

## **Real Estate-related Q&A Materials**

**Recently, the risk events of some real estate enterprises, including Evergrande, have been exposed one after another, which has aroused great concern from all sectors of society. The market and investors are very concerned about the quality of related assets and business development trends of banks including CCB. In view of the issues of concern raised during recent communication and exchanges, CCB makes the following pertinent responses in writing for reference.**

**1. In view of the recent real estate market situation, the regular meeting of the Monetary Policy Committee of the People's Bank of China for the third quarter pointed out that it is necessary to "maintain the healthy development of the real estate market and protect the legitimate rights and interests of home buyers". What measures has China Construction Bank mainly taken?**

Answer: CCB has always been earnestly implementing the decisions and deployment of the State, adhering to the orientation of "houses are for living in, not for speculation". Focusing on the policy goal of "stabilizing land prices, housing prices and expectations", CCB has continued to implement the long-term mechanism for real estate, accurately grasping and implementing the prudent management system of real estate finance. Besides, it has strengthened the management of the concentration of real estate loans in a steady and orderly manner, vigorously promoted the house rental strategy, firmly safeguarded the healthy development of the real estate market and protected the legitimate rights and interests of home buyers.

In terms of the credit business for corporate real estate, taking into account market conditions, customer needs and business objectives, CCB actively meets the reasonable financing needs of real estate enterprises, maintains stable, balanced and orderly issuance of real estate development loans, and provides diversified financial support such as urbanization construction loans, commercial property mortgage loans, house rental loans and property-related M&A loans for high-quality real estate enterprise groups. The scale of real estate development loans of the Bank maintained steady growth in October.

In terms of the personal housing loan business, CCB has strictly implemented the regulatory requirements, introduced differentiated housing credit policies,

actively supported the reasonable housing needs of households, and safeguarded the sustained, stable and sound development of personal mortgage loan business. The scale of new loans remained stable in August, September and October, and it is expected that the stable trend in the third quarter will continue into the fourth quarter as a whole.

In helping to build the rental housing market, the Bank has vigorously promoted the house rental strategy in recent years, given full play to the advantages of financial resource integration, enhanced communication and cooperation with pilot city governments, facilitated the supply of indemnificatory rental housing and boosted the healthy development of the rental housing market. As of the end of September, the Bank's balance of corporate house rental loans was RMB116.276 billion, and the comprehensive house rental service platform covered 96% of administrative districts at prefecture-level and above across the country, providing a transparent trading platform for 15,000 enterprises and 38 million individual landlords and tenants.

**2. How is the credit exposure, risk classification and provision of real estate enterprises with default events such as Evergrande in CCB, and what measures has CCB taken against the risks of related real estate enterprises and their upstream and downstream industries?**

Answer: CCB attaches great importance to the development trend of the real estate industry, and pays close attention to the recent progress of debt default and negative public opinion of some real estate enterprises including Evergrande Group. At present, CCB's exposure to real estate enterprises with default events such as Evergrande Group is relatively small, the collateral is sufficient, and the risks are basically controllable. Other real estate enterprises with recent risk events have relatively little business cooperation with CCB, and some real estate enterprises have no credit business cooperation with CCB. There are no default bonds issued by real estate enterprises in the RMB bond investment transaction business carried out with CCB's own funds. Meanwhile, CCB always adheres to the principle of substantial risk judgment, prudently carries out the classification and staging of risks, and fully sets aside provision according to the actual situation of the debt.

CCB attaches great importance to the risk management and control of real estate loans, insists on making good customer and project selection, and the proportion of loans from first- and second-tier cities, high-quality customers

and residential projects continues to increase. CCB carries out account management and closed management of funds for real estate development loan projects in accordance with the regulations of the regulatory authorities, and conducts regular stress tests on real estate development loans every year in light of the historical situation of domestic and foreign real estate markets. On the whole, due to the continuous optimization of the customer structure of the Bank's real estate development loans, high-quality customers account for a relatively high proportion. Under the stress scenario, the NPL ratio of real estate development loans has increased, but the growth rate is limited and the overall risk is controllable.

With regard to the risks related to the industrial chain, CCB has increased the risk monitoring of the construction industry, strengthened the supervision of key areas, strictly implemented the name list management system, and took preventive measures in advance.

**3. How is the overall asset quality and provision of real estate loans of CCB at present, and what is your judgment on the trend of NPL ratio of real estate loans?**

Answer: According to the latest publicly disclosed figures, as at the end of June, CCB's NPL ratio of real estate industry was 1.56%, up 0.25 percentage points from the beginning of the year. The NPL base of CCB's real estate industry was low, and the risk exposure of individual existing customers has driven up the NPL ratio of the real estate industry, but it was still 0.93 percentage points lower than the average NPL ratio of corporate loans. At the same time, the Bank prudently carried out collateral management of real estate loans, and the average collateral ratio of real estate loans has remained stable.

In the future, the Bank will insist on making good customer selection, strengthen risk monitoring, and intensify its efforts on resolution and disposal. It is expected that the NPL ratio of real estate industry will remain basically stable.

**4. Has China Construction Bank changed its control over the concentration of personal housing loans recently? How is the market demand for personal housing loans, and will the recent fluctuations in housing prices in some cities affect the asset quality of personal housing loans in relevant areas?**

Answer: CCB actively implemented the national real estate regulation and control policy, adhered to the orientation of “houses are for living in, not for speculation”, strengthened the management of the concentration of real estate-related loans, actively supported the reasonable housing financial needs of households, and orderly reduced the proportion of personal housing loan balance in the loan book according to regulatory requirements. Currently, the market demand for personal mortgage loans has remained basically stable, and loans have been extended in a stable and orderly manner.

In view of the fluctuation of the real estate market in some areas, CCB gives full play to its professional advantages in the field of housing finance and proactively follows up the implementation process of the long-term mechanism in the real estate market. Besides, it improves its capabilities in market research and professional analysis, continuously optimizes the credit structure and gives priority to supporting the reasonable demand for self-occupied properties such as areas with net population inflow and residents’ first property, so as to maintain the stable and healthy development of personal housing loan business.

CCB’s personal housing loans are of good quality. According to the latest publicly disclosed figures, as of the end of June, the NPL ratio of personal housing loans of CCB was 0.20%. It is expected that the asset quality of individual housing loans in relevant areas will remain stable.