	20	2,800	(137)	3,313
Dividend income	73	–	969	281	1	–	54	118	1,496
Net gain/(loss) arising from investment securities	1,578	(232)	(92)	43	203	(1,062)	2,243	1,303	3,984
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(3)	–	27	–	–	–	1,344	13	1,381
Other operating (expense)/income, net	(1,038)	433	970	115	748	34	810	1,164	3,236
Operating income	55,223	55,641	53,620	60,360	51,958	13,603	58,497	11,022	359,924
Operating expenses	(12,182)	(10,471)	(12,906)	(14,207)	(12,465)	(5,266)	(6,453)	(5,855)	(79,805)
Credit impairment losses	(15,545)	(16,962)	(13,422)	(30,207)	(13,392)	(5,046)	(14,253)	(2,551)	(111,378)
Other impairment losses	(10)	–	(130)	7	4	1	(28)	(32)	(188)
Share of profits of associates and joint ventures	–	–	149	68	–	–	–	3	220
Profit before tax	27,486	28,208	27,311	16,021	26,105	3,292	37,763	2,587	168,773
Capital expenditure	344	145	960	385	234	229	273	3,278	5,848
Depreciation and amortisation	1,787	1,621	2,157	2,531	2,075	918	1,104	877	13,070
	31 December 2020								
Segment assets	4,873,490	3,942,366	6,667,011	4,416,305	3,985,433	1,451,185	10,577,145	1,433,729	37,346,664
Long-term equity investments	604	–	4,850	7,196	–	–	–	1,052	13,702
	4,874,094	3,942,366	6,671,861	4,423,501	3,985,433	1,451,185	10,577,145	1,434,781	37,360,366
Deferred tax assets									92,950
Elimination									(9,321,062)
Total assets									28,132,254
Segment liabilities	4,836,646	3,915,742	6,596,879	4,397,877	3,963,977	1,453,094	8,585,097	1,313,100	35,062,412
Deferred tax liabilities									1,551
Elimination									(9,321,062)
Total liabilities									25,742,901
Off-balance sheet credit commitments	608,353	588,398	693,095	648,284	446,579	162,120	–	266,701	3,413,530

(Expressed in millions of RMB, unless otherwise stated)

51 Operating segments (continued)

(2) Business segments

Business segments, as defined for management reporting purposes, are as follows:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking and wealth management services, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking and wealth management services, card business, remittance services and agency services, etc.

Treasury business

This segment covers the Group's treasury operations. The treasury enters into inter-bank money market transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currencies for its own account. The treasury carries out customer-driven derivatives, foreign currency and precious metal trading. Its function also includes the management of the Group's overall liquidity position, including the issuance of debt securities.

Others

These represent equity investments and the revenues, results, assets and liabilities of overseas branches and subsidiaries.

	Six months ended 30 June 2021				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	102,756	79,221	100,570	13,538	296,085
Internal net interest income/(expense)	33,486	60,232	(94,580)	862	–
Net interest income	136,242	139,453	5,990	14,400	296,085
Net fee and commission income	23,255	32,185	11,424	2,574	69,438
Net trading (loss)/gain	(887)	(29)	3,097	689	2,870
Dividend income	–	–	35	3,622	3,657
Net (loss)/gain arising from investment securities	(3,293)	(1,655)	5,261	1,540	1,853
Net gain/(loss) on derecognition of financial assets measured at amortised cost	650	1,828	69	(20)	2,527
Other operating income, net	36	400	2,910	1,131	4,477
Operating income	156,003	172,182	28,786	23,936	380,907
Operating expenses	(33,909)	(40,994)	(5,207)	(8,050)	(88,160)
Credit impairment losses	(88,220)	(14,503)	(1,948)	(3,649)	(108,320)
Other impairment losses	(1)	–	31	(222)	(192)
Share of profits of associates and joint ventures	–	–	–	228	228
Profit before tax	33,873	116,685	21,662	12,243	184,463
Capital expenditure	1,526	2,136	198	741	4,601
Depreciation and amortisation	4,621	6,468	598	1,498	13,185
	30 June 2021				
Segment assets	10,015,166	7,652,379	10,664,404	1,653,308	29,985,257
Long-term equity investments	–	–	–	14,755	14,755
	10,015,166	7,652,379	10,664,404	1,668,063	30,000,012
Deferred tax assets					102,518
Elimination					(269,342)
Total assets					29,833,188
Segment liabilities	12,071,438	11,671,392	1,589,344	2,306,614	27,638,788
Deferred tax liabilities					1,401
Elimination					(269,342)
Total liabilities					27,370,847
Off-balance sheet credit commitments	2,073,900	1,149,782	–	235,606	3,459,288

(Expressed in millions of RMB, unless otherwise stated)

51 Operating segments (continued)

(2) Business segments (continued)

	Six months ended 30 June 2020				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	96,279	80,858	91,740	12,631	281,508
Internal net interest income/(expense)	30,447	43,361	(67,443)	(6,365)	–
Net interest income	126,726	124,219	24,297	6,266	281,508
Net fee and commission income	20,006	31,333	10,636	3,031	65,006
Net trading (loss)/gain	(1,046)	(19)	2,808	1,570	3,313
Dividend income	–	–	1	1,495	1,496
Net (loss)/gain arising from investment securities	(1,932)	(1,055)	6,980	(9)	3,984
Net gain on derecognition of financial assets measured at amortised cost	–	1,281	63	37	1,381
Other operating income/(expense), net	51	491	3,257	(563)	3,236
Operating income	143,805	156,250	48,042	11,827	359,924
Operating expenses	(29,173)	(37,791)	(4,927)	(7,914)	(79,805)
Credit impairment losses	(82,207)	(22,717)	(2,282)	(4,172)	(111,378)
Other impairment losses	–	–	(34)	(154)	(188)
Share of profits of associates and joint ventures	–	–	–	220	220
Profit before tax	32,425	95,742	40,799	(193)	168,773
Capital expenditure	741	1,067	108	3,932	5,848
Depreciation and amortisation	4,596	6,618	672	1,184	13,070
	31 December 2020				
Segment assets	9,235,872	7,409,563	10,077,510	1,472,784	28,195,729
Long-term equity investments	–	–	–	13,702	13,702
	9,235,872	7,409,563	10,077,510	1,486,486	28,209,431
Deferred tax assets					92,950
Elimination					(170,127)
Total assets					28,132,254
Segment liabilities	11,502,039	10,639,882	1,693,095	2,076,461	25,911,477
Deferred tax liabilities					1,551
Elimination					(170,127)
Total liabilities					25,742,901
Off-balance sheet credit commitments	2,115,619	1,031,210	–	266,701	3,413,530

(Expressed in millions of RMB, unless otherwise stated)

52 Entrusted lending business

As at the end of the reporting period, the entrusted loans and funds were as follows:

	30 June 2021	31 December 2020
Entrusted loans	3,590,187	3,572,599
Entrusted funds	3,590,187	3,572,599

53 Pledged assets

(1) Assets pledged as securities

The Group's collateral for liabilities or contingent liabilities includes financial assets such as securities and bills, which mainly serve as collateral for repurchase agreements and local statutory requirements. As at 30 June 2021, the carrying values of the Group's financial assets pledged as collateral amounted to approximately RMB1,211,879 million (31 December 2020: RMB1,137,581 million).

(2) Collateral accepted as securities for assets

As part of the resale agreements, the Group has received securities that is allowed to sell or repledge in the absence of default by their owners. As at 30 June 2021, the Group did not hold any collateral for resale agreements which was permitted to sell or repledge in the absence of default for the transactions (31 December 2020: nil).

54 Commitments and contingent liabilities

(1) Credit commitments

Credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, financial guarantees, letters of credit, etc. The Group assesses and makes allowance for any probable losses accordingly.

The contractual amounts of loan commitments and credit card overdraft commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers.

As credit commitments may expire without being drawn upon, the contractual amounts set out in the following table do not represent the expected future cash outflows.

	30 June 2021	31 December 2020
Loan commitments		
– with an original maturity within one year	84,566	94,762
– with an original maturity of one year or over	380,769	488,350
Credit card commitments	1,186,517	1,068,582
	1,651,852	1,651,694
Bank acceptances	299,638	278,231
Financing guarantees	50,916	46,656
Non-financing guarantees	1,256,695	1,236,368
Sight letters of credit	47,742	43,329
Usance letters of credit	144,204	141,600
Others	8,241	15,652
Total	3,459,288	3,413,530

(Expressed in millions of RMB, unless otherwise stated)

54 Commitments and contingent liabilities (continued)

(2) Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the CBIRC and depends on the status of the counterparty and the maturity characteristics.

	30 June 2021	31 December 2020
Credit risk-weighted amount of contingent liabilities and commitments	**1,090,995**	1,108,129

(3) Capital commitments

As at the end of the reporting period, the Group had capital commitments as follows:

	30 June 2021	31 December 2020
Contracted for	**11,716**	15,004

(4) Underwriting obligations

As at 30 June 2021, there was no unexpired underwriting commitment of the Group (as at 31 December 2020: Nil).

(5) Government bond redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is 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 of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 30 June 2021, were RMB69,505 million (as at 31 December 2020: RMB74,435 million).

(6) Outstanding litigations and disputes

As at 30 June 2021, the Group was the defendant in certain pending litigations and disputes with gross claims of RMB8,543 million (as at 31 December 2020: RMB9,424 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 39). The Group considers that the provisions made are reasonable and adequate.

(7) Provision against commitments and contingent liabilities

The Group assessed and made provisions for any probable outflow of economic benefits in relation to the commitments and contingent liabilities in accordance with their accounting policies.

(8) Impact of the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions*

In accordance with the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions* jointly issued by the PBOC and three other ministries as well as the PBOC's announcement to extend the transition period to 2021, the PBOC encourages financial institutions to dispose of legacy assets orderly using a range of methods such as replacing them with new products, market-based transfers, contract changes, and asset undertaking. The Group is pressing ahead with the rectification of legacy wealth management business and has assessed and recognised the impact of rectification on provisions and credit impairment losses in the financial statements. The Group will duly implement relevant policies and regulatory requirements, and continue to assess and disclose the relevant impact.

(Expressed in millions of RMB, unless otherwise stated)

55 Related party relationships and transactions

(1) Transactions with parent companies and their affiliates

The parent companies of the Group are CIC and Huijin.

As approved by the State Council, CIC was established on 29 September 2007 with registered capital of RMB1,550,000 million. As a wholly-owned subsidiary of CIC, Huijin exercises its rights and obligations as an investor on behalf of the PRC government in accordance with laws.

Huijin was incorporated on 16 December 2003 as a wholly-state-owned investment company. It was registered in Beijing with registered capital of RMB828,209 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations. As at 30 June 2021, Huijin directly held 57.11% of shares of the Bank.

The related companies under parent companies include the subsidiaries under parent companies and other associates and joint ventures.

The Group's transactions with parent companies and their affiliates mainly include deposit taking, entrusted asset management, operating leases, lending, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts with a nominal value of RMB86,000 million (as at 31 December 2020: RMB80,000 million). These are bearer bonds and tradable in the secondary market. The Group has no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

(a) Transactions with parent companies

In the ordinary course of the business, material transactions that the Group entered into with parent companies are as follows:

Amounts

	Six months ended 30 June			
	2021		2020	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**820**	**0.16%**	1,101	0.23%
Interest expense	**55**	**0.03%**	31	0.02%
Net trading gain	**1**	**0.03%**	29	0.88%

Balances outstanding as at the end of the reporting period

	30 June 2021		31 December 2020	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Loans and advances to customers	**4,000**	**0.02%**	4,000	0.02%
Financial investments				
Financial assets measured at fair value through profit or loss	**41**	**0.01%**	104	0.02%
Financial assets measured at amortised cost	**24,161**	**0.51%**	23,490	0.52%
Financial assets measured at fair value through other comprehensive income	**19,822**	**1.01%**	20,163	1.08%
Deposits from banks and non-bank financial institutions	**1**	**0.00%**	12	0.00%
Deposits from customers	**25,306**	**0.11%**	5,681	0.03%
Credit commitments	**288**	**0.01%**	288	0.01%

(Expressed in millions of RMB, unless otherwise stated)

55 Related party relationships and transactions (continued)

(1) Transactions with parent companies and their affiliates (continued)

(b) Transactions with the affiliates of parent companies

In the ordinary course of the business, material transactions that the Group entered into with the affiliates of parent companies are as follows:

Amounts

		Six months ended 30 June			
		2021		2020	
	Note	**Amount**	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income		**9,385**	**1.82%**	9,385	1.93%
Interest expense		**1,440**	**0.65%**	1,911	0.94%
Fee and commission income		**199**	**0.26%**	152	0.21%
Fee and commission expense		**57**	**0.70%**	207	2.69%
Net trading gain		**151**	**5.26%**	214	6.46%
Net gain arising from investment securities		**1,248**	**67.35%**	947	23.77%
Operating expenses	(i)	**434**	**0.49%**	335	0.42%

Balances outstanding as at the end of the reporting period

		30 June 2021		31 December 2020	
	Note	**Balance**	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Deposits with banks and non-bank financial institutions		**48,712**	**10.37%**	85,722	18.91%
Placements with banks and non-bank financial institutions		**67,565**	**20.47%**	138,354	37.55%
Positive fair value of derivatives		**10,988**	**21.01%**	14,013	20.30%
Financial assets held under resale agreements		**25,287**	**3.59%**	35,743	5.94%
Loans and advances to customers		**85,917**	**0.49%**	72,800	0.45%
Financial investments					
Financial assets measured at fair value through profit or loss		**94,717**	**16.46%**	97,007	16.78%
Financial assets measured at amortised cost		**154,420**	**3.29%**	200,448	4.45%
Financial assets measured at fair value through other comprehensive income		**221,255**	**11.31%**	221,531	11.86%
Other assets		**300**	**0.09%**	53	0.02%
Deposits from banks and non-bank financial institutions	(ii)	**140,407**	**7.90%**	124,039	6.38%
Placements from banks and non-bank financial institutions		**111,703**	**30.44%**	119,434	34.16%
Financial liabilities measured at fair value through profit or loss		**33**	**0.01%**	90	0.04%
Negative fair value of derivatives		**8,376**	**19.12%**	12,037	14.69%
Financial assets sold under repurchase agreements		**72,179**	**62.40%**	1,291	2.28%
Deposits from customers		**73,682**	**0.33%**	74,052	0.36%
Other liabilities		**9,585**	**1.64%**	6,587	1.21%
Credit commitments		**9,050**	**0.26%**	14,193	0.42%

(i) Operating expenses mainly represent fees for related services provided by parent companies and their affiliates.

(ii) Deposits from the affiliates of parent companies are unsecured and are repayable under normal commercial terms.

(Expressed in millions of RMB, unless otherwise stated)

55 Related party relationships and transactions (continued)

(2) Transactions with associates and joint ventures of the Group

Transactions between the Group and its associates and joint ventures are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group.

In the ordinary course of the business, material transactions that the Group entered into with associates and joint ventures are as follows:

Amounts

	Six months ended 30 June	
	2021	2020
Interest income	**174**	94
Interest expense	**35**	19
Fee and commission income	**29**	60
Fee and commission expense	**–**	2
Operating expenses	**51**	42

Balances outstanding as at the end of the reporting period

	30 June 2021	31 December 2020
Loans and advances to customers	**9,344**	7,959
Other assets	**1,028**	913
Financial liabilities measured at fair value through profit or loss	**3**	7
Financial assets sold under repurchase agreements	**972**	–
Deposits from customers	**8,211**	8,047
Other liabilities	**5,118**	6,709
Credit commitments	**412**	303

(3) Transactions between the Bank and its subsidiaries

Transactions between the Bank and its subsidiaries are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions are conducted between the Group and non-related companies outside the Group. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 2(3).

In the ordinary course of the business, material transactions that the Bank entered into with its subsidiaries are as follows:

Amounts

	Six months ended 30 June	
	2021	2020
Interest income	**881**	1,039
Interest expense	**448**	727
Fee and commission income	**1,655**	1,434
Fee and commission expense	**373**	383
Dividend income	**273**	271
Net loss arising from investment securities	**–**	2
Operating expenses	**3,769**	1,942
Other operating income/(expense), net	**12**	(8)

(Expressed in millions of RMB, unless otherwise stated)

55 Related party relationships and transactions (continued)

(3) Transactions between the Bank and its subsidiaries (continued)

Balances outstanding as at the end of the reporting period

	30 June 2021	31 December 2020
Deposits with banks and non-bank financial institutions	983	3,166
Placements with banks and non-bank financial institutions	125,380	119,347
Positive fair value of derivatives	207	177
Financial assets held under resale agreements	621	–
Loans and advances to customers	5,515	5,875
Financial investments		
Financial assets measured at fair value through profit or loss	1,292	654
Financial assets measured at amortised cost	1,282	1,206
Financial assets measured at fair value through other comprehensive income	22,618	18,262
Other assets	37,474	37,967

	30 June 2021	31 December 2020
Deposits from banks and non-bank financial institutions	27,549	11,905
Placements from banks and non-bank financial institutions	33,267	39,189
Financial liabilities measured at fair value through profit or loss	92	109
Negative fair value of derivatives	119	317
Deposits from customers	6,228	7,399
Debt securities issued	–	50
Other liabilities	5,479	9,015

As at 30 June 2021, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary was RMB15,784 million (as at 31 December 2020: RMB16,455 million).

As at 30 June 2021, the transactions between subsidiaries of the Group were mainly deposits with banks and non-bank financial institutions and deposits from customers, and the balances of the above transactions were RMB2,130 million and RMB1,660 million respectively (as at 31 December 2020, the transactions between subsidiaries of the Group were mainly debt securities issued and deposits with banks and non-bank financial institutions, and the balances of the above transactions were RMB1,457 million and RMB1,022 million respectively).

(4) Transactions with the Annuity Scheme and Plan Assets

Apart from the obligations for defined contributions to the Annuity Scheme and regular banking transactions, there were no other transactions between the Group and the Annuity Scheme for the six months ended 30 June 2021 and for the year ended 31 December 2020.

As at 30 June 2021, the fair value of the Group's supplementary retirement benefit plan assets managed by CCB Principal Asset Management and CCB Pension was RMB3,666 million (as at 31 December 2020: RMB3,918 million), management fees payable to CCB Principal Asset Management and CCB Pension were RMB6.08 million (as at 31 December 2020: RMB28.05 million).

(5) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives. The Group enters into banking transactions with key management personnel in the normal course of business. For the six months ended 30 June 2021 and for the year ended 31 December 2020, there were no material transactions and balances with key management personnel.

The Group had no material balances of loans, quasi-loans and other credit transactions to directors, supervisors and senior executives as at the end of the reporting period. Those loans, quasi-loans and other credit transactions to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.

55 Related party relationships and transactions (continued)

(6) Transactions related to natural persons

As at 30 June 2021, the aggregate balance of loans and credit card overdraft to the persons who were considered as related parties according to the relevant rules of the Shanghai Stock Exchange was RMB5.59 million (as at 31 December 2020: RMB3.70 million).

As at 30 June 2021, the aggregate balance of credit related transactions to the related parties as defined in the *Administration of Connected Transactions between Commercial Banks and Their Insiders* by the CBRC was RMB183 million (as at 31 December 2020: RMB191 million).

56 Risk management

The Group has exposure to the following risks:

- credit risk
- market risk
- liquidity risk
- operational risk
- insurance risk

This note presents information about the Group's exposures to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management.

Risk management framework

The Board performs risk management responsibilities pursuant to the Bank's Articles of Association and regulatory requirements. The Risk Management Committee under the Board is responsible for developing risk management strategies, supervising the implementation, and assessing the overall risk profile on a regular basis. The Board reviews the statements of risk appetite regularly and transmits risk appetite through policies. The Board of Supervisors supervises the construction of the comprehensive risk management system, as well as the performance of the Board and senior management in delivering comprehensive risk management responsibilities. Senior management is responsible for implementing risk strategies developed by the Board and organising the comprehensive risk management work across the Group.

Chief Risk Officer of the Bank assists the President with risk management work within designated responsibilities. Risk Management Department is the leading management department responsible for the Group's comprehensive risk management, and its subordinate department, Market Risk Management Department takes the lead in market risk management. Credit Management Department is the leading management department responsible for the overall credit risk management and country risk management. Asset & Liability Management Department is the leading management department responsible for the management of liquidity risk and interest rate risk of banking book. Internal Control & Compliance Department is the leading management department responsible for operational risk and information technology risk management. Public Relations & Corporate Culture Department is in charge of reputational risk management. Strategy and Policy Coordination Department is the leading management department responsible for strategic risk management. Other specialised departments are responsible for other risks.

The Bank attached great importance to the risk management of subsidiaries, implemented management requirements of the parent bank through the corporate governance mechanism, continuously improved the quality and efficiency of the performance of the Board of Directors of the subsidiaries, and required the subsidiaries to focus on their main businesses, operate steadily, and establish a sound risk control system. It further highlighted the transmission of risk appetite at the Group level within the group risk management framework, and implemented refined and differentiated management of different types of subsidiaries. It strengthened the Group's consolidation and credit management to avoid lending beyond credit limits. It continued to promote the establishment of risk views of subsidiaries, and effectively improved the digital level of risk early warning and risk monitoring of subsidiaries. It strengthened overall planning and coordination and improved the long-term mechanism for risk management of the asset management business at the subsidiaries.

56 Risk management (continued)

(1) Credit risk

Credit risk management

Credit risk represents the financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group.

Credit business

The Risk Management Department takes the lead in the development and implementation of the credit risk measurement tools including customers rating and facilities grading. The Credit Management Department is responsible for establishing credit risk management policies and monitoring the quality of credit assets. The Special Assets Resolution Department is responsible for the special assets resolutions. The Credit Approval Department is responsible for the Group's comprehensive credit limits and credit approval of various credit businesses. While the Credit Management Department takes the lead, both the Credit Management Department and the Credit Approval Department will coordinate with the Corporate Banking Department, the Inclusive Finance Department, the Institutional Banking Department, the International Business Department, the Strategic Clients Department, the Housing Finance & Personal Lending Department, the Credit Card Center, and the Legal Affairs Department to implement the credit risk management policies and procedures.

With respect to the credit risk management of corporate and institutional business, the Group has accelerated the adjustment of its credit portfolio structure, enhanced post-lending monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned the credit acceptance and exit policies, and optimised its economic capital and credit risk limit management. All these policies have been implemented to maintain the stability of asset quality. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. The Group performs pre-lending evaluations by assessing the entity's credit ratings based on internal rating criteria and assessing the risk and rewards with respect to the proposed project. Credit approvals are granted by designated Credit Approval Officers. The Group continually carries out post-lending monitoring, particularly those related to targeted industries, geographical segments, products and clients. Any adverse events that may significantly affect a borrower's repayment ability are reported timely and measures are implemented to prevent and control risks.

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. Customer relationship managers are required to assess the income, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and recommendations to the loan-approval departments for consent. The Group pays great attention to post-lending monitoring of personal loans, focuses on borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the recovery process according to standard recovery procedures.

To mitigate risks, the Group requests the customers to provide collateral or guarantees where appropriate. A refined management system and operating procedure for collateral have been developed, and there is a guideline to specify the suitability of accepting specific types of collateral. Collateral values, structures and legal covenants are regularly reviewed to ensure that they still serve their intended purposes and conform to market practices.

Treasury business

For risk management purposes, credit risk arising from debt securities and derivatives exposures is managed independently and information thereon is disclosed in Notes (1)(i) and (1)(j) below. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

Measurement of expected credit losses (ECL)

(A) Segmentation of financial instruments

The Group adopts a "three-stage" model for impairment based on changes in credit risk since initial recognition or by determining whether the financial instruments are credit-impaired, to estimate the expected credit losses.

The key definition of the three stages are summarised below:

Stage 1: For financial instruments with no significant increase in credit risk after initial recognition, expected credit losses in the next 12 months are recognised.

Stage 2: For financial instruments with significant increase in credit risk since initial recognition, but with no objective evidence of impairment, lifetime expected credit losses are recognised.

Stage 3: For financial instruments with objective evidence of impairment on the balance sheet date, lifetime expected credit losses are recognised.

56 Risk management (continued)

(1) Credit risk (continued)

Measurement of expected credit losses (ECL) (continued)

(B) Significant increase in credit risk ("SICR")

The Group assesses at least quarterly whether the credit risk of a financial instrument has increased significantly since initial recognition. The Group compares the risk of default of financial instruments as at the balance sheet date with that as at the date of initial recognition for an individual financial instrument or a group of financial instruments with similar credit risk characteristics to determine whether the credit risk has increased significantly since initial recognition. The Group sufficiently considers all reasonable and supportable information in related assessments, including regulatory and business environment, internal and external credit rating of customer, customer repayment ability, customer operation capacity, contract terms of the loan, asset price, market interest rate, customer repayment behaviors, and forward-looking information.

The Group has set qualitative and quantitative criteria for assessing whether the credit risk of financial instruments has increased significantly since initial recognition. For example, the credit risk of corporate loans and advances whose internal credit ratings have fallen to level 15 and below, and of bond investments whose internal credit ratings have fallen by 2 and more levels, is regarded as having increased significantly.

Usually, the credit risk of loans overdue for more than 30 days is regarded as having increased significantly.

For borrowers who were eligible for temporary deferral in principal repayment and interest payment, deferred repayment and other credit support measures in the wake of COVID-19, the Group, by reference to guidelines by relevant regulators, did not consider these support measures as an automatic trigger of a significant increase in credit risk. The Group continued to make judgment based on substantive risk assessment and comprehensively considered the operations and repayment capacity of borrowers, as well as the impact of COVID-19 on these borrowers, to assess whether the credit risk of relevant financial instruments had increased significantly since initial recognition.

(C) Definition of default and credit-impaired assets

The Group considers a financial asset as having defaulted when it is credit-impaired. Generally, financial assets overdue for more than 90 days on contractual payment terms shall be considered as having credit-impaired.

In order to evaluate whether a financial asset is impaired, the Group considers the following criteria:

- Significant financial difficulty of the borrower or issuer;
- Breach of contract terms, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons, making a concession to a borrower experiencing financial difficulty that the Group would not otherwise consider;
- It is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- Disappearance of an active market for financial assets because of financial difficulties;
- A financial asset purchased or originated by a large discount which reflects the fact of credit-impairment having occurred;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including adverse changes in the payment status of borrowers in the Group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the Group; and
- Other objective evidence indicating there is a credit impairment of the financial asset.

The Group's definition of default has been consistently applied to the estimates of PD, LGD and EAD during the ECL measurement.

56 Risk management (continued)

(1) Credit risk (continued)

Measurement of expected credit losses (ECL) (continued)

(D) Explanation of parameters, assumptions and estimation techniques

The ECL is recognised on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether a financial instrument is considered to be credit-impaired. Expected credit losses are the discounted product of the weighted average of PD, LGD, and EAD under the optimistic, baseline and pessimistic scenarios, defined as follows:

PD refers to the likelihood of a borrower defaulting on its financial obligation in the future, after consideration of forward-looking information. Please refer to earlier disclosure in this note for the definition of default.

LGD refers to the Group's expected loss amount resulting from default as a proportion of total exposure, after consideration of forward-looking information.

EAD is the total amount of risk exposure on and off-balance sheet at the time of default. The exposure is determined by the repayment plan according to different types of products.

The discount rate used in the ECL measurement is the effective interest rate.

During the reporting period, based on changes in macroeconomic environment, the Group has updated forward-looking information used in the measurement of expected credit losses. Please refer to further disclosure in this note for forward-looking information which is incorporated in the measurement of expected credit losses.

The assumptions underlying the ECL measurement, such as the PDs for different maturities and how the collateral values change, are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques and such assumptions made during the reporting period.

(E) Forward-looking information incorporated in the ECL

The assessment of SICR and the measurement of ECL both incorporate forward-looking information.

The Group has performed historical data analysis and identified the macroeconomic variables affecting expected credit losses, such as GDP, CPI, M2, PPI, RMB deposit reserve rate, London spot gold price, average exchange rate of US Dollar to RMB, sales price indices of second-hand residential buildings in 70 large and medium-sized cities, national real estate climate index, unemployment rate, and so on.

COVID-19 has made an unprecedented impact on the global macro economy, bringing great uncertainties and significantly increasing the difficulty of forecasting macroeconomic variables. In order to further improve the accuracy of forecasts, the Group developed scenarios specifically tailored for ECL measurement by reference to forecast results of authoritative international and domestic institutions and leveraging on the capability of internal experts.

The forecast GDP value for baseline scenario is set as the average value of forecasts released by authoritative international and domestic institutions, and the forecast 2021 GDP growth under the baseline scenario is 8.40%. For other macroeconomic variables, the Group involved internal experts and used methods such as transmission models, economic principles, and expert judgment to calculate the predicted value of each variable under each scenario.

The Group constructs empirical models to derive the relationship between historical macroeconomic variables and PD and LGD, and calculates the PD and LGD values for a given future horizon using the forecasted macroeconomic variables.

The Group constructs empirical models to determine the weightings for optimistic, baseline and pessimistic scenarios. As at 30 June 2021 and 31 December 2020, the optimistic, baseline and pessimistic scenarios are of comparable weighting.

(F) Grouping of financial instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, the Group has divided exposures with shared risk characteristics into separate groups. In performing this grouping, the Group obtained sufficient information to ensure it is statistically reliable. The Group measured expected credit losses on personal loans and advances on a collective basis by considering factors such as internal risk pool, product type and client type.

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(1) Credit risk (continued)

(a) *Maximum credit risk exposure*

The following table presents the maximum exposure to credit risk as at the end of the reporting period without taking into consideration any collateral held or other credit enhancement. In respect of the financial assets recognised in the statement of financial position, the maximum exposure to credit risk is represented by the carrying amount after deducting any impairment allowance.

	30 June 2021	31 December 2020
Deposits with central banks	**2,733,228**	2,767,096
Deposits with banks and non-bank financial institutions	**469,534**	453,233
Placements with banks and non-bank financial institutions	**330,107**	368,404
Positive fair value of derivatives	**52,304**	69,029
Financial assets held under resale agreements	**705,282**	602,239
Loans and advances to customers	**17,493,902**	16,231,369
Financial investments		
Financial assets measured at fair value through profit or loss	**333,696**	361,318
Financial assets measured at amortised cost	**4,696,655**	4,505,243
Financial assets measured at fair value through other comprehensive income	**1,948,571**	1,860,503
Other financial assets	**301,675**	205,860
Total	**29,064,954**	27,424,294
Off-balance sheet credit commitments	**3,459,288**	3,413,530
Maximum credit risk exposure	**32,524,242**	30,837,824

(b) *Loans and advances to customers analysed by credit quality*

Within overdue but not credit impaired loans and advances and credit impaired loans and advances, the portions covered and not covered by collateral held are as follows:

	30 June 2021		
	Overdue but not credit impaired loans and advances		**Credit impaired loans and advances**
	Corporate	**Personal**	**Corporate**
Portion covered	**2,349**	**19,744**	**74,931**
Portion not covered	**3,333**	**9,010**	**172,334**
Total	**5,682**	**28,754**	**247,265**

	31 December 2020		
	Overdue but not credit impaired loans and advances		Credit impaired loans and advances
	Corporate	Personal	Corporate
Portion covered	1,011	16,468	81,636
Portion not covered	1,535	10,419	148,796
Total	2,546	26,887	230,432

The above collateral includes land use rights, buildings and equipment, etc. The fair value of collateral was estimated by the Group with reference to the latest available external valuations adjusted after taking into account the current realisation experience as well as the market situation.

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations

	30 June 2021			31 December 2020		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Transportation, storage and postal services	**1,801,606**	**9.95%**	**554,314**	1,703,060	10.14%	529,450
– Leasing and commercial services	**1,708,165**	**9.43%**	**538,355**	1,481,999	8.83%	505,365
– Manufacturing	**1,557,603**	**8.60%**	**401,102**	1,425,165	8.49%	378,593
– Production and supply of electric power, heat, gas and water	**946,361**	**5.23%**	**196,108**	867,109	5.17%	189,047
– Wholesale and retail trade	**915,531**	**5.06%**	**461,254**	773,466	4.61%	377,767
– Real estate	**852,363**	**4.71%**	**457,165**	788,560	4.70%	436,419
– Water, environment and public utility management	**627,109**	**3.46%**	**269,344**	540,313	3.22%	235,243
– Construction	**459,489**	**2.54%**	**122,413**	396,171	2.36%	106,836
– Mining	**264,449**	**1.46%**	**16,216**	236,199	1.41%	16,885
– Agriculture, forestry, farming, fishing	**98,734**	**0.55%**	**23,377**	88,754	0.53%	17,644
– Education	**76,092**	**0.42%**	**17,486**	72,721	0.43%	16,713
– Public management, social securities and social organisation	**55,960**	**0.31%**	**425**	55,905	0.33%	1,604
– Others	**847,544**	**4.67%**	**237,979**	746,102	4.44%	210,436
Total corporate loans and advances	**10,211,006**	**56.39%**	**3,295,538**	9,175,524	54.66%	3,022,002
Personal loans and advances	**7,612,428**	**42.04%**	**6,420,157**	7,311,183	43.55%	6,104,175
Discounted bills	**241,305**	**1.33%**	**–**	259,061	1.54%	–
Accrued interest	**44,304**	**0.24%**	**–**	41,664	0.25%	–
Total loans and advances to customers	**18,109,043**	**100.00%**	**9,715,695**	16,787,432	100.00%	9,126,177

As at 30 June 2021, no economic sector accounted for 10% or above of the Group's total balance of loans and advances to customers.

The table below lists economic sectors accounting for 10% or above of the Group's total balance of loans and advances to customers as at 31 December 2020, details of credit impaired (stage 3) loans, allowances for expected credit losses, charges, and amounts written off:

	31 December 2020				2020	
		Allowances for expected credit losses				
	Stage 3 Gross loans	Stage 1	Stage 2	Stage 3	Charge for the year	Written off during the year
Transportation, storage and postal services	37,695	(28,478)	(14,023)	(27,783)	(14,829)	2,382

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(1) Credit risk (continued)

(d) *Loans and advances to customers analysed by geographical sector concentrations*

	30 June 2021			31 December 2020		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Yangtze River Delta	**3,312,352**	**18.29%**	**1,975,266**	3,003,466	17.89%	1,823,289
Central	**3,310,716**	**18.28%**	**2,026,401**	3,084,244	18.37%	1,914,520
Bohai Rim	**3,031,962**	**16.74%**	**1,445,162**	2,819,557	16.80%	1,367,386
Pearl River Delta	**2,987,484**	**16.50%**	**2,028,590**	2,770,718	16.50%	1,885,512
Western	**2,923,996**	**16.15%**	**1,675,265**	2,741,336	16.33%	1,589,540
Northeastern	**798,547**	**4.41%**	**384,943**	766,232	4.56%	375,371
Head office	**843,827**	**4.66%**	**–**	830,609	4.95%	–
Overseas	**855,855**	**4.73%**	**180,068**	729,606	4.35%	170,559
Accrued interest	**44,304**	**0.24%**	**–**	41,664	0.25%	–
Gross loans and advances to customers	**18,109,043**	**100.00%**	**9,715,695**	16,787,432	100.00%	9,126,177

Details of Stage 3 loans and expected credit losses in respect of geographical sectors as at the end of the reporting period are as follows:

	30 June 2021			
		Allowances for expected credit losses		
	Stage 3 Gross loan balance	**Stage 1**	**Stage 2**	**Stage 3**
Central	**73,232**	**(58,222)**	**(22,018)**	**(49,651)**
Bohai Rim	**43,259**	**(53,875)**	**(22,434)**	**(25,351)**
Western	**41,311**	**(54,982)**	**(24,261)**	**(24,868)**
Pearl River Delta	**37,657**	**(55,660)**	**(17,134)**	**(21,512)**
Yangtze River Delta	**34,830**	**(65,168)**	**(21,853)**	**(20,053)**
Northeastern	**29,263**	**(13,741)**	**(9,120)**	**(19,554)**
Head office	**10,833**	**(15,475)**	**(1,602)**	**(9,502)**
Overseas	**6,596**	**(3,107)**	**(2,624)**	**(3,374)**
Total	**276,981**	**(320,230)**	**(121,046)**	**(173,865)**

	31 December 2020			
		Allowances for expected credit losses		
	Stage 3 Gross loans balance	Stage 1	Stage 2	Stage 3
Central	65,990	(50,739)	(19,917)	(49,417)
Bohai Rim	43,467	(45,227)	(21,927)	(26,744)
Western	39,218	(48,926)	(17,893)	(25,133)
Pearl River Delta	38,323	(46,614)	(12,955)	(21,855)
Yangtze River Delta	32,932	(53,150)	(20,265)	(20,308)
Northeastern	22,581	(12,771)	(9,112)	(15,654)
Head office	11,772	(15,165)	(2,917)	(10,231)
Overseas	6,446	(2,836)	(3,113)	(3,194)
Total	260,729	(275,428)	(108,099)	(172,536)

The definitions of geographical segments are set out in Note 51(1). The above allowances for ECL do not include allowances for ECL of loans and advances measured at fair value through other comprehensive income.

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(1) Credit risk (continued)

(e) *Loans and advances to customers analysed by type of collateral*

	30 June 2021	31 December 2020
Unsecured loans	**5,862,906**	5,397,481
Guaranteed loans	**2,486,138**	2,222,110
Loans secured by property and other immovable assets	**8,229,341**	7,703,618
Other pledged loans	**1,486,354**	1,422,559
Accrued interest	**44,304**	41,664
Gross loans and advances to customers	**18,109,043**	16,787,432

(f) *Restructured loans and advances to customers*

Restructured loans and advances to customers are those loans and advances to customers for which the Group has modified the contract terms as a result of the deterioration in the borrower's financial position or of the borrower's inability to make payments when due. The proportion of the Group's restructured loans and advances to customers were not significant as at 30 June 2021 and 31 December 2020.

(g) *Credit exposure*

Loans and advances to customers

	30 June 2021			
	Stage 1 12 months ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Low risk	**17,212,797**	**66,326**	**–**	**17,279,123**
Medium risk	**–**	**503,976**	**–**	**503,976**
High risk	**–**	**–**	**276,981**	**276,981**
Gross loans and advances	**17,212,797**	**570,302**	**276,981**	**18,060,080**
Allowances for impairment losses on loans and advances measured at amortised cost	**(320,230)**	**(121,046)**	**(173,865)**	**(615,141)**
Allowances for impairment losses on loans and advances measured at fair value through other comprehensive income	**(709)**	**(130)**	**–**	**(839)**

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(1) Credit risk (continued)

(g) Credit exposure (continued)

Loans and advances to customers (continued)

	31 December 2020			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	15,937,968	44,916	–	15,982,884
Medium risk	–	492,265	–	492,265
High risk	–	–	260,729	260,729
Gross loans and advances	15,937,968	537,181	260,729	16,735,878
Allowances for impairment losses on loans and advances measured at amortised cost	(275,428)	(108,099)	(172,536)	(556,063)
Allowances for impairment losses on loans and advances measured at fair value through other comprehensive income	(603)	(237)	–	(840)

The Group classifies asset risk characteristics according to the quality of assets. “Low risk” means that the borrower can fulfil the contract, and there are not enough reasons to suspect that the principal and interest of the loan cannot be repaid in full on time; “Medium risk” means that the borrower is currently able to repay the principal and interest of the loan, but there are some factors that may adversely affect the repayment; “High risk” means that the borrower has obvious problems in its repayment ability and loan principal and interest cannot be repaid in full by relying on normal business income. Even if the guarantee is enforced, losses may be incurred.

Financial investments

	30 June 2021			
	Stage 1 12 months ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Low risk	**6,551,037**	**205**	**–**	**6,551,242**
Medium risk	**11,205**	**3,037**	**–**	**14,242**
High risk	**–**	**–**	**11,130**	**11,130**
Total carrying amount excluding accrued interest	**6,562,242**	**3,242**	**11,130**	**6,576,614**
Allowance for impairment losses on financial assets measured at amortised cost	**(14,415)**	**(182)**	**(8,180)**	**(22,777)**
Allowance for impairment losses on financial assets measured at fair value through other comprehensive income	**(3,277)**	**(7)**	**–**	**(3,284)**

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(1) Credit risk (continued)

(g) Credit exposure (continued)

Financial investments (continued)

	31 December 2020			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	6,266,753	208	–	6,266,961
Medium risk	16,995	2,420	–	19,415
High risk	–	947	10,420	11,367
Total carrying amount excluding accrued interest	6,283,748	3,575	10,420	6,297,743
Allowance for impairment losses on financial assets measured at amortised cost	(13,211)	(282)	(6,745)	(20,238)
Allowance for impairment losses on financial assets measured at fair value through other comprehensive income	(3,334)	(11)	–	(3,345)

The Group classifies financial investment risk characteristics based on asset entry and internal rating changes. “Low risk” means that the issuer’s initial internal rating is above the entry level, and there are no reasons to suspect that the financial investment is expected to be defaulted; “Medium risk” means that although the issuer’s internal rating is reduced to a certain extent, there are not enough reasons to suspect that the financial investment is expected to be defaulted; “High risk” means that there are obvious problems which may cause a default, or the financial investment indeed is defaulted.

Amounts due from banks and non-bank financial institutions

Amount due from banks and non-bank financial institutions includes deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

	30 June 2021			
	Stage 1 12 months ECL	**Stage 2 lifetime ECL**	**Stage 3 lifetime ECL**	**Total**
Low risk	**1,501,442**	**–**	**–**	**1,501,442**
Medium risk	**–**	**–**	**–**	**–**
High risk	**–**	**–**	**–**	**–**
Total carrying amount excluding accrued interest	**1,501,442**	**–**	**–**	**1,501,442**
Allowance for impairment losses	**(621)**	**–**	**–**	**(621)**

	31 December 2020			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	1,421,186	–	–	1,421,186
Medium risk	–	–	–	–
High risk	–	–	–	–
Total carrying amount excluding accrued interest	1,421,186	–	–	1,421,186
Allowance for impairment losses	(775)	–	–	(775)

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(1) Credit risk (continued)

(g) *Credit exposure (continued)*

Financial investments (continued)

The Group classifies risk characteristics of amounts due from banks and non-bank financial institutions based on asset entry and internal rating changes. "Low risk" means that the issuer's initial internal rating is above the entry level, and there are no reasons to suspect that the amount due from banks and non-bank financial institutions is expected to be defaulted; "Medium risk" means that although the issuer's internal rating is reduced to a certain extent, there are not enough reasons to suspect that the amount due from banks and non-bank financial institutions is expected to be defaulted; "High risk" means that there are obvious problems which may cause a default, or the amount due from banks and non-bank financial institutions indeed is defaulted.

(h) *Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:*

	30 June 2021	31 December 2020
Credit impaired	**–**	–
Allowances for impairment losses	**–**	–
Subtotal	**–**	–
Neither overdue nor impaired	**–**	–
– grades A to AAA	**1,146,501**	1,133,754
– grades B to BBB	**4,418**	2,507
– unrated	**350,523**	284,925
Accrued interest	**4,102**	3,465
Total	**1,505,544**	1,424,651
Allowances for impairment losses	**(621)**	(775)
Subtotal	**1,504,923**	1,423,876
Total	**1,504,923**	1,423,876

Amounts neither overdue nor impaired are analysed above according to the Group's internal credit ratings. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of banks and non-bank financial institutions for which the Group has not assigned internal credit ratings.

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(1) Credit risk (continued)

(i) *Distribution of debt investments analysed by rating*

The Group adopts a credit rating approach to manage the credit risk of the debt investment portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of the debt investments are located. The carrying amounts of the debt investments analysed by the rating agency designations as at the end of the reporting period are as follows:

	30 June 2021					
	Unrated	**AAA**	**AA**	**A**	**Lower than A**	**Total**
Credit impaired						
– Banks and non-bank financial institutions	**342**	**–**	**–**	**–**	**–**	**342**
– Enterprises	**8,597**	**–**	**1,225**	**–**	**1,471**	**11,293**
Total	**8,939**	**–**	**1,225**	**–**	**1,471**	**11,635**
Allowances for impairment losses						**(8,180)**
Subtotal						**3,455**
Neither overdue nor impaired						
– Government	**2,108,926**	**3,205,715**	**7,869**	**8,988**	**16,371**	**5,347,869**
– Central banks	**16,512**	**1,825**	**10,255**	**1,203**	**475**	**30,270**
– Policy banks	**744,581**	**–**	**–**	**19,660**	**–**	**764,241**
– Banks and non-bank financial institutions	**142,819**	**255,990**	**10,687**	**35,247**	**10,710**	**455,453**
– Enterprises	**25,915**	**319,339**	**22,464**	**19,250**	**5,263**	**392,231**
Total	**3,038,753**	**3,782,869**	**51,275**	**84,348**	**32,819**	**6,990,064**
Allowances for impairment losses						**(14,597)**
Subtotal						**6,975,467**
Total						**6,978,922**

	31 December 2020					
	Unrated	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions	340	–	–	–	–	340
– Enterprises	7,545	–	1,226	–	1,800	10,571
Total	7,885	–	1,226	–	1,800	10,911
Allowances for impairment losses						(6,745)
Subtotal						4,166
Neither overdue nor impaired						
– Government	1,904,091	3,167,073	5,296	11,236	15,151	5,102,847
– Central banks	27,875	2,335	7,997	927	503	39,637
– Policy banks	758,689	408	–	22,297	–	781,394
– Banks and non-bank financial institutions	144,707	202,019	10,768	35,632	8,416	401,542
– Enterprises	59,740	295,736	25,000	25,242	5,253	410,971
Total	2,895,102	3,667,571	49,061	95,334	29,323	6,736,391
Allowances for impairment losses						(13,493)
Subtotal						6,722,898
Total						6,727,064

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(1) Credit risk (continued)

(j) *Credit risk arising from the Group's derivative exposures*

The majority of the Group's derivative transactions with domestic customers are hedged back-to-back with overseas banks and non-bank financial institutions. The Group is exposed to credit risk in respect of both domestic customers and overseas banks and non-bank financial institutions. The Group manages this risk by monitoring this exposure on a regular basis.

(k) *Settlement risk*

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

(l) *Sensitivity analysis*

The allowance for impairment losses is sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts, and other factors considered when applying expert judgement. Changes in these inputs, assumptions, models, and judgements would have an impact on the assessment of significant increase in credit risk and the measurement of ECL.

(i) *Sensitivity analysis of segmentation*

The allowance for credit losses of performing financial assets consists of an aggregate amount of Stage 1 and Stage 2 probability-weighted ECL which are 12-month ECL and lifetime ECL, respectively. A significant increase in credit risk since initial recognition will result in financial assets transferring from Stage 1 to Stage 2. The following table presents the impact of ECL from the second year to the end of the lifetime for financial assets in Stage 2.

	30 June 2021		
	12 months allowances for ECL of all performing financial assets	**Impact of lifetime**	**Current allowances for ECL**
Performing loans	**411,489**	**29,787**	**441,276**
Performing financial investments	**17,701**	**180**	**17,881**

	31 December 2020		
	12 months allowances for ECL of all performing financial assets	Impact of lifetime	Current allowances for ECL
Performing loans	364,768	18,759	383,527
Performing financial investments	16,554	284	16,838

The above allowances for ECL do not contain the allowances for ECL of loans and advances measured at fair value through other comprehensive income.

(ii) *Sensitivity analysis of macroeconomic variables*

The Group has carried out sensitivity analysis of GDP forecast. As at 30 June 2021, when GDP growth rate in the baseline scenario increased or decreased by 10%, the change in allowances for ECL did not exceed 5% (As at 31 December 2020: did not exceed 5%).

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses. A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. Non-trading book records those financial instruments and commodities which are not included in the trading book.

The Group continues to improve market risk management system. The Market Risk Management Department is responsible for leading the establishment of market risk management policies and rules, developing the market risk measurement tools, monitoring and reporting the trading market risk and related daily work. The Asset and Liability Management Department (the "ALM") is responsible for managing non-trading interest rate risk, exchange rate risk and the size and structure of the assets and liabilities in response to structural market risk. The Financial Market Department manage the Bank's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

The Group's interest rate risk mainly comprises repricing risk and basis risk arising from mismatch of term structure and pricing basis of assets and liabilities. The Group uses multiple tools such as repricing gap analysis, sensitivity analysis on net interest income, scenario analysis and stress testing, etc., to monitor the interest rate risk periodically.

The Group's foreign exchange exposures mainly comprise exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposures by spot foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group is also exposed to market risk in respect of its customer driven derivative portfolio and manages this risk by entering into back-to-back hedging transactions with overseas banks and non-bank financial institutions.

The Group considers that the market risk arising from stock prices in respect of its investment portfolios is minimal.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-Risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

(a) *VaR analysis*

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rates, foreign exchange rates and commodity prices VaR for the Bank's trading portfolio. By reference to historical movements in interest rates, foreign exchange rates and commodity prices, the Risk Management Department calculates VaR on a daily basis for the trading portfolio and monitors it regularly. VaR is calculated at a confidence level of 99% and with a holding period of one day.

A summary of the VaR of the Bank's trading portfolio as at the end of the reporting period and during the respective periods is as follows:

	Note	**Six months ended 30 June 2021**			
		As at 30 June	**Average**	**Maximum**	**Minimum**
VaR of trading portfolio		**147**	**163**	**195**	**127**
Of which:					
– Interest rate risk		**63**	**64**	**89**	**41**
– Foreign exchange risk	(i)	**134**	**163**	**195**	**110**
– Commodity risk		**11**	**12**	**45**	**–**

	Note	Six months ended 30 June 2020			
		As at 30 June	Average	Maximum	Minimum
VaR of trading portfolio		271	251	317	207
Of which:					
– Interest rate risk		145	75	182	46
– Foreign exchange risk	(i)	257	254	298	214
– Commodity risk		6	8	39	3

(i) The VaR in relation to bullion is included in the foreign exchange risk above.

56 Risk management (continued)

(2) Market risk (continued)

(a) *VaR analysis (continued)*

VaR for each risk factor is the independently derived largest potential loss in a specific holding period and at a certain confidence level due to fluctuations solely in that risk factor. The individual VaRs do not add up to the total VaR as there is diversification effect due to correlation amongst the risk factors.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

– A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;

– A 99 percent confidence level does not reflect losses that may occur beyond this level. Within the model used, there is 1 percent probability that losses could exceed the VaR;

– VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;

– The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and

– The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

(b) *Net interest income sensitivity analysis*

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to balances with central banks, would increase or decrease annualised net interest income of the Group by RMB73,054 million (as at 31 December 2020: RMB45,546 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the annualised net interest income of the Group would decrease or increase by RMB56,718 million (as at 31 December 2020: RMB80,344 million).

The above interest rate sensitivity is for illustration purposes only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income movements under various predicted yield curve scenarios and are subject to the Bank's current interest rate exposures. However, the possible risk management measures that can be undertaken by the interest risk management department or related business departments to mitigate interest rate risk have not been taken into account. In practice, the departments that manage the interest rate risk strive to reduce loss arising from the risk while increasing the net income. These figures are estimated on the assumption that the interest rates on various maturities will move within similar ranges, and therefore do not reflect the potential net interest income changes in the event that interest rates on some maturities may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions, including that all positions will be held to maturity and rolled over upon maturity.

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(2) Market risk (continued)

(c) Interest rate risk

Interest rate risk refers to the risk where the market interest rates, term structure and other factors may experience unfavourable fluctuations which impact the overall profitability and fair value resulting in losses to the Bank. The key determinants of the Group's interest rate risk arises from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in re-pricing risk and basis risk.

The ALM is responsible for regularly monitoring the interest rate risk positions and measuring the interest rate re-pricing gap. The main reason for measuring the interest rate re-pricing gap is to assist in analysing the impact of interest rate changes on net interest income.

The following tables indicate the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the reporting period.

		30 June 2021					
	Note	Non-interest-bearing	Within three months	Between three months and one year	Between one and five years	More than five years	Total
Assets							
Cash and deposits with central banks		105,267	2,675,149	22	–	–	2,780,438
Deposits and placements with banks and non-bank financial institutions		–	693,003	86,019	20,501	118	799,641
Financial assets held under resale agreements		–	704,300	982	–	–	705,282
Loans and advances to customers	(i)	35,941	4,759,540	12,125,200	310,602	262,619	17,493,902
Investments	(ii)	271,755	431,166	502,278	2,857,388	3,180,491	7,243,078
Others		810,847	–	–	–	–	810,847
Total assets		1,223,810	9,263,158	12,714,501	3,188,491	3,443,228	29,833,188
Liabilities							
Borrowings from central banks		–	341,437	422,929	1,547	–	765,913
Deposits and placements from banks and non-bank financial institutions		–	1,664,821	347,925	126,778	5,686	2,145,210
Financial liabilities measured at fair value through profit or loss		31,227	203,016	58,158	–	–	292,401
Financial assets sold under repurchase agreements		–	112,160	1,676	1,832	–	115,668
Deposits from customers		130,823	14,681,025	3,221,217	4,270,921	13,983	22,317,969
Debt securities issued		–	220,419	363,563	371,257	1,922	957,161
Others		776,525	–	–	–	–	776,525
Total liabilities		938,575	17,222,878	4,415,468	4,772,335	21,591	27,370,847
Asset-liability gap		285,235	(7,959,720)	8,299,033	(1,583,844)	3,421,637	2,462,341

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(2) Market risk (continued)

(c) Interest rate risk (continued)

		31 December 2020					
	Note	Non-interest-bearing	Within three months	Between three months and one year	Between one and five years	More than five years	Total
Assets							
Cash and deposits with central banks		94,006	2,722,033	125	–	–	2,816,164
Deposits and placements with banks and non-bank financial institutions		–	728,820	75,305	17,512	–	821,637
Financial assets held under resale agreements		–	597,544	4,695	–	–	602,239
Loans and advances to customers	(i)	34,352	9,009,373	6,888,551	223,064	76,029	16,231,369
Investments	(ii)	247,395	347,431	690,258	2,725,215	2,954,056	6,964,355
Others		696,490	–	–	–	–	696,490
Total assets		1,072,243	13,405,201	7,658,934	2,965,791	3,030,085	28,132,254
Liabilities							
Borrowings from central banks		–	175,189	605,165	816	–	781,170
Deposits and placements from banks and non-bank financial institutions		–	1,871,778	291,532	124,537	5,425	2,293,272
Financial liabilities measured at fair value through profit or loss		33,559	163,261	57,259	–	–	254,079
Financial assets sold under repurchase agreements		–	52,701	2,320	1,704	–	56,725
Deposits from customers		127,871	13,695,262	2,754,998	4,020,810	16,035	20,614,976
Debt securities issued		–	311,134	306,548	320,570	1,945	940,197
Others		802,482	–	–	–	–	802,482
Total liabilities		963,912	16,269,325	4,017,822	4,468,437	23,405	25,742,901
Asset-liability gap		108,331	(2,864,124)	3,641,112	(1,502,646)	3,006,680	2,389,353

(i) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB38,056 million as at 30 June 2021 (as at 31 December 2020: RMB27,225 million).

(ii) Investments include financial assets measured at fair value through profit or loss, financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and long-term equity investments, etc.

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(2) Market risk (continued)

(d) Currency risk

The Group's foreign exchange exposures mainly comprise exposures that arise from the foreign currency proprietary investments of the treasury business and currency exposures originated by the Group's overseas businesses.

The Group manages currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group actively manages foreign currency exposures by minimising foreign exchange risk by business lines. Therefore, the net exposure is not sensitive to exchange rate fluctuations and the potential impact on the pre-tax profits and other comprehensive income of the Group is not material.

The currency exposures of the Group's assets and liabilities as at the end of the reporting period are as follows:

		30 June 2021			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,498,896	145,987	135,555	2,780,438
Deposits and placements with banks and non-bank financial institutions		557,065	224,078	18,498	799,641
Financial assets held under resale agreements		701,061	–	4,221	705,282
Loans and advances to customers		16,555,910	543,760	394,232	17,493,902
Investments	(i)	7,003,061	129,798	110,219	7,243,078
Others		703,522	42,204	65,121	810,847
Total assets		28,019,515	1,085,827	727,846	29,833,188
Liabilities					
Borrowings from central banks		722,765	25,288	17,860	765,913
Deposits and placements from banks and non-bank financial institutions		1,760,985	257,797	126,428	2,145,210
Financial liabilities measured at fair value through profit or loss		279,473	12,625	303	292,401
Financial assets sold under repurchase agreements		103,664	5,264	6,740	115,668
Deposits from customers		21,435,169	601,275	281,525	22,317,969
Debt securities issued		669,654	212,422	75,085	957,161
Others		749,463	27,024	38	776,525
Total liabilities		25,721,173	1,141,695	507,979	27,370,847
Long position		2,298,342	(55,868)	219,867	2,462,341
Net notional amount of derivatives		480	24,150	(17,857)	6,773
Credit commitments		3,009,898	290,534	158,856	3,459,288

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(2) Market risk (continued)

(d) Currency risk (continued)

	Note	31 December 2020 RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,510,876	179,211	126,077	2,816,164
Deposits and placements with banks and non-bank financial institutions		671,014	126,735	23,888	821,637
Financial assets held under resale agreements		599,033	–	3,206	602,239
Loans and advances to customers		15,367,154	464,009	400,206	16,231,369
Investments	(i)	6,712,930	133,024	118,401	6,964,355
Others		608,498	33,831	54,161	696,490
Total assets		26,469,505	936,810	725,939	28,132,254
Liabilities					
Borrowings from central banks		749,283	19,087	12,800	781,170
Deposits and placements from banks and non-bank financial institutions		1,885,514	275,053	132,705	2,293,272
Financial liabilities measured at fair value through profit or loss		236,614	15,245	2,220	254,079
Financial assets sold under repurchase agreements		46,841	3,764	6,120	56,725
Deposits from customers		19,834,531	495,952	284,493	20,614,976
Debt securities issued		684,612	188,391	67,194	940,197
Others		785,657	8,773	8,052	802,482
Total liabilities		24,223,052	1,006,265	513,584	25,742,901
Long position		2,246,453	(69,455)	212,355	2,389,353
Net notional amount of derivatives		25,640	36,405	(59,080)	2,965
Credit commitments		2,954,494	292,663	166,373	3,413,530

(i) Please refer to Note 56(2)(c)(ii) for the scope of investments.

(3) Liquidity risk

The Board assumes the ultimate responsibility for liquidity risk management, and authorises its special committees to discharge relevant duties, and reviews and approves the liquidity risk strategy and risk appetite. The senior management carries out the liquidity risk strategy set by the Board, and organises the implementation of the liquidity risk management activities. The board of supervisors supervises and evaluates the performance of the Board and the senior management in the liquidity risk management. The asset & liability management department leads in the Bank's daily liquidity risk management, and forms an executive system together with the business management departments and branches to perform various duties in liquidity risk management. The subsidiaries assume primary responsibility for their own liquidity risk management.

The Group's objective for liquidity risk management is to ensure the security of its payment and settlement, and the overall strategy features prudence, decentralisation, coordination and diversification. Liquidity risk arises from such major factors and events as significant drop in liquidation of current assets, massive outflow of wholesale or retail deposits, decreasing access to wholesale and retail financing, shorter financing periods, increasing financing costs, significant adverse changes in market liquidity and breakdown of the Bank's payment and settlement system. In light of the regulatory requirements, external macro environment and the Bank's business development, the head office formulates approaches for liquidity risk identification, measurement and monitoring, sets out risk limit management criteria, carries out intra-day liquidity management, conducts stress testing at the group level regularly, and reviews and assesses contingency plans.

The Group conducted quarterly stress testing on its liquidity risk in order to gauge its risk tolerance in unlikely extreme scenarios and other adverse scenarios. It improved its liquidity risk stress testing methods in accordance with regulatory and internal management requirements. The results of stress testing show that under different stress scenarios, the Group's liquidity risk is under control.

The Group adopts liquidity indicator analysis, remaining maturity analysis and undiscounted cash flow analysis to measure the liquidity risk.

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis

The following tables provide an analysis of the assets and liabilities of the Group based on the remaining periods to repayment as at the end of the reporting period:

	30 June 2021							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,388,883	390,325	185	1,045	–	–	–	2,780,438
Deposits and placements with banks and non-bank financial institutions	–	83,170	488,992	120,839	85,519	21,003	118	799,641
Financial assets held under resale agreements	–	–	702,765	1,535	982	–	–	705,282
Loans and advances to customers	109,429	837,129	451,165	742,443	3,493,104	4,381,279	7,479,353	17,493,902
Investments								
– Financial assets measured at fair value through profit or loss	231,433	26,386	49,546	24,990	58,280	56,144	128,601	575,380
– Financial assets measured at amortised cost	317	–	57,094	123,096	253,962	1,741,503	2,520,683	4,696,655
– Financial assets measured at fair value through other comprehensive income	7,717	–	59,069	68,128	200,753	1,088,138	532,483	1,956,288
– Long-term equity investments	14,755	–	–	–	–	–	–	14,755
Others	318,779	174,324	38,976	61,243	85,185	35,335	97,005	810,847
Total assets	3,071,313	1,511,334	1,847,792	1,143,319	4,177,785	7,323,402	10,758,243	29,833,188
Liabilities								
Borrowings from central banks	–	–	121,501	219,936	422,929	1,547	–	765,913
Deposits and placements from banks and non-bank financial institutions	–	1,293,081	263,085	89,488	349,536	139,038	10,982	2,145,210
Financial liabilities measured at fair value through profit or loss	–	20,076	95,348	117,337	59,640	–	–	292,401
Financial assets sold under repurchase agreements	–	–	108,613	3,547	1,676	1,832	–	115,668
Deposits from customers	–	11,885,651	1,425,382	1,096,410	3,395,188	4,498,972	16,366	22,317,969
Debt securities issued	–	–	108,561	92,439	367,682	386,557	1,922	957,161
Others	32,560	253,367	70,011	65,209	222,860	23,622	108,896	776,525
Total liabilities	32,560	13,452,175	2,192,501	1,684,366	4,819,511	5,051,568	138,166	27,370,847
Net gaps	3,038,753	(11,940,841)	(344,709)	(541,047)	(641,726)	2,271,834	10,620,077	2,462,341
Notional amount of derivatives								
– Interest rate contracts	–	–	106,266	151,127	211,085	205,416	14,514	688,408
– Exchange rate contracts	–	–	912,315	806,072	1,327,285	96,262	1,488	3,143,422
– Other contracts	–	–	41,261	32,544	75,862	8,799	–	158,466
Total	–	–	1,059,842	989,743	1,614,232	310,477	16,002	3,990,296

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

	31 December 2020							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,330,273	483,266	1,537	1,088	–	–	–	2,816,164
Deposits and placements with banks and non-bank financial institutions	–	83,441	247,624	254,203	218,418	17,951	–	821,637
Financial assets held under resale agreements	–	–	584,491	13,053	4,695	–	–	602,239
Loans and advances to customers	92,098	818,412	390,460	891,697	3,047,961	3,984,181	7,006,560	16,231,369
Investments								
– Financial assets measured at fair value through profit or loss	222,924	17,595	48,777	21,282	53,304	78,416	135,654	577,952
– Financial assets measured at amortised cost	–	–	48,828	85,526	437,453	1,623,296	2,310,140	4,505,243
– Financial assets measured at fair value through other comprehensive income	6,955	–	34,412	39,326	209,352	1,068,340	509,073	1,867,458
– Long-term equity investments	13,702	–	–	–	–	–	–	13,702
Others	317,507	100,855	12,503	40,770	109,048	26,719	89,088	696,490
Total assets	2,983,459	1,503,569	1,368,632	1,346,945	4,080,231	6,798,903	10,050,515	28,132,254
Liabilities								
Borrowings from central banks	–	–	121,089	54,100	605,165	816	–	781,170
Deposits and placements from banks and non-bank financial institutions	–	1,518,231	150,011	173,627	294,142	144,493	12,768	2,293,272
Financial liabilities measured at fair value through profit or loss	–	19,058	110,119	67,643	57,259	–	–	254,079
Financial assets sold under repurchase agreements	–	–	47,927	4,774	2,320	1,704	–	56,725
Deposits from customers	–	11,245,302	1,225,798	973,853	2,926,982	4,225,570	17,471	20,614,976
Debt securities issued	–	–	124,371	147,702	325,314	340,865	1,945	940,197
Others	23,832	283,601	80,560	56,527	231,588	24,361	102,013	802,482
Total liabilities	23,832	13,066,192	1,859,875	1,478,226	4,442,770	4,737,809	134,197	25,742,901
Net gaps	2,959,627	(11,562,623)	(491,243)	(131,281)	(362,539)	2,061,094	9,916,318	2,389,353
Notional amount of derivatives								
– Interest rate contracts	–	–	69,502	130,562	264,040	168,030	18,091	650,225
– Exchange rate contracts	–	–	877,074	692,678	1,798,058	85,774	7,437	3,461,021
– Other contracts	–	–	17,940	19,538	80,646	7,947	–	126,071
Total	–	–	964,516	842,778	2,142,744	261,751	25,528	4,237,317

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(3) Liquidity risk (continued)

(b) *Contractual undiscounted cash flow*

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments of the Group as at the end of the reporting period. The Group's expected cash flows on these instruments may vary significantly from this analysis.

	30 June 2021							
	Carrying amount	**Gross cash outflow**	**Repayable on demand**	**Within one month**	**Between one and three months**	**Between three months and one year**	**Between one and five years**	**More than five years**
Non-derivative financial liabilities								
Borrowings from central banks	**765,913**	**772,678**	**–**	**121,667**	**221,070**	**428,394**	**1,547**	**–**
Deposits and placements from banks and non-bank financial institutions	**2,145,210**	**2,167,083**	**1,296,041**	**263,360**	**89,926**	**356,078**	**149,505**	**12,173**
Financial liabilities measured at fair value through profit or loss	**292,401**	**292,594**	**20,076**	**95,494**	**117,380**	**59,644**	**–**	**–**
Financial assets sold under repurchase agreements	**115,668**	**115,713**	**–**	**108,639**	**3,557**	**1,678**	**1,839**	**–**
Deposits from customers	**22,317,969**	**22,473,213**	**11,885,805**	**1,430,767**	**1,107,215**	**3,435,589**	**4,596,810**	**17,027**
Debt securities issued	**957,161**	**1,003,905**	**–**	**109,009**	**94,118**	**377,093**	**421,515**	**2,170**
Other non-derivative financial liabilities	**463,724**	**467,653**	**68,753**	**54,860**	**40,706**	**186,448**	**12,070**	**104,816**
Total	**27,058,046**	**27,292,839**	**13,270,675**	**2,183,796**	**1,673,972**	**4,844,924**	**5,183,286**	**136,186**
Off-balance sheet loan commitments and credit card commitments (Note)		**1,651,852**	**1,191,333**	**17,742**	**28,589**	**82,932**	**147,479**	**183,777**
Guarantees, acceptances and other credit commitments (Note)		**1,807,436**	**348**	**298,768**	**236,528**	**719,704**	**512,948**	**39,140**

	31 December 2020							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	781,170	794,953	–	121,383	54,293	618,461	816	–
Deposits and placements from banks and non-bank financial institutions	2,293,272	2,312,157	1,518,231	150,402	174,318	299,787	155,792	13,627
Financial liabilities measured at fair value through profit or loss	254,079	254,227	19,058	110,204	67,706	57,259	–	–
Financial assets sold under repurchase agreements	56,725	56,770	–	47,948	4,784	2,325	1,713	–
Deposits from customers	20,614,976	21,268,003	11,246,849	1,243,390	1,010,531	3,065,734	4,683,271	18,228
Debt securities issued	940,197	986,193	–	124,483	154,158	333,073	372,280	2,199
Other non-derivative financial liabilities	503,594	508,046	141,118	63,153	34,903	159,151	13,975	95,746
Total	25,444,013	26,180,349	12,925,256	1,860,963	1,500,693	4,535,790	5,227,847	129,800
Off-balance sheet loan commitments and credit card commitments (Note)		1,651,694	1,073,078	15,286	54,154	164,463	165,902	178,811
Guarantees, acceptances and other credit commitments (Note)		1,761,836	867	273,366	226,013	714,676	507,553	39,361

Note: The off-balance sheet loan commitments and credit card commitments may expire without being drawn upon. Guarantees, acceptances and other credit commitments do not represent the amounts to be paid.

56 Risk management (continued)

(4) Operational risk

Operational risk refers to risk of losses resulting from inadequate or flawed internal processes, people and systems or from external events.

In the first half of 2021, the Group continuously enhanced operational risk management measures, revised operational risk management policies, improved governance structure, enriched management tools, clarified control measures and improved the mechanism of financial service in response to emergencies in combination with regulatory requirements.

– Continuously promoted the application of operational risk management tools and enhanced the operational risk assessments for new products.

– Focused on the recording, analysis and reporting of events where the Group suffered losses from non-compliance.

– Revised the manual for managing incompatible duties, key position catalogue of job rotations and mandatory leave.

– Strengthened the construction of internal control and formulated business avoidance policy.

– Based on the emergency plan in response to COVID-19, organized emergency drills, and provided guidance on emergency response to overseas institutions for the purpose of business continuity.

(5) Fair value of financial instruments

(a) Valuation process, technique and input

The Board is responsible for establishing a robust internal control policy of valuation, and takes the ultimate responsibility for the adequacy and effectiveness of internal control system. The Board of Supervisors takes charge of supervising the performance of the Board and senior management. According to the requirements of the Board and the Board of Supervisors, senior management is responsible for organising and implementing the internal control system over the valuation process to ensure the effectiveness of the internal control system of valuation.

The Group has established an independent valuation process for financial assets and financial liabilities. The relevant departments are responsible for performing valuation, verifying valuation model and accounting of valuation results.

For the six months ended 30 June 2021, there was no significant change in the valuation techniques or inputs used to determine fair value as compared to those used for the year ended 31 December 2020.

(b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

– Level 1: Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

– Level 2: Fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

– Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(5) Fair value of financial instruments (continued)

(c) *Financial instruments measured at fair value*

(i) *Fair value hierarchy*

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	30 June 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Positive fair value of derivatives	–	52,280	24	52,304
Loans and advances to customers				
– Loans and advances to customers measured at fair value through profit or loss	–	4,659	–	4,659
– Loans and advances to customers measured at fair value through other comprehensive income	–	241,305	–	241,305
Financial assets measured at fair value through profit or loss				
Financial assets held for trading purposes				
– Debt securities	1,306	163,574	–	164,880
– Equity instruments and funds	465	905	–	1,370
Financial assets designated as measured at fair value through profit or loss				
– Other debt instruments	–	30,747	1,010	31,757
Other financial assets measured at fair value through profit or loss				
– Credit investments	–	105	16,930	17,035
– Debt securities	335	119,533	156	120,024
– Funds and others	24,489	76,836	138,989	240,314
Financial assets measured at fair value through other comprehensive income				
– Debt securities	135,879	1,812,010	682	1,948,571
– Equity instruments designated as measured at fair value through other comprehensive income	2,500	–	5,217	7,717
Total	164,974	2,501,954	163,008	2,829,936
Liabilities				
Financial liabilities measured at fair value through profit or loss				
– Financial liabilities designated as measured at fair value through profit or loss	–	290,274	2,127	292,401
Negative fair value of derivatives	–	43,773	24	43,797
Total	–	334,047	2,151	336,198

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(5) Fair value of financial instruments (continued)

(c) *Financial instruments measured at fair value (continued)*

(i) *Fair value hierarchy (continued)*

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Positive fair value of derivatives	–	68,992	37	69,029
Loans and advances to customers				
– Loans and advances to customers measured at fair value through profit or loss	–	9,890	–	9,890
– Loans and advances to customers measured at fair value through other comprehensive income	–	259,061	–	259,061
Financial assets measured at fair value through profit or loss				
Financial assets held for trading purposes				
– Debt securities	1,156	169,209	–	170,365
– Equity instruments and funds	1,385	30	–	1,415
Financial assets designated as measured at fair value through profit or loss				
– Other debt instruments	–	43,347	17,833	61,180
Other financial assets measured at fair value through profit or loss				
– Credit investments	–	1,021	13,181	14,202
– Debt securities	–	115,514	57	115,571
– Funds and others	27,916	50,044	137,259	215,219
Financial assets measured at fair value through other comprehensive income				
– Debt securities	119,489	1,740,584	430	1,860,503
– Equity instruments designated as measured at fair value through other comprehensive income	2,268	–	4,687	6,955
Total	152,214	2,457,692	173,484	2,783,390
Liabilities				
Financial liabilities measured at fair value through profit or loss				
– Financial liabilities designated as measured at fair value through profit or loss	–	251,973	2,106	254,079
Negative fair value of derivatives	–	81,919	37	81,956
Total	–	333,892	2,143	336,035

A majority of the financial assets classified as level 2 is RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. A majority of the financial liabilities designated as measured at fair value through profit or loss classified as level 2 are the funds raised from structured deposits and principal guaranteed wealth management products, the fair value of which are determined based on the income approach. The majority of derivatives is classified as level 2 and valued using income approach. For the valuation of financial instruments classified as level 2, all significant inputs are observable market data.

The financial assets at fair value through profit or loss classified as level 3 are primarily the underlying assets of principal guaranteed wealth management products and unlisted equity investments. These financial assets are valued using income approach and market approach, which incorporate the non-observable assumptions including discount rate and P/B ratio.

For the six months ended 30 June 2021 and for the year ended 31 December 2020, there were no significant transfers within the fair value hierarchies of the Group.

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy

The following table shows a reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

	Six months ended 30 June 2021										
			Other financial assets measured at fair value through profit or loss			**Financial assets measured at fair value through other comprehensive income**					
	Positive fair value of derivatives	**Other debt instruments designated as measured at fair value through profit or loss**	**Credit investments**	**Debt securities**	**Funds and others**	**Debt securities**	**Equity instruments**	**Total assets**	**Financial liabilities designated as measured at fair value through profit or loss**	**Negative fair value of derivatives**	**Total liabilities**
As at 1 January 2021	**37**	**17,833**	**13,181**	**57**	**137,259**	**430**	**4,687**	**173,484**	**(2,106)**	**(37)**	**(2,143)**
Total gains or losses:											
In profit or loss	**(11)**	**(27)**	**(1,274)**	**(5)**	**(1,397)**	**–**	**–**	**(2,714)**	**(34)**	**11**	**(23)**
In other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(7)**	**(251)**	**(258)**	**–**	**–**	**–**
Purchases	**–**	**–**	**5,234**	**119**	**9,990**	**259**	**781**	**16,383**	**–**	**–**	**–**
Sales and settlements	**(2)**	**(16,796)**	**(211)**	**(15)**	**(6,863)**	**–**	**–**	**(23,887)**	**13**	**2**	**15**
As at 30 June 2021	**24**	**1,010**	**16,930**	**156**	**138,989**	**682**	**5,217**	**163,008**	**(2,127)**	**(24)**	**(2,151)**

	2020											
		Financial assets designated as measured at fair value through profit or loss		Other financial assets measured at fair value through profit or loss			Financial assets measured at fair value through other comprehensive income					
	Positive fair value of derivatives	Debt securities	Other debt instruments	Credit investments	Debt securities	Funds and others	Debt securities	Equity instruments	Total assets	Financial liabilities designated as measured at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2020	58	8,449	50,555	4,642	110	102,046	–	3,585	169,445	(1,848)	(58)	(1,906)
Total gains or losses:												
In profit or loss	(21)	(163)	(86)	(2,501)	–	106	–	–	(2,665)	(182)	21	(161)
In other comprehensive income	–	–	–	–	–	–	–	142	142	–	–	–
Purchases	–	–	62	11,773	266	49,283	430	963	62,777	(138)	–	(138)
Sales and settlements	–	(8,286)	(32,698)	(733)	(319)	(14,176)	–	(3)	(56,215)	62	–	62
As at 31 December 2020	37	–	17,833	13,181	57	137,259	430	4,687	173,484	(2,106)	(37)	(2,143)

In level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the period in the above table are presented in net trading gain and net gain arising from investment securities.

Gains or losses on level 3 financial assets and liabilities included in the statement of comprehensive income comprise:

	Six months ended 30 June 2021			Six months ended 30 June 2020		
	Realised	**Unrealised**	**Total**	Realised	Unrealised	Total
Total (losses)/gains	**(43)**	**(2,694)**	**(2,737)**	122	(1,395)	(1,273)

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(5) Fair value of financial instruments (continued)

(d) Financial instruments not measured at fair value

(i) Financial assets

The Group's financial assets not measured at fair value mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers and financial assets measured at amortised cost.

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate to the fair values.

Loans and advances to customers

Majority of the loans and advances to customers measured at amortised cost are repriced at least annually to the market rate. Accordingly, their carrying values approximate to the fair values.

Financial assets measured at amortised cost

The following table shows the carrying values and the fair values of financial assets measured at amortised cost as at 30 June 2021 and 31 December 2020 which are not presented in the statement of financial position at their fair values.

	30 June 2021					31 December 2020				
	Carrying value	**Fair value**	**Level 1**	**Level 2**	**Level 3**	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortised cost	**4,696,655**	**4,749,259**	**22,481**	**4,577,025**	**149,753**	4,505,243	4,534,743	19,815	4,372,096	142,832
Total	**4,696,655**	**4,749,259**	**22,481**	**4,577,025**	**149,753**	4,505,243	4,534,743	19,815	4,372,096	142,832

(ii) Financial liabilities

The Group's financial liabilities not measured at fair value mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. As at 30 June 2021, the fair value of subordinated bonds and the eligible Tier 2 capital bonds was RMB267,019 million (As at 31 December 2020: RMB282,028 million) and the corresponding carrying value was RMB281,683 million (As at 31 December 2020: RMB275,887 million), and the carrying values of other financial liabilities approximated to their fair values as at the end of the reporting period. The Group uses observable inputs to measure the fair values of subordinated bonds and eligible Tier 2 capital bonds issued, and classified them as the level 2 of fair value hierarchy.

(6) Offsetting financial assets and financial liabilities

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

As at 30 June 2021, the amounts of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

56 Risk management (continued)

(7) Insurance risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty in the resulting claim amount. The characteristic of an insurance contract inherently decides randomness and unpredictability of the underlying insurance risk. For insurance contracts where the theory of probability is applied to pricing and provisioning of insurance contract liabilities, the principal risk that the Group faces is that the actual claims and benefit payments exceed the carrying amount of the insurance contract liabilities.

The Group manages the uncertainty of insurance risk through its underwriting strategy and policies to diversify the underwriting risks, adequate reinsurance arrangements, and enhanced underwriting control and claim control.

The Group makes related assumptions for the insurance risks and recognises insurance contract liabilities accordingly. For long-term personal insurance contracts and short-term personal insurance contracts, insurance risk may be elevated by the uncertainty of insurance risk assumptions including assumptions on death events, relevant expenses, and interest rates. For property and casualty insurance contracts, claims are often affected by natural disasters, catastrophes, terrorist attacks and other factors. In addition, the insurance risk will be affected by the policy termination, premium reduction or policyholders' refusal of payment, that is, the insurance risk will be affected by the policyholder's behaviour and decision.

(8) Capital management

The Bank has implemented comprehensive capital management, covering capital management policy design, capital projecting and planning, capital calculation, internal capital assessment, capital allocation, capital motivation, restriction and conduction, capital raising, monitoring and reporting, and applications of advanced approach of capital calculation on the management of the ordinary course of the business. General principles of capital management of the Bank is to continuously retain an adequate capital level, retain a certain margin of safety and a certain level of buffer based on that all regulatory requirements have been complied, and ensure that the capital can cover all kinds of risks adequately; exercise reasonable and effective capital allocation and strengthen capital restraint and incentive mechanism to support the strategic planning effectively and to restrict and conduct the business so as to increase the capital efficiency and return level continuously; tamp capital strength, and retain relatively high capital quality by achieving capital supplement with priority to the internal accumulation and utilising various capital instruments reasonably to optimise capital structure; continuously develop the advanced approach of capital management on the applications in the business management such as credit policies, credit approval and pricing.

Capital adequacy ratio is a reflection of the Group's ability to maintain a stable operation and resist adverse risks. In accordance with the CBRC's "Capital Rules for Commercial Banks (Provisional)" and relevant regulations, commercial banks should meet the minimum capital requirements from 1 January 2013. The Common Equity Tier 1 ratio should be at or above a minimum of 5%, Tier 1 ratio at or above a minimum of 6% and the total capital ratio at or above a minimum of 8%. Besides, capital conservation buffer requirements and additional buffer requirements of Global Systemically Important Banks should also be met. If a countercyclical buffer is required or the Pillar 2 capital requirement is raised by the regulator to a specific commercial bank, the minimum requirements should be met within the transitional period.

The Group timely monitors, analyses and reports capital adequacy ratios, assesses if the capital management objectives have been met and exercises effective management of capital adequacy ratio. The Group adopts various measures such as controlling asset growth, adjusting the structure of risk assets, increasing internal capital supply and raising capital through external channels, to ensure that the Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio of the Group are in full compliance with regulatory requirements and meet internal management requirements. This helps to insulate against potential risks as well as support healthy business developments. The Group now fully complies with all regulatory requirements in this respect.

The Group's capital planning has taken the regulatory requirements, the Group's development strategy and risk appetite into consideration, and based on those factors the Group projects the capital usage and need.

The capital raising management of the Group involves reasonable utilisation of various capital instruments to ensure that both external regulatory and internal capital management objectives are met, taking into account capital planning and operating environment. This helps to optimise the Group's capital structure.

Based on the approval for the Group to implement the advanced capital management method in 2014, the CBIRC approved the Group to expand the implementation scope of the advanced capital management method in April 2020. The Group calculated the capital requirements for financial institution credit exposures and corporate credit risk exposures that meet regulatory requirements with the foundation internal ratings-based approach, the capital requirements for retail credit risk exposures with the internal ratings-based approach, the capital requirements for market risk with the internal models approach, and the capital requirements for operational risk with the standardised approach.

(Expressed in millions of RMB, unless otherwise stated)

56 Risk management (continued)

(8) Capital management (continued)

The Group's capital adequacy ratio calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBRC as at the end of the reporting period are as follows:

	Note	30 June 2021	31 December 2020
Common Equity Tier 1 ratio	(a)(b)(c)	**13.23%**	13.62%
Tier 1 ratio	(a)(b)(c)	**13.80%**	14.22%
Total capital ratio	(a)(b)(c)	**16.58%**	17.06%
Common Equity Tier 1 capital			
– Qualifying common share capital		**250,011**	250,011
– Capital reserve		**134,237**	134,237
– Surplus reserve		**275,995**	275,995
– General reserve		**349,605**	350,647
– Retained earnings		**1,315,241**	1,241,127
– Non-controlling interest recognised in Common Equity Tier 1 capital		**3,867**	3,954
– Others	(d)	**19,398**	19,483
Deductions for Common Equity Tier 1 capital			
– Goodwill	(e)	**1,974**	2,045
– Other intangible assets (excluding land use rights)	(e)	**4,463**	4,623
– Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet		**77**	367
– Investments in common equity of financial institutions being controlled but outside the scope of consolidation		**6,970**	6,970
Additional Tier 1 capital			
– Other directly issued qualifying additional Tier 1 instruments including related premium		**99,968**	99,968
– Non-controlling interest recognised in Additional Tier 1 capital		**102**	100
Tier 2 capital			
– Directly issued qualifying Tier 2 instruments including related premium		**208,736**	225,016
– Provisions in Tier 2	(f)	**282,674**	245,989
– Non-controlling interest recognised in Tier 2 capital		**165**	159
Common Equity Tier 1 capital after regulatory adjustments	(g)	**2,334,870**	2,261,449
Tier 1 capital after regulatory adjustments	(g)	**2,434,940**	2,361,517
Total capital after regulatory adjustments	(g)	**2,926,515**	2,832,681
Risk-weighted assets	(h)	**17,646,361**	16,604,591

Notes:

(a) From the first half year of 2014, the Group has adopted the advanced approach to calculate capital adequacy ratio and implemented the parallel period rules.

(b) The Common Equity Tier 1 ratio is calculated by dividing the Common Equity Tier 1 Capital after regulatory adjustments by risk-weighted assets. Tier 1 ratio is calculated by dividing the Tier 1 Capital after regulatory adjustments by risk-weighted assets. Total capital ratio is calculated by dividing the total capital after regulatory adjustments by risk-weighted assets.

(c) The scope for calculating capital adequacy ratio of the Group includes all the domestic branches and subsidiaries in the financial sector (insurance companies excluded).

(d) Others include other comprehensive income (including foreign exchange reserve).

(e) Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.

(f) From the first half year of 2014, eligible excessive loan provisions were measured based on the advanced approach and implemented parallel period rules.

(g) Common Equity Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the total capital.

(h) According to the rules of advanced approach, risk-weighted assets include credit risk-weighted assets, market risk-weighted assets, operational risk-weighted assets and excess risk-weighted assets due to the application of capital floor.

(Expressed in millions of RMB, unless otherwise stated)

57 Statement of financial position and statement of changes in equity of the Bank

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Assets:		
Cash and deposits with central banks	**2,753,659**	2,790,965
Deposits with banks and non-bank financial institutions	**297,066**	406,533
Precious metals	**132,842**	101,671
Placements with banks and non-bank financial institutions	**416,055**	460,991
Positive fair value of derivatives	**50,618**	66,313
Financial assets held under resale agreements	**692,542**	585,310
Loans and advances to customers	**16,999,333**	15,764,751
Financial investments		
Financial assets measured at fair value through profit or loss	**272,712**	312,014
Financial assets measured at amortised cost	**4,605,226**	4,397,169
Financial assets measured at fair value through other comprehensive income	**1,865,162**	1,792,488
Long-term equity investments	**86,692**	70,892
Investments in consolidated structured entities	**198,710**	68,629
Fixed assets	**132,241**	137,218
Land use rights	**12,950**	13,236
Intangible assets	**4,079**	4,203
Deferred tax assets	**99,369**	89,980
Other assets	**321,170**	231,764
Total assets	**28,940,426**	27,294,127
Liabilities:		
Borrowings from central banks	**765,913**	781,170
Deposits from banks and non-bank financial institutions	**1,764,067**	1,935,410
Placements from banks and non-bank financial institutions	**267,106**	256,325
Financial liabilities measured at fair value through profit or loss	**290,077**	251,898
Negative fair value of derivatives	**41,871**	78,424
Financial assets sold under repurchase agreements	**90,870**	33,364
Deposits from customers	**21,994,461**	20,289,611
Accrued staff costs	**27,370**	30,547
Taxes payable	**49,286**	82,374
Provisions	**60,992**	51,660
Debt securities issued	**873,321**	863,083
Deferred tax liabilities	**32**	48
Other liabilities	**326,588**	321,698
Total liabilities	**26,551,954**	24,975,612

(Expressed in millions of RMB, unless otherwise stated)

57 Statement of financial position and statement of changes in equity of the Bank
(continued)

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Equity:		
Share capital	**250,011**	250,011
Other equity instruments		
Preference Shares	**59,977**	59,977
Perpetual Bonds	**39,991**	39,991
Capital reserve	**134,835**	134,835
Other comprehensive income	**22,927**	21,759
Surplus reserve	**275,995**	275,995
General reserve	**342,179**	342,174
Retained earnings	**1,262,557**	1,193,773
Total equity	**2,388,472**	2,318,515
Total liabilities and equity	**28,940,426**	27,294,127

Approved and authorised for issue by the Board of Directors on 27 August 2021.

Wang Jiang	**Kenneth Patrick Chung**	**Michel Madelain**
Vice chairman, executive director and president	*Independent non-executive director*	*Independent non-executive director*

(Expressed in millions of RMB, unless otherwise stated)

57 Statement of financial position and statement of changes in equity of the Bank (continued)

	(Unaudited)								
		Other equity instruments							
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2021	**250,011**	**59,977**	**39,991**	**134,835**	**21,759**	**275,995**	**342,174**	**1,193,773**	**2,318,515**
Movements during the period	**–**	**–**	**–**	**–**	**1,168**	**–**	**5**	**68,784**	**69,957**
(1) Total comprehensive income for the period	**–**	**–**	**–**	**–**	**1,168**	**–**	**–**	**150,293**	**151,461**
(2) Profit distribution									
i Appropriation to general reserve	**–**	**–**	**–**	**–**	**–**	**–**	**5**	**(5)**	**–**
ii Dividends paid to ordinary shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(81,504)**	**(81,504)**
As at 30 June 2021	**250,011**	**59,977**	**39,991**	**134,835**	**22,927**	**275,995**	**342,179**	**1,262,557**	**2,388,472**

	(Unaudited)								
		Other equity instruments							
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2020	250,011	79,636	39,991	135,109	33,527	249,178	306,686	1,073,532	2,167,670
Movements during the period	–	–	–	–	7,337	–	5	58,131	65,473
(1) Total comprehensive income for the period	–	–	–	–	7,337	–	–	138,140	145,477
(2) Profit distribution									
i Appropriation to general reserve	–	–	–	–	–	–	5	(5)	–
ii Dividends paid to ordinary shareholders	–	–	–	–	–	–	–	(80,004)	(80,004)
As at 30 June 2020	250,011	79,636	39,991	135,109	40,864	249,178	306,691	1,131,663	2,233,143

(Expressed in millions of RMB, unless otherwise stated)

57 Statement of financial position and statement of changes in equity of the Bank (continued)

	(Audited)								
		Other equity instruments							
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2020	250,011	79,636	39,991	135,109	33,527	249,178	306,686	1,073,532	2,167,670
Movements during the year	–	(19,659)	–	(274)	(11,768)	26,817	35,488	120,241	150,845
(1) Total comprehensive income for the year	–	–	–	–	(11,768)	–	–	268,174	256,406
(2) Changes in share capital									
i Capital deduction by other equity instruments holders	–	(19,659)	–	(274)	–	–	–	–	(19,933)
(3) Profit distribution									
i Appropriation to surplus reserve	–	–	–	–	–	26,817	–	(26,817)	–
ii Appropriation to general reserve	–	–	–	–	–	–	35,488	(35,488)	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(80,004)	(80,004)
iv Dividends to other equity instrument holders	–	–	–	–	–	–	–	(5,624)	(5,624)
As at 31 December 2020	250,011	59,977	39,991	134,835	21,759	275,995	342,174	1,193,773	2,318,515

58 Events after the reporting period

On 22 July 2021, the Group issued in overseas market USD600.00 million fixed-rate bonds maturing in 2026 with a 5-year term and a coupon rate of 1.80%.

On 10 August 2021, the Group and the Bank issued in the domestic market RMB65.00 billion fixed-rate Tier-2 capital bonds maturing in 2031 with a 10-year term and a coupon rate of 3.45%. The Group has an option to redeem these bonds at the end of the fifth year upon meeting certain conditions.

On 10 August 2021, the Group and the Bank issued in the domestic market RMB15.00 billion fixed-rate Tier-2 capital bonds maturing in 2036 with a 15-year term and a coupon rate of 3.80%. The Group has an option to redeem these bonds at the end of the tenth year upon meeting certain conditions.

59 Comparative figures

To comply with the presentation requirements of the current year financial statements, the Group adjusted the presentation of certain comparative figures such as income from credit card instalment business.

60 Ultimate parent

As stated in Note 1, the immediate and ultimate parents of the Group are Huijin and CIC, respectively.

(Expressed in millions of RMB, unless otherwise stated)

61 Possible impact of amendments, new standards and interpretations issued but not yet effective

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are relevant to the Group. These amendments, new standards and interpretations are not yet effective for the period ended 30 June 2021 and have not been adopted in the financial statements.

	Standards	**Effective for annual periods beginning on or after**
(1)	Amendments to IFRS 3 *Reference to the Conceptual Framework*	1 January 2022
(2)	Amendments to IAS 16 *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
(3)	Amendments to IAS 37 *Onerous Contracts – Costs of Fulfilling a Contract*	1 January 2022
(4)	Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022
(5)	Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*	1 January 2023
(6)	IFRS 17 "Insurance Contracts"	1 January 2023
(7)	Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies*	1 January 2023
(8)	Amendments to IAS 8 *Definition of Accounting Estimates*	1 January 2023
(9)	Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
(10)	Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Effective date has been deferred indefinitely

Except for IFRS 17, the Group anticipates that the adoption of the new standards and amendments will not have a significant impact on the Group's consolidated financial statements.

(1) Amendments to IFRS 3 *Reference to the Conceptual Framework*

Amendments to IFRS 3 are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements issued in 1989 with a reference to the Conceptual Framework for Financial Reporting issued in March 2018, without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities, and clarify that contingent assets do not qualify for recognition at the acquisition date.

(2) Amendments to IAS 16 *Property, Plant and Equipment: Proceeds before Intended Use*

Amendments to IAS 16 prohibit entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

(3) Amendments to IAS 37 *Onerous Contracts – Costs of Fulfilling a Contract*

Amendments to IAS 37 specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". The costs that relate directly to a contract include both incremental costs (examples would be the costs of direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(4) Annual Improvements to IFRSs 2018-2020 Cycle

Annual Improvements to IFRSs 2018-2020 Cycle was issued in May 2020. Those amendments affect IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and IFRS 16 "Leases".

(5) Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

61 Possible impact of amendments, new standards and interpretations issued but not yet effective (continued)

(6) IFRS 17 *Insurance Contracts*

IFRS 17 was issued in May 2017 as replacement for IFRS 4 "Insurance Contracts". It requires a current measurement model where estimates are re-measured during each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

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

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

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

Amendments to IFRS 17 were issued in June 2020.

The Group is currently assessing the impact of IFRS 17 upon initial application.

(7) Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies*

The amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Guidance and illustrative examples are added in the Practice Statement 2 to assist in the application of the materiality concept when making judgements about accounting policy disclosures.

(8) Amendments to IAS 8 *Definition of Accounting Estimates*

Amendments to IAS 8, introduces a new definition of 'accounting estimates'. Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors

(9) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Amendments to IAS 12 introduce an exception to the initial recognition exemption in IAS 12 for deferred tax assets and deferred tax liabilities, and clarify the accounting treatment method of deferred income tax for right-of-use assets and lease liabilities, and decommissioning obligations.

(10) Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The narrow-scope amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" clarify the accounting treatment for sale or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business" (as defined in IFRS 3 "Business Combinations").

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

The following information of the Group does not form part of the reviewed financial statements, and is included herein for information purposes only.

1 Difference between the financial statements prepared under IFRS and those prepared in accordance with PRC GAAP

China Construction Bank Corporation (the "Bank") prepares consolidated financial statements, which include the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards and its interpretations ("IFRS") promulgated by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed on the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the six months ended 30 June 2021 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP and regulations").

There is no difference in the net profit for the six months ended 30 June 2021 or total equity as at 30 June 2021 between the Group's consolidated financial statements prepared under IFRS and those prepared under PRC GAAP and regulations.

2 Liquidity coverage ratio and net stable funding ratio

The liquidity coverage ratio equals to the high-quality liquid assets divided by net cash outflows in the future 30 days. Net stable funding ratio equals to the available stable funding divided by required stable funding. According to the regulatory requirements, definitions and accounting standards applicable in the current period, the average daily liquidity coverage ratio of the Group in the second quarter of 2021 was 134.20% and the net stable funding ratio was 123.55% as at the end of June 2021.

The following tables set the Group's liquidity coverage ratio for the second quarter of 2021.

S/N	(In millions of RMB, except percentages)	**Total Unweighted Value**	**Total Weighted Value**
	High-Quality Liquid Assets		
1	Total High-Quality Liquid Assets (HQLA)		4,696,566
	Cash Outflow		
2	Retail deposits and deposits from small business customers, of which:	10,453,585	923,993
3	Stable deposits	2,426,411	121,276
4	Less stable deposits	8,027,174	802,717
5	Unsecured wholesale funding, of which:	10,434,475	3,422,185
6	Operational deposits (excluding those generated from correspondent banking activates)	6,778,144	1,683,457
7	Non-operational deposits (all counterparties)	3,531,442	1,613,839
8	Unsecured debt	124,889	124,889
9	Secured funding		760
10	Additional requirements, of which:	1,818,786	226,569
11	Outflows related to derivative exposures and other collateral requirements	59,103	59,103
12	Outflows related to loss of funding on secured debt products	4,390	4,390
13	Credit and liquidity facilities	1,755,293	163,076
14	Other contractual funding obligations	79	–
15	Other contingent funding obligations	3,693,680	474,094
16	**Total Cash Outflows**		5,047,601
	Cash Inflow		
17	Secured lending (including reverse repos and securities borrowing)	441,372	439,929
18	Inflow from fully performing exposures	1,691,824	1,043,180
19	Other cash inflows	63,704	61,719
20	**Total Cash Inflows**	2,196,900	1,544,828
			Total Adjusted Value
21	**Total HQLA**		4,696,566
22	**Total Net Cash Outflows**		3,502,773
23	**Liquidity Coverage Ratio (%)**[1]		134.20

1. The above quarterly daily means represent simple arithmetic means of the values for 91 calendar days in the latest quarter, calculated in accordance with the current applicable regulatory requirements, definitions and accounting standards.

(Expressed in millions of RMB unless otherwise stated)

2 Liquidity coverage ratio and net stable funding ratio (continued)

The following tables set the quantitative information on the net stable funding ratio at the end of the last two quarters.

		The Second Quarter of 2021					The First Quarter of 2021				
		Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
No.	(In RMB millions, except percentages)	No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item											
1	Capital:	–	–	–	2,657,319	2,657,319	–	–	–	2,665,458	2,665,458
2	Regulatory capital	–	–	–	2,657,319	2,657,319	–	–	–	2,665,458	2,665,458
3	Other capital instrument	–	–	–	–	–	–	–	–	–	–
4	Retail deposits and deposits from small business customers:	5,950,359	5,386,681	455,948	707,209	11,448,857	5,912,628	5,288,263	382,714	832,208	11,387,570
5	Stable deposits	2,542,323	10,359	6,483	4,976	2,436,183	2,584,569	11,729	6,059	4,900	2,477,138
6	Less stable deposits	3,408,036	5,376,322	449,465	702,233	9,012,674	3,328,059	5,276,534	376,655	827,308	8,910,432
7	Wholesale funding:	7,234,157	5,142,948	876,794	575,499	6,410,794	7,098,468	4,705,855	1,012,399	538,426	6,354,880
8	Operational deposits	6,316,869	674,689	5,996	649	3,499,426	6,006,130	880,846	4,223	529	3,446,128
9	Other wholesale funding	917,288	4,468,259	870,798	574,850	2,911,368	1,092,338	3,825,009	1,008,176	537,897	2,908,752
10	Liabilities with matching interdependent assets	–	–	–	–	–	–	–	–	–	–
11	Other liabilities:	–	526,448	89,618	232,970	231,139	–	522,423	81,072	338,168	316,627
12	NSFR derivative liabilities				46,640					62,078	
13	All other liabilities and equity not included in the above categories	–	526,448	89,618	186,330	231,139	–	522,423	81,072	276,090	316,627
14	**Total ASF**					20,748,109					20,724,535
RSF Item											
15	Total NSFR high-quality liquid assets (HQLA)					1,738,655					1,616,854
16	Deposits held at other financial institutions for operational purposes	57,517	47,108	7,187	13,595	69,745	55,929	61,044	8,814	12,570	75,693
17	Performing loans and securities:	915,070	3,791,292	2,425,091	12,623,313	13,841,307	890,226	3,734,451	2,206,483	12,356,951	13,539,150
18	Performing loans to financial institutions secured by Level 1 HQLA	–	616,255	–	–	92,438	–	315,743	–	–	47,361
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	749,984	189,084	105,934	320,559	–	874,197	138,092	176,605	386,190
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:	855,117	2,154,168	2,034,896	6,494,841	8,042,949	828,981	2,264,915	1,878,481	6,274,280	7,819,610
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	23,045	–	–	11,523	–	9,003	–	–	4,501
22	Performing residential mortgages, of which:	–	171,391	174,802	5,797,497	5,100,969	–	167,694	170,040	5,678,140	4,995,286
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	–	–	–	–	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	59,953	99,494	26,309	225,041	284,392	61,245	111,902	19,870	227,926	290,703
25	Assets with matching Interdependent liabilities	–	2,418	–	–	–	–	–	–	–	–
26	Other assets:	132,854	242,993	128,174	478,197	982,185	140,620	169,226	125,030	695,564	1,115,811
27	Physical traded commodities, including gold	132,854				112,927	140,620				119,527
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				1,427	1,213				1,454	1,236
29	NSFR derivative assets				50,714	4,074				63,475	1,397
30	NSFR derivative liabilities before deduction of variation margin posted[1]				9,349	9,349				12,460	12,460
31	All other assets not included in the above categories	–	242,993	128,174	426,056	794,672	–	169,226	125,030	630,635	919,946
32	Off-balance sheet items				4,997,611	161,175				4,914,503	158,058
33	**Total RSF**					16,793,067					16,505,566
34	**Net Stable Funding Ratio (%)**					123.55					125.56

1. The amount filled out in this account refers to derivative liabilities, i.e., the amount of NSFR derivative liabilities before deduction of variable reserves. This amount makes no distinction between durations, nor does it count towards the total in "26 Other Assets".

According to the regulatory requirements, definitions and accounting standards applicable in the current period, as at 30 June 2021, the Group's net stable funding ratio was 123.55%, from which the available stable funding was RMB20,748,109 million against the required stable funding of RMB16,793,067 million.

3 Leverage ratio

From the first quarter of 2015, the Group measures the leverage ratio in accordance with the *Measures for the Management of Commercial Banks' Leverage Ratio (Revision)*. The leverage ratio refers to the ratio of the net amount of Tier 1 capital to the adjusted balance of on-balance sheet and off-balance sheet assets. The leverage ratio of commercial banks should be no less than 4%. As of 30 June 2021, the Group's leverage ratio was 7.79%, which met regulatory requirements.

The following table sets forth the information related to the Group's leverage ratio.

(In millions of RMB, except percentages)	**As at 30 June 2021**	As at 31 March 2021	As at 31 December 2020	As at 30 September 2020
Leverage ratio	**7.79%**	7.92%	7.99%	7.78%
Tier 1 capital after regulatory adjustments	**2,434,940**	2,442,723	2,361,517	2,312,381
On and off-balance sheet assets after adjustments	**31,263,173**	30,826,197	29,548,554	29,722,025

The following table sets forth the detailed items that constitute the on and off-balance sheet assets after adjustments used in the calculation of the Group's leverage ratio, and the reconciliation with the accounting items.

(In millions of RMB)	**As at 30 June 2021**	As at 31 December 2020
Total on-balance sheet assets[1]	**29,833,188**	28,132,254
Consolidated adjustment[2]	**(245,669)**	(220,217)
Derivatives adjustment	**73,511**	66,243
Securities financing transactions adjustment	**3,188**	680
Off-balance sheet items adjustment[3]	**1,612,440**	1,583,599
Other adjustments[4]	**(13,485)**	(14,005)
On and off-balance sheet assets after adjustments	**31,263,173**	29,548,554

1. Total on-balance sheet assets refer to the one calculated in accordance with financial and accounting standards.

2. Consolidated adjustment refers to the difference between regulatory consolidated total assets and accounting consolidated total assets.

3. Off-balance sheet items adjustment refers to the balance of off-balance sheet items after being multiplied by credit conversion factors in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)*.

4. Other adjustments mainly comprise regulatory adjustments to Tier 1 capital.

3 Leverage ratio (continued)

The following table sets forth the information related to the Group's leverage ratio, Tier 1 capital after regulatory adjustments, and on and off-balance sheet assets after adjustments and their relevant detailed items.

(In millions of RMB, except percentages)	As at 30 June 2021	As at 31 December 2020
On-balance sheet assets (excluding derivatives and securities financing transactions)[1]	28,833,718	27,241,556
Less: Regulatory adjustments to Tier 1 capital	(13,485)	(14,005)
On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)	28,820,233	27,227,551
Replacement costs of various derivatives (excluding eligible margin)	71,583	84,361
Potential risk exposures of various derivatives	54,231	50,403
Nominal principals arising from sales of credit derivatives	–	–
Derivative assets	125,814	134,764
Accounting assets arising from securities financing transactions	701,498	601,960
Counterparty credit risk exposure arising from securities financing transactions	3,188	680
Securities financing transactions assets	704,686	602,640
Off-balance sheet assets[2]	4,651,896	4,507,842
Less: Decrease in off-balance sheet assets due to credit conversion	(3,039,456)	(2,924,243)
Off-balance sheet assets after adjustments	1,612,440	1,583,599
Tier 1 capital after regulatory adjustments	2,434,940	2,361,517
On and off-balance sheet assets after adjustments	31,263,173	29,548,554
Leverage Ratio[3]	7.79%	7.99%

1. These refer to on-balance sheet assets excluding derivatives and securities financing transactions on a regulatory consolidated basis.
2. Off-balance sheet assets include loan commitments which can be unconditionally cancellable at any time by the bank without prior notice.
3. Leverage ratio is calculated through dividing Tier 1 capital after regulatory adjustments by on and off-balance sheet assets after adjustments.

4 Currency concentrations

	30 June 2021			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	1,090,518	331,080	384,169	1,805,767
Spot liabilities	(1,119,001)	(349,831)	(281,342)	(1,750,174)
Forward purchases	1,776,408	146,346	106,669	2,029,423
Forward sales	(1,765,394)	(87,199)	(188,631)	(2,041,224)
Net option position	14,778	–	(1,163)	13,615
Net (short)/long position	(2,691)	40,396	19,702	57,407
Net structural position	32,625	2,404	(7,287)	27,742

(Expressed in millions of RMB unless otherwise stated)

4 Currency concentrations (continued)

	31 December 2020			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	945,417	352,098	376,645	1,674,160
Spot liabilities	(1,000,213)	(330,942)	(290,448)	(1,621,603)
Forward purchases	1,826,299	75,051	137,232	2,038,583
Forward sales	(1,758,605)	(60,684)	(203,639)	(2,022,928)
Net option position	(16,261)	(29)	(4)	(16,294)
Net (short)/long position	(3,362)	35,494	19,787	51,919
Net structural position	34,141	2,313	(6,959)	29,495

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 overseas branches, banking subsidiaries and other subsidiaries substantially involved in the foreign exchange. Structural assets and liabilities include:

– investments in property and equipment, net of accumulated depreciation;

– capital and statutory reserves of overseas branches; and

– investments in overseas subsidiaries and related companies.

5 International claims

The Group is principally engaged in business operations within the Chinese mainland. The international claims of the Group are the sum of cross-border claims in all currencies and local claims in foreign currencies.

International claims include loans and advances to customers, deposits with central banks, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

International claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the Group reduces its exposure to a particular country/region by an effective transfer of credit risk to a different country/region with the use of credit risk mitigation which include guarantees, collateral and credit derivatives.

	30 June 2021				
	Banks	**Public sector entities**	**Non-bank private institutions**	**Others**	**Total**
Asia Pacific	**300,753**	**114,325**	**743,514**	**8,829**	**1,167,421**
– of which attributed to Hong Kong	**6,258**	**40,824**	**323,245**	**–**	**370,327**
Europe	**32,905**	**57,918**	**66,437**	**1,813**	**159,073**
North and South America	**41,659**	**132,614**	**112,911**	**–**	**287,184**
Total	**375,317**	**304,857**	**922,862**	**10,642**	**1,613,678**

(Expressed in millions of RMB unless otherwise stated)

5 International claims (continued)

	31 December 2020				
	Banks	Public sector entities	Non-bank private institutions	Others	Total
Asia Pacific	223,982	127,130	611,168	23,060	985,340
– of which attributed to Hong Kong	8,974	58,527	324,489	–	391,990
Europe	12,496	33,635	70,933	1,209	118,273
North and South America	35,015	171,380	117,751	–	324,146
Total	271,493	332,145	799,852	24,269	1,427,759

6 Overdue loans and advances to customers by geographical sector

	30 June 2021	31 December 2020
Central	**39,596**	36,547
Pearl River Delta	**23,952**	23,954
Western	**20,627**	16,262
Bohai Rim	**18,203**	17,147
Yangtze River Delta	**12,484**	13,995
North eastern	**11,269**	8,034
Head office	**7,797**	9,008
Overseas	**3,928**	2,977
Total	**137,856**	127,924

According to regulation requirements, the above analysis represents the gross amount of loans and advances to customers overdue for more than three months.

Loans and advances to customers with a specific repayment date are classified as overdue when the principal or interest is overdue.

Loans and advances to customers 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 to customers repayable on demand are outside the approved limit that was advised to the borrower, they are also considered to be overdue.

7 Exposures to non-banks in the Chinese mainland

The Bank is a commercial bank incorporated in the Chinese mainland with its banking business primarily conducted in the Chinese mainland. As at 30 June 2021, substantial amounts of the Bank's exposures arose from businesses with the Chinese mainland entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

The following information is disclosed in accordance with the *Capital Rules for Commercial Banks (Provisional)* issued by the former CBRC.

Credit Risk Exposures

The following table shows, as at the dates indicated, the information related to the credit exposures of the Group in accordance with the *Capital Rules for Commercial Banks (Provisional)*.

(In millions of RMB)	**As at 30 June 2021**		As at 31 December 2020	
	Covered by internal ratings-based approach	**Uncovered by internal ratings-based approach[1]**	Covered by internal ratings-based approach	Uncovered by internal ratings-based approach[1]
On and off-balance sheet credit exposures	**18,668,440**	**13,600,688**	17,643,575	12,563,093
Corporate exposures	**9,343,586**	**2,196,310**	8,538,603	1,935,782
Sovereign exposures	**–**	**5,796,147**	–	5,572,102
Financial institution exposures	**1,957,148**	**1,261,717**	2,232,587	820,509
Retail exposures	**7,367,706**	**943,114**	6,872,385	917,001
Equity exposures	**–**	**137,422**	–	132,988
Securitisation exposures	**–**	**94,530**	–	87,680
Other exposures	**–**	**3,171,448**	–	3,097,031
Counterparty credit risk exposure	**–**	**149,319**	–	155,919
Total	**18,668,440**	**13,750,007**	17,643,575	12,719,012

1. Due to categorisation under the internal ratings-based approach, the credit risk exposures uncovered by the internal ratings-based approach are exposures before impairments.

Market Risk Capital Requirements

The Group's market risk capital requirements are calculated with the internal models approach. Requirements uncovered by the internal models approach are calculated with the standardised approach.

The following table shows, as at the dates indicated, the information related to various market risk capital requirements.

(In millions of RMB)	**As at June 2021 Capital requirement**	As at 31 December 2020 Capital requirement
Covered by internal models approach	**4,490**	5,569
Uncovered by the internal models approach	**4,456**	4,034
Interest rate risk	**1,114**	1,098
Equity position risk	**292**	262
Foreign exchange risk	**2,850**	2,484
Commodity risk	**199**	190
Option risk	**1**	–
Total	**8,946**	9,603

The Group measures market risk with value-at-risk (VaR) model. The VaR model is an approach to estimate potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices within a specific timeframe and a fixed confidence level. The Group calculates VaR and stressed VaR and conducts back-testing in compliance with the regulatory requirements. As of the reporting period, the number of back-testing breakthroughs occurred within the green zone according to the requirements of the CBIRC, and no abnormal model was identified.

The following table shows the VaR and stressed VaR of the Group covered by the internal models approach for the six months ended 30 June 2021.

	Six months ended 30 June 2021			
(In millions of RMB)	Average	Maximum	Minimum	Period End
VaR	416	589	305	436
Stressed VaR	804	1180	441	855

Equity Exposures in the Banking Book

The following table shows, as at the dates indicated, the information related to the equity exposures in the banking book and the unrealised potential risk gains or losses of the Group.

	As at 30 June 2021			As at 31 December 2020		
(In millions of RMB) **Invested institution categories**	**Publicly traded equity exposure[1]**	**Non-Publicly traded equity exposure[1]**	**Unrealised potential risk gains or losses[2]**	Publicly traded equity exposure[1]	Non-Publicly traded equity exposure[1]	Unrealised potential risk gains or losses[2]
Financial institutions	**2,969**	**5,486**	**1,302**	2,265	5,006	1,320
Non-financial institutions	**5,213**	**123,730**	**(8)**	5,904	119,789	(3)
Total	**8,182**	**129,216**	**1,294**	8,169	124,795	1,317

1. Publicly traded equity exposure is the equity exposure where the invested institutions are listed companies. Non-publicly traded equity exposure is the equity exposure where the invested institutions are unlisted companies.

2. Unrealised potential risk gains or losses are the portion of gains or losses that have been recognised in the balance sheet but not in the income statement.

The following information is disclosed in accordance with *Regulatory Requirements for the Disclosure of Information on Capital Composition of Commercial Banks* issued by the former CBRC.

Composition of Capital

In accordance with the *Regulatory Requirements for the Disclosure of Information on Capital Composition of Commercial Banks* issued by the former CBRC, the following table shows the Group's composition of capital, minimum regulatory capital requirements, as well as their connections with the balance sheets under the scope of regulatory consolidation.

	(In millions of RMB, except percentages)	Code	**As at 30 June 2021**	As at 31 December 2020
	Common Equity Tier 1 capital:			
1	Qualifying common share capital	o	**250,011**	250,011
2	Retained earnings		**1,940,841**	1,867,769
2a	Surplus reserve	t	**275,995**	275,995
2b	General reserve	u	**349,605**	350,647
2c	Undistributed profits	v	**1,315,241**	1,241,127
3	Accumulated other comprehensive income and disclosed reserves		**153,635**	153,720
3a	Capital reserve	q	**134,237**	134,237
3b	Others	r	**19,398**	19,483
4	Amount recognised in Common Equity Tier 1 capital during transitional period (Only applicable to unlisted companies, while banks of joint-stock companies to be completed with "0")		**–**	–
5	Non-controlling interest given recognition in Common Equity Tier 1 capital	w	**3,867**	3,954
6	**Common Equity Tier 1 capital before regulatory adjustments**		**2,348,354**	2,275,454
	Common Equity Tier 1 capital: Regulatory adjustments			
7	Prudent valuation adjustment		**–**	–
8	Goodwill (excluding deferred tax liabilities)	l	**1,974**	2,045
9	Other intangible assets (excluding land use rights) (excluding deferred tax liabilities)	k	**4,463**	4,623
10	Net deferred tax assets relying on future profits and arising from operating losses		**–**	–
11	Cash-flow hedge reserves	s	**77**	367
12	Gaps of loan loss provisions		**–**	–
13	Gains from sales of asset securitisation		**–**	–
14	Unrealised profit/loss arising from the changes in own credit risk on fair values of liability		**–**	–
15	Net defined-benefit pension assets (excluding deferred tax liabilities)		**–**	–
16	Directly or indirectly investments in own shares		**–**	–
17	Reciprocal cross-holdings in common equity		**–**	–
18	Non-significant investments in the capitals of financial institutions outside the regulatory scope of consolidation (amount above 10% threshold)		**–**	–
19	Significant investments in the capitals of financial institutions outside the regulatory scope of consolidation (amount above 10% threshold)		**–**	–
20	Mortgage-servicing rights		**NA**	NA
21	Other deferred tax assets relying on the Bank's future profitability (amount above 10% threshold)		**–**	–
22	Significant investments in the capitals of financial institutions outside the regulatory scope of consolidation and other deferred tax assets that rely on the Bank's future profitability after all regulatory adjustments (amount exceeding the 15% threshold)		**–**	–
23	of which: Significant investments in the capitals of financial institutions		**–**	–
24	of which: Mortgage-servicing rights		**NA**	NA
25	of which: Other deferred tax assets that rely on the Bank's future profitability		**–**	–
26a	Investments in Common Equity Tier 1 of financial institutions being controlled but outside the regulatory scope of consolidation	h	**6,970**	6,970
26b	Gaps of Common Equity Tier 1 of financial institutions being controlled but outside the regulatory scope of consolidation		**–**	–
26c	Other deductions from Common Equity Tier 1 capital		**–**	–
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		**–**	–
28	**Total regulatory adjustments to Common Equity Tier 1 capital**		**13,484**	14,005
29	**Common Equity Tier 1 capital after regulatory adjustments**		**2,334,870**	2,261,449
	Additional Tier 1 capital:			
30	Directly issued qualifying Additional Tier 1 instruments including related premium	p+z	**99,968**	99,968
31	of which: Classified as equity	p+z	**99,968**	99,968
32	of which: Classified as liabilities		**–**	–
33	of which: Instruments not recognised in Additional Tier 1 capital after the transition period		**–**	–
34	Non-controlling interest given recognition in Additional Tier 1 capital	x	**102**	100
35	of which: Portions not recognised in Additional Tier 1 capital after the transition period		**–**	–
36	**Additional Tier 1 capital before regulatory adjustments**		**100,070**	100,068
	Additional Tier 1 capital: Regulatory adjustments			
37	Direct or indirect investments in own Additional Tier 1 instruments		**–**	–
38	Reciprocal cross-holdings in Additional Tier 1 instruments		**–**	–
39	Non-significant investments in the capitals of financial institutions outside the regulatory scope of consolidation (amount above 10% threshold)		**–**	–
40	Significant investments in the Additional Tier 1 capital of financial institutions outside the regulatory scope of consolidation		**–**	–

(In millions of RMB, except percentages)		Code	As at 30 June 2021	As at 31 December 2020
41a	Investments in Additional Tier 1 capital of financial institutions being controlled but outside the regulatory scope of consolidation		**–**	–
41b	Gaps of Additional Tier 1 capital of financial institutions being controlled but outside the regulatory scope of consolidation		**–**	–
41c	Other deductions from Additional Tier 1 capital		**–**	–
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		**–**	–
43	**Total regulatory adjustments to Additional Tier 1 capital**		**–**	–
44	**Additional Tier 1 capital after regulatory adjustments**		**100,070**	100,068
45	**Tier 1 capital after regulatory adjustments (Common Equity Tier 1 capital after regulatory adjustments + Additional Tier 1 capital after regulatory adjustments)**		**2,434,940**	2,361,517
Tier 2 capital:				
46	Directly issued qualifying Tier 2 instruments including related premium	n	**208,736**	225,016
47	of which: Portions not recognised in Tier 2 capital after the transition period		**15,983**	31,967
48	Non-controlling interest given recognition in Tier 2 capital	y	**165**	159
49	of which: Portions not recognised after the transition period		**–**	–
50	Provisions in Tier 2	–(b+d)	**282,674**	245,989
51	**Tier 2 capital before regulatory adjustments**		**491,575**	471,164
Tier 2 capital: Regulatory adjustments				
52	Direct or indirect investments in the Bank's Tier 2 instruments		**–**	–
53	Reciprocal cross-holdings in Tier 2 instruments		**–**	–
54	Non-significant investments in capital of financial institutions outside the regulatory scope of consolidation (amount above 10% threshold)		**–**	–
55	Significant investments in the Tier 2 capital of financial institutions outside the regulatory scope of consolidation		**–**	–
56a	Investments in Tier 2 capital of financial institutions being controlled but outside the regulatory scope of consolidation		**–**	–
56b	Gaps of Tier 2 capital of financial institutions being controlled but outside the regulatory scope of consolidation		**–**	–
56c	Other deductions from Tier 2 capital		**–**	–
57	**Total regulatory adjustments in Tier 2 capital**		**–**	–
58	**Tier 2 capital after regulatory adjustments**		**491,575**	471,164
59	**Total capital after regulatory adjustments (Tier 1 capital after regulatory adjustments +Tier 2 capital after regulatory adjustments)**		**2,926,515**	2,832,681
60	**Total risk-weighted assets**		**17,646,361**	16,604,591
Capital adequacy ratio and reserve capital requirements				
61	**Common Equity Tier 1 ratio**		**13.23%**	13.62%
62	**Tier 1 ratio**		**13.80%**	14.22%
63	**Total capital ratio**		**16.58%**	17.06%
64	Specific buffer requirements of regulators		**4.00%**	4.00%
65	of which: Capital conservation buffer requirements		**2.50%**	2.50%
66	of which: Countercyclical buffer requirements		**0.00%**	0.00%
67	of which: Additional buffer requirements of Global Systemically Important Banks		**1.50%**	1.50%
68	Common Equity Tier 1 capital available to meet buffers as a percentage of risk-weighted assets		**8.23%**	8.62%
Domestic minimum regulatory capital requirements				
69	Common Equity Tier 1 ratio		**5.00%**	5.00%
70	Tier 1 ratio		**6.00%**	6.00%
71	Total capital ratio		**8.00%**	8.00%
Amounts below the threshold deductions				
72	Non-significant investments in the capitals of other financial institutions outside of the regulatory scope of consolidation	e+f+g+i	**126,344**	123,373
73	Significant investments in the capitals of other financial institutions outside of the regulatory scope of consolidation	j	**401**	–
74	Mortgage-servicing rights (net of deferred tax liabilities)		**NA**	NA
75	Other deferred tax assets relying on the Bank's future profitability (net of deferred tax liabilities)	m	**102,273**	92,747
Caps on the inclusion of provisions in Tier 2 capital				
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to regulatory weighting approach (prior to the application of cap)	–a	**60,204**	26,233
77	Provisions eligible for inclusion in Tier 2 capital under regulatory weighting approach	–b	**60,204**	26,233
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to the application of cap)	–c	**316,380**	297,226
79	Provisions eligible for inclusion in Tier 2 capital under internal ratings-based approach	–d	**222,470**	219,756
Capital instruments subject to phase-out arrangements				
80	Amount recognised in current-period Common Equity Tier 1 capital due to transitional arrangements		**–**	–
81	Amount not recognised in current-period Common Equity Tier 1 capital due to transitional arrangements		**–**	–
82	Amount recognised in current-period Additional Tier 1 capital due to transitional arrangements		**–**	–
83	Amount not recognised in current-period Additional Tier 1 capital due to transitional arrangements		**–**	–
84	Amount recognised in current-period Tier 2 capital due to transitional arrangements		**15,983**	31,967
85	Amount not recognised in current-period Tier 2 capital due to transitional arrangements		**64,009**	48,019

The following table shows the balance sheet within the scope of accounting and regulatory consolidation.

(In millions of RMB)	As at 30 June 2021 Balance sheet of the accounting scope of consolidation	As at 30 June 2021 Balance sheet of the regulatory scope of consolidation
Assets		
Cash and deposits with central banks	2,780,438	2,780,331
Deposits with banks and non-bank financial institutions	469,534	429,410
Precious metals	132,842	132,842
Placements with banks and non-bank financial institutions	330,107	330,465
Positive fair value of derivatives	52,304	52,303
Financial assets held under resale agreements	705,282	701,498
Loans and advances to customers	17,493,902	17,476,059
Financial assets at fair value through profit or loss	575,380	471,343
Financial assets measured at amortised cost	4,696,655	4,612,767
Financial assets at fair value through other comprehensive income	1,956,288	1,931,557
Long-term equity investments	14,755	17,545
Fixed assets	166,138	162,367
Land use rights	13,818	12,986
Intangible assets	5,100	4,463
Goodwill	2,168	1,974
Deferred tax assets	102,518	102,273
Other assets	335,959	367,336
Total assets	29,833,188	29,587,519
Liabilities		
Borrowings from central banks	765,913	765,913
Deposits from banks and non-bank financial institutions	1,778,272	1,863,226
Placements from banks and non-bank financial institutions	366,938	279,355
Financial liabilities at fair value through profit or loss	292,401	290,274
Negative fair value of derivatives	43,797	43,763
Financial assets sold under repurchase agreements	115,668	100,280
Deposits from customers	22,317,969	22,319,733
Accrued staff costs	31,387	29,714
Taxes payable	51,114	50,780
Provisions	63,729	63,726
Debt securities issued	957,161	938,087
Deferred tax liabilities	1,401	152
Other liabilities	585,097	385,695
Total liabilities	27,370,847	27,130,698
Equity		
Share capital	250,011	250,011
Other equity instruments – preference shares	59,977	59,977
Other equity instruments – perpetual bonds	39,991	39,991
Capital reserve	134,924	134,237
Other comprehensive income	14,755	19,398
Surplus reserve	275,995	275,995
General reserve	349,885	349,605
Undistributed profits	1,311,434	1,315,241
Total equity attributable to equity shareholders of the Bank	2,436,972	2,444,455
Non-controlling interests	25,369	12,366
Total equity	2,462,341	2,456,821

The following table shows the information related to the expanded balance sheet within the regulatory scope of consolidation, as well as its connections with the composition of capital.

(In millions of RMB)	As at 30 June 2021 Balance sheet of the regulatory scope of consolidation	Code
Assets		
Cash and deposits with central banks	**2,780,331**	
Deposits with banks and non-bank financial institutions	**429,410**	
Precious metals	**132,842**	
Placements with banks and non-bank financial institutions	**330,465**	
Positive fair value of derivatives	**52,303**	
Financial assets held under resale agreements	**701,498**	
Loans and advances to customers	**17,476,059**	
of which: Provisions eligible actually accrued under regulatory weighting approach	**(60,204)**	a
of which: Provisions eligible for inclusion in Tier 2 in respect of exposures under regulatory weighting approach	**(60,204)**	b
of which: Provisions eligible actually accrued under internal ratings-based approach	**(316,380)**	c
of which: Provisions eligible for inclusion in Tier 2 in respect of exposures under internal ratings-based approach	**(222,470)**	d
Financial assets at fair value through profit or loss	**471,343**	
of which: Non-significant investments in the capitals of other financial institutions outside of the regulatory scope of consolidation	**117,901**	e
Financial assets measured at amortised cost	**4,612,767**	
of which: Non-significant investments in the capitals of other financial institutions outside of the regulatory scope of consolidation	**771**	f
Financial assets at fair value through other comprehensive income	**1,931,557**	
of which: Non-significant investments in the capitals of other financial institutions outside of the regulatory scope of consolidation	**7,254**	g
Long-term equity investments	**17,545**	
of which: Investments in Common Equity Tier 1 of controlled financial institutions outside of the regulatory scope of consolidation	**6,970**	h
of which: Non-significant investments in the capitals of other financial institutions outside of the regulatory scope of consolidation	**418**	i
of which: Significant investments in the capitals of other financial institutions outside of the regulatory scope of consolidation	**401**	j
Fixed assets	**162,367**	
Land use rights	**12,986**	
Intangible assets	**4,463**	k
Goodwill	**1,974**	l
Deferred tax assets	**102,273**	m
Other assets	**367,336**	
Total assets	**29,587,519**	
Liabilities		
Borrowings from central banks	**765,913**	
Deposits from banks and non-bank financial institutions	**1,863,226**	
Placements from banks and non-bank financial institutions	**279,355**	
Financial liabilities at fair value through profit or loss	**290,274**	
Negative fair value of derivatives	**43,763**	
Financial assets sold under repurchase agreements	**100,280**	
Deposits from customers	**22,319,733**	
Accrued staff costs	**29,714**	
Taxes payable	**50,780**	
Provisions	**63,726**	
Debt securities issued	**938,087**	
of which: Tier 2 capital instruments and related premium[1]	**208,736**	n
Deferred tax liabilities	**152**	
Other liabilities	**385,695**	
Total liabilities	**27,130,698**	

	As at 30 June 2021	
(In millions of RMB)	Balance sheet of the regulatory scope of consolidation	Code
Equity		
Share capital	**250,011**	o
Other equity instruments – preference shares	**59,977**	p
Other equity instruments – perpetual bonds	**39,991**	z
Capital reserve	**134,237**	q
Other comprehensive income	**19,398**	r
of which: Cash-flow hedge reserves	**77**	s
Surplus reserve	**275,995**	t
General reserve	**349,605**	u
Undistributed profits	**1,315,241**	v
Total equity attributable to equity shareholders of the Bank	**2,444,455**	
Non-controlling interests	**12,366**	
Of which: Non-controlling interests recognised in Common Equity Tier 1 capital	**3,867**	w
Of which: Non-controlling interests recognised in Additional Tier 1 capital	**102**	x
Of which: Non-controlling interests recognised in Tier 2 capital[1]	**165**	y
Total equity	**2,456,821**	

1. Pursuant to regulatory requirements, Tier 2 capital instruments issued by the Group's wholly-owned subsidiaries that don't comply with the regulations in China are not recognised in the Group's Tier 2 capital instruments and premium, which is different from the accounting treatment of such instruments.

MAIN FEATURES OF ELIGIBLE REGULATORY CAPITAL INSTRUMENTS

The following table shows the information related to main features of various kinds of eligible regulatory capital instruments issued by the Group.

No.	Main features of eligible regulatory capital instruments	H Share	A Share	Rights issue	Tier 2 capital instrument	Preference shares	Tier 2 capital instrument
1	Issuer	CCB	CCB	CCB	CCB	CCB	CCB
2	Identification code	0939.HK	601939.SH	0939.HK, 601939.SH	ISIN: CND100007Z10	360030.SH	ISIN：CND10001PYK4
3	Governing law(s)	Hong Kong SAR law	the PRC law	the PRC/Hong Kong SAR law	the PRC law	the PRC law	the PRC law
	Regulatory treatment						
4	of which: Applicable to transitional period rules under the *Capital Rules for Commercial Banks (Provisional)*	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Tier 2 capital	Additional Tier 1 capital	Tier 2 capital
5	of which: Applicable to post-transitional period rules under the *Capital Rules for Commercial Banks (Provisional)*	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Tier 2 capital	Additional Tier 1 capital	Tier 2 capital
6	of which: Applicable to the Bank/Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level
7	Instrument type	Equity instrument	Equity instrument	Equity instrument	Tier 2 capital instrument	Additional Tier 1 capital instrument	Tier 2 capital instrument
8	Amount recognised in regulatory capital (in millions of RMB, as at the latest reporting date)	72,550	57,119	61,159	19,992	59,977	42,997
9	Par value of instrument	RMB30,459 million	RMB9,000 million	RMB16,322 million	RMB20,000 million	RMB60,000 million	RMB43,000 million
10	Accounting classification	Share capital and capital reserve	Share capital and capital reserve	Share capital and capital reserve	Debt securities issued	Other equity instruments	Debt securities issued
11	Original date of issuance	27 October 2005	25 September 2007	19 November 2010, 16 December 2010	18 August 2014	26 December 2017	25 September 2018
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated	Perpetual	Dated
13	of which: Original maturity date	No maturity	No maturity	No maturity	18 August 2029	No maturity	25 September 2028
14	Issuer call subject to regulatory approval	No	No	No	Yes	Yes	Yes
15	of which: Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A	18 August 2024, redemption in full	At least five years from the date of issuance of preference shares (27 December 2017), redemption in full or in part.	25 September 2023, redemption in full
16	of which: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	The redemption term of the preference shares starts from the beginning of such term to the date when all the preference shares have been wholly redeemed or converted.	N/A
	Coupons/dividends						
17	of which: Fixed or floating dividend/coupon	Floating	Floating	Floating	Fixed	Adjustable dividend rate (benchmark rate plus the fixed initial interest spread) by stages is adopted, benchmark rate is adjustable every five years, and the dividend rate during each adjusting period remains unchanged.	Fixed
18	of which: Coupon rate and any related index	N/A	N/A	N/A	5.98%	The dividend yield for the first five years is 4.75% and is reset based on the five-year Chinese government bond rate plus the fixed initial interest spread (0.89%) at the dividend reset date for the consecutive five years. The dividend rate during each reset period remains unchanged. (The first dividend reset date is 21 December 2022, and the subsequent reset date is 21 December every five years thereafter).	4.86%
19	of which: Existence of dividend brake mechanism	N/A	N/A	N/A	No	Yes	No
20	of which: Fully discretionary, partially discretionary or non- discretionary	Fully discretionary	Fully discretionary	Fully discretionary	Non-discretionary	Fully discretionary	Non-discretionary

No.	Main features of eligible regulatory capital instruments	H Share	A Share	Rights issue	Tier 2 capital instrument	Preference shares	Tier 2 capital instrument
21	of which: Existence of redemption incentive mechanism	No	No	No	No	No	No
22	of which: Cumulative or noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	N/A	N/A	N/A	No	Yes	No
24	of which: If convertible, specify the trigger condition for conversion	N/A	N/A	N/A	N/A	Occurrence of Additional Tier 1 capital instruments trigger event or Tier 2 capital instruments trigger event.	N/A
25	of which: If convertible, specify if it is fully or partially	N/A	N/A	N/A	N/A	Fully or partially convertible upon the occurrence of Additional Tier 1 capital instruments triggers, and fully convertible upon the occurrence of Tier 2 capital instruments triggers	N/A
26	of which: If convertible, specify conversion rate	N/A	N/A	N/A	N/A	The initial conversion price is the average trading price of A shares of the Bank in the 20 trading days preceding the date of publication of the Board resolution in respect of the issuance of the preference shares (namely RMB5.20 per share). Since the date when the Board of Directors passed the resolution to issue the preference shares, in the event of any distribution of bonus shares or stock dividends for ordinary A-share holders, recapitalisation, issuance of new shares at a price lower than the market price (excluding the shares converted from financing instruments that are issued by the Bank and subject to the clauses of conversion into ordinary shares) and making rights issue, the Bank will accumulatively adjust the conversion price in the order of occurrence of the events, excluding the situation where the bank declares cash dividend for ordinary shares. In case of cancellation of repurchased shares, merger, split-up or other circumstances that may lead to changes in the Bank's share class, number and/or shareholders' equity and thereby affect the rights and interests of the preference shareholders, the Bank shall have the right to adjust the compulsory conversion price in a fair and impartial manner, so as to fully protect and balance the rights and interests of the preference shareholders and the ordinary shareholders.	N/A

No.	Main features of eligible regulatory capital instruments	H Share	A Share	Rights issue	Tier 2 capital instrument	Preference shares	Tier 2 capital instrument
27	of which: If convertible, specify if it is non-discretionary or optional conversion	N/A	N/A	N/A	N/A	Yes	N/A
28	of which: If convertible, specify instrument type after conversion	N/A	N/A	N/A	N/A	Common Equity Tier 1 capital	N/A
29	of which: If convertible, specify issuer of instrument after conversion	N/A	N/A	N/A	N/A	CCB	N/A
30	Write-down feature	N/A	N/A	N/A	Yes	No	Yes
31	of which: If write-down, specify the trigger point of write-down	N/A	N/A	N/A	Write-down is triggered at the earlier of following situations: (1) CBIRC determines issuer cannot survive if no write-down is conducted; (2) relevant authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.	N/A	Write-down is triggered at the earlier of following situations: (1) CBIRC determines issuer cannot survive if no write-down is conducted; (2) relevant authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.
32	of which: If write-down, specify if it is full or partial	N/A	N/A	N/A	Partial/Full	N/A	Partial/Full
33	of which: If write-down, specify if it is permanent or temporary	N/A	N/A	N/A	Permanent	N/A	Permanent
34	of which: If temporary write-down, specify the description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
35	Hierarchy of claims in liquidation (specify instrument types with higher priority rankings)	The lowest priority of all claims	The lowest priority of all claims	The lowest priority of all claims	The lower priority behind the depositor and general creditor, the same priority with other Tier 2 capital instruments ranking pari passu.	The lower priority behind all depositors, general creditors, and Tier 2 capital instruments issued, and other capital instruments senior to preference shares, the same priority with Additional Tier 1 capital instruments ranking pari passu.	The lower priority behind the depositor and general creditor, the same priority with other Tier 2 capital instruments ranking pari passu.
36	Non-eligible transitioned features	No	No	No	No	No	No
37	of which: If yes, specify non-eligible features	N/A	N/A	N/A	N/A	N/A	N/A

No.	Main features of eligible regulatory capital instruments	Tier 2 capital instrument	Tier 2 capital instrument	Undated capital bonds	Tier 2 capital instrument	Tier 2 capital instrument
1	Issuer	CCB	CCB	CCB	CCB	CCB
2	Identification code	ISIN: CND10001QQJ0	ISIN: XS1936784161	ISIN: CND10002HVY6	ISIN: XS2140531950	ISIN: CND10003NQC8
3	Governing law(s)	the PRC law	the UK law (Subordinated tranches subject to the PRC laws and regulations)	the PRC law	the UK law (Subordinated tranches subject to the PRC laws and regulations)	the PRC law
	Regulatory treatment					
4	of which: Applicable to transitional period rules under the *Capital Rules for Commercial Banks (Provisional)*	Tier 2 capital	Tier 2 capital	Additional Tier 1 capital	Tier 2 capital	Tier 2 capital
5	of which: Applicable to post-transitional rules under the *Capital Rules for Commercial Banks (Provisional)*	Tier 2 capital	Tier 2 capital	Additional Tier 1 capital	Tier 2 capital	Tier 2 capital
6	of which: Applicable to the Bank/Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level
7	Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Additional Tier 1 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
8	Amount recognised in regulatory capital (In millions of RMB, as at the latest reporting date)	39,997	11,909	39,991	12,877	64,981
9	Par value of instrument	RMB40,000 million	US$1,850 million	RMB40,000 million	US$2,000 million	RMB65,000 million
10	Accounting classification	Debt securities issued	Debt securities issued	Other equity instruments	Debt securities issued	Debt securities issued
11	Original date of issuance	29 October 2018	27 February 2019	15 November 2019	24 June 2020	14 September 2020
12	Perpetual or dated	Dated	Dated	Perpetual	Dated	Dated
13	of which: Original maturity date	29 October 2028	27 February 2029	No maturity	24 June 2030	14 September 2030
14	Issuer call subject to regulatory approval	Yes	Yes	Yes	Yes	Yes
15	of which: Optional call date, contingent call dates and redemption amount	29 October 2023, redemption in full	27 February 2024, redemption in full	The first call date is 15 November 2024, redemption in full or in part	24 June 2025, redemption in full	14 September 2025, redemption in full
16	of which: Subsequent call dates, if applicable	N/A	N/A	Every 15 November after the first call date	N/A	N/A
	Coupons/dividends					
17	of which: Fixed or floating dividend/coupon	Fixed	The interest rate is fixed for the first five years, and is based on the interest rate at the coupon rate reset date (i.e., the five-year US government bond benchmark rate plus the initial fixed interest spread at the coupon reset date of the fifth year) for the consecutive five years.	Adjustable coupon rate (benchmark rate plus the fixed initial interest spread) by stages is adopted, benchmark rate is adjustable every five years, and the coupon rate during each adjusting period remains unchanged.	The interest rate is fixed for the first five years, and is based on the interest rate at the coupon rate reset date (i.e., the five-year US government bond benchmark rate plus the initial fixed interest spread at the coupon reset date of the fifth year) for the consecutive five years.	Fixed
18	of which: Coupon rate and any related index	4.7%	The interest rate fixed at 4.25% for the first five years, is reset based on the five-year US government bond rate plus the fixed initial interest spread (1.88%) at the reset date for the consecutive five years.	The coupon at 4.22% for the first five years, is reset based on the five-year Chinese government bond rate plus the fixed initial interest spread (1.16%) at the coupon rate reset date for the consecutive five years, and the coupon rate during each reset period remains unchanged (the first coupon rate reset date is 15 November 2024 and the subsequent reset date is 15 November of every 5 years thereafter).	The interest rate fixed at 2.45% for the first five years, is reset based on the five-year US government bond rate plus the fixed initial interest spread (2.15%) at the reset date for the consecutive five years.	4.20%
19	of which: Existence of dividend brake mechanism	No	No	Yes	No	No
20	of which: Fully discretionary, partially discretionary or non- discretionary	Non-discretionary	Non-discretionary	Fully discretionary	Non-discretionary	Non-discretionary
21	of which: Existence of redemption incentive mechanism	No	No	No	No	No

No.	Main features of eligible regulatory capital instruments	Tier 2 capital instrument	Tier 2 capital instrument	Undated capital bonds	Tier 2 capital instrument	Tier 2 capital instrument
22	of which: Cumulative or noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	No	No	No	No	No
24	of which: if convertible, specify the trigger condition for conversion	N/A	N/A	N/A	N/A	N/A
25	of which: If convertible, specify if it is fully or partially	N/A	N/A	N/A	N/A	N/A
26	of which: If convertible, specify conversion rate	N/A	N/A	N/A	N/A	N/A
27	of which: If convertible, specify if it is non-discretionary or optional conversion	N/A	N/A	N/A	N/A	N/A
28	of which: If convertible, specify instrument type after conversion	N/A	N/A	N/A	N/A	N/A
29	of which: If convertible, specify issuer of instrument after conversion	N/A	N/A	N/A	N/A	N/A
30	Write-down feature	Yes	Yes	Yes	Yes	Yes
31	of which: If write-down, specify the trigger point of write-down	Write-down is triggered at the earlier of following situations: (1) CBIRC determines issuer cannot survive if no write-down is conducted; (2) relevant authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.	Write-down is triggered at the earlier of following situations: (1) CBIRC determines issuer cannot survive if no write-down is conducted; (2) relevant authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.	1. Triggering event of Additional Tier 1 capital instruments is where the Common Equity Tier 1 capital adequacy ratio drops to 5.125% (or below). 2. The triggering event of Tier 2 capital instrument refers to the earlier of following situations: (1) CBIRC determines issuer cannot survive if no write-down is conducted; (2) relevant authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be available. When the principal of the bond is partially or fully written down, the bond will be written off perpetually and never recovers again.	Write-down is triggered at the earlier of following situations: (1) CBIRC determines issuer cannot survive if no write-down is conducted; (2) relevant authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.	Write-down is triggered at the earlier of following situations: (1) CBIRC determines issuer cannot survive if no write-down is conducted; (2) relevant authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.
32	of which: If write-down, specify if it is full or partial	Partial/Full	Partial/Full	1. Partial/full when Additional Tier 1 capital instruments trigger events occur. 2. Full when Tier 2 capital instruments triggering events occur.	Partial/Full	Partial/Full
33	of which: If write-down, specify if it is permanent or temporary	Permanent	Permanent	Permanent	Permanent	Permanent
34	of which: If temporary write-down, specify the description of write-up mechanism	N/A	N/A	N/A	N/A	N/A
35	Hierarchy of claims in liquidation (specify instrument types with higher priority rankings)	The lower priority behind the depositor and general creditor, the same priority with other Tier 2 capital instruments ranking pari passu	The lower priority behind the depositor and general creditor, the same priority with other Tier 2 capital instruments ranking pari passu	The lower priority behind depositors, the general creditors and the subordinated debt senior to the undated Additional Tier 1 capital bond, and in priority to all classes of shares held by the Bank's shareholders, the same priority with Additional Tier 1 capital instruments ranking pari passu.	The lower priority behind the depositor and general creditor, the same priority with other Tier 2 capital instruments ranking pari passu	The lower priority behind the depositor and general creditor, the same priority with other Tier 2 capital instruments ranking pari passu
36	Non-eligible transitioned features	No	No	No	No	No
37	of which: If yes, specify non-eligible features	N/A	N/A	N/A	N/A	N/A