

# 2021 INTERIM REPORT

Stock Code:03328



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## IMPORTANT REMINDERS

- I. The Board of Directors, the Board of Supervisors and Directors, Supervisors, senior management of the Bank are responsible for the authenticity, accuracy and completeness of the Interim Report, free of false records, misleading statements or material omissions and assume individual and joint legal responsibilities.
- II. The 2021 Interim Report and results announcement were reviewed and approved at the 22th Meeting of the 9th Session of the Board of Directors of the Bank on 27 August 2021. The number of directors who should attend the meeting was 16, with 15 directors attending the meeting in person and 1 director attending the meeting by proxy. Non-executive Director Song Hongjun did not attend the meeting in person due to work commitments and entrusted Non-executive Director Chen Junkui to attend and vote on behalf of him with a trust deed.
- III. Mr. Ren Deqi, Chairman of the Bank, Mr. Guo Mang, Principal in charge of accounting and Mr. Chen Yu, Head of Accounting Department represent that they are responsible for the authenticity, accuracy and completeness of the financial statements in the Interim Report.
- IV. This Interim Report is unaudited.
- V. The Bank did not distribute any interim dividend or convert any capital reserve into share capital for the six months ended 30 June 2021.
- VI. Prospective statements involved in the Report, such as future plans and development strategies, do not constitute a substantive commitment of the Group to investors. Investors and stakeholders are required to keep sufficient risk awareness and understand the differences among the plan, forecasting and commitment.
- VII. The Group's operation is mainly exposed to risks including credit risk, market risk, operational risk and compliance risk. The Group took and will continue to take various steps to effectively manage risks. For more details, please refer to section of "Management Discussion and Analysis – Risk Management".

# DEFINITIONS

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

“Bank”, “BoCom”	Bank of Communications Co., Ltd.
“CBIRC”	China Banking and Insurance Regulatory Commission
“CHI”	Central Huijin Investment Ltd.
“CSRC”	China Securities Regulatory Commission
“Group”	The Bank and its subsidiaries
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited
“Ministry of Finance”	Ministry of Finance of the People’s Republic of China
“PBOC”	The People’s Bank of China
“SSE”	The Shanghai Stock Exchange
“SSF”	The National Council for Social Security Fund

## Major products and services of the Bank

“Benefit Loan”	Online credit consumption loans launched by the Bank for qualified customers.
“Cloud Banking”	A WeChat Mini Program-based online marketing service platform of the Bank for account managers.
“Go Pay”	A one-stop digital service platform of finance and life for all customers.
“Inclusive e-Loan”	Online inclusive financing business services of inclusive finance launched by the Bank for qualified customers.
“Mobile Banking”	A mobile APP providing online business processing and other services to personal customers of the Bank and covering a variety of financial products and life service needs of customers.
“OTO Fortune”	A main brand of retail business of the Bank with the core value of “creating and sharing abundant wealth with noble virtue” devoted to realizing value maintenance and appreciation of wealth for customers.
“Win to Fortune”	A corporate and interbank wealth management brand of the Bank providing comprehensive one-stop wealth management solutions for corporate, government institutions and interbank financial customers through intelligent financial service and digital transformation.

# GENERAL INFORMATION

## I. CORPORATE INFORMATION

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

Legal representative: Ren Deqi  
Authorised representatives: Ren Deqi, Gu Sheng

Secretary of the Board of Directors and Company Secretary: Gu Sheng

Registered address: 188 Yin Cheng Zhong Lu,  
(Shanghai) Pilot Free Trade Zone, PRC

Contact and address: 188 Yin Cheng Zhong Lu, Pudong New District, Shanghai  
Postal code: 200120  
Tel: 86-21-58766688  
Fax: 86-21-58798398  
E-mail: investor@bankcomm.com  
Official website: www.bankcomm.com  
Principal place of business in Hong Kong: 20 Pedder Street, Central, Hong Kong

### Information Disclosure Channels and Places Where the Interim Report is Available

A share: *China Securities Journal, Shanghai Securities News, Securities Times* and website of the SSE at www.sse.com.cn  
H share: Website of HKEx News at www.hkexnews.hk  
Places where the interim report is available: Board of Directors Office of the Bank

## Information of Shares

Classes	Stock exchange	Stock name	Stock code
A Share	Shanghai Stock Exchange	Bank of Communications	601328
H Share	The Stock Exchange of Hong Kong Limited	BANKCOMM	03328
Domestic Preference Share	Shanghai Stock Exchange	BOCOMPREF1	360021

**Domestic auditor:** PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership)  
11th Floor  
PricewaterhouseCoopers Centre,  
2 Corporate Avenue, 202 Hu Bin Road, Shanghai, PRC

Name of auditor signed: Ma Yingni, Ying Chenbin

**International auditor:** PricewaterhouseCoopers Registered Public Interest Entity Auditor  
22/F, Prince's Building, Central, Hong Kong

Name of auditor signed: Ling Tung Man Tom

**PRC legal advisor:** Grandall Law Firm (Shanghai)

**Hong Kong legal advisor:** DLA Piper Hong Kong

## Share Registrar and Transfer Office

A Share: China Securities Depository and Clearing Corporation Limited, Shanghai Branch  
No. 188 South Yanggao Road, Pudong New District, Shanghai, P.R. China  
H Share: Computershare Hong Kong Investor Services Limited  
Flat 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

## Other Information

Unified social credit code: 9131000010000595XD

## GENERAL INFORMATION

### II. COMPANY PROFILE AND PRINCIPAL ACTIVITIES

Founded in 1908, the Bank is one of the note-issuing banks with the longest history in modern China. The Bank reopened after reorganisation on 1 April 1987 and became the first nationwide state-owned joint-stock commercial bank in China, with Head Office located in Shanghai. The Bank was listed on the Hong Kong Stock Exchange in June 2005 and on the Shanghai Stock Exchange in May 2007.

The Bank provides customers with corporate banking, personal banking and interbank and financial market businesses. Corporate banking businesses include offering deposits and loans, supply chain finance, cash management, international settlement and trade financing, investment banking, wealth management and all kinds of intermediary businesses to corporate customers and government agencies. Personal banking businesses include services such as deposits and loans, wealth management, bank cards, private banking and all kinds of intermediary businesses for individual customers. Interbank and financial market businesses include cooperation with customers in the markets of interest rates, exchange rates, commodities, providing comprehensive services such as investment and financing, transactions, brokerage, agency, settlement, liquidation, asset management and asset custody. In addition, the Group is involved in businesses in financial leasing, fund, trust, insurance, overseas securities, debt-to-equity conversion and asset management through wholly-owned or controlling subsidiaries.

During the Reporting Period, the Group's operating mode, primary businesses and key performance drivers had no significant change. The Group's core competitiveness had no significant change.

# FINANCIAL HIGHLIGHTS

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

(in millions of RMB unless otherwise stated)

<b>Key financial data</b>	<b>January to June 2021</b>	January to June 2020	Increase/ (decrease) (%)
Net interest income	<b>78,486</b>	73,849	6.28
Net fee and commission income	<b>24,966</b>	24,277	2.84
Net operating income	<b>134,051</b>	126,959	5.59
Credit impairment losses	<b>33,082</b>	33,333	(0.75)
Operating expenses	<b>35,537</b>	34,860	1.94
Profit before tax	<b>46,588</b>	39,958	16.59
Net profit (attributable to shareholders of the Bank)	<b>42,019</b>	36,505	15.10
Earnings per share (attributable to ordinary shareholders of the Bank, in RMB yuan) <sup>1</sup>	<b>0.54</b>	0.46	17.39

	<b>30 June 2021</b>	31 December 2020	Increase/ (decrease) (%)
Total assets	<b>11,413,960</b>	10,697,616	6.70
Loans and advances to customers <sup>2</sup>	<b>6,346,703</b>	5,848,424	8.52
Total liabilities	<b>10,478,045</b>	9,818,988	6.71
Due to customers	<b>7,016,652</b>	6,607,330	6.19
Shareholders' equity (attributable to shareholders of the Bank)	<b>923,608</b>	866,607	6.58
Net assets per share (attributable to ordinary shareholders of the Bank, in RMB yuan) <sup>3</sup>	<b>10.08</b>	9.87	2.13
Net Capital <sup>4</sup>	<b>1,072,904</b>	1,021,246	5.06
Including: Net core tier-1 capital <sup>4</sup>	<b>743,079</b>	727,611	2.13
Other tier-1 capital <sup>4</sup>	<b>176,295</b>	134,610	30.97
Tier-2 capital <sup>4</sup>	<b>153,530</b>	159,025	(3.46)
Risk-weighted assets <sup>4</sup>	<b>7,015,362</b>	6,695,462	4.78

<b>Key financial indicators (%)</b>	<b>January to June 2021</b>	January to June 2020	Change (percentage point)
Cost-to-income ratio <sup>5</sup>	<b>27.78</b>	28.91	(1.13)
Annualised return on average assets	<b>0.78</b>	0.72	0.06
Annualised weighted average return on net assets attributable to ordinary shareholders of the Bank <sup>1</sup>	<b>10.93</b>	9.90	1.03
Net interest margin <sup>6</sup>	<b>1.55</b>	1.53	0.02

	<b>30 June 2021</b>	31 December 2020	Change (percentage point)
Non-performing loan ratio	<b>1.60</b>	1.67	(0.07)
Provision coverage ratio	<b>149.29</b>	143.87	5.42
Capital adequacy ratio <sup>4</sup>	<b>15.29</b>	15.25	0.04
Tier-1 capital adequacy ratio <sup>4</sup>	<b>13.11</b>	12.88	0.23
Core tier-1 capital adequacy ratio <sup>4</sup>	<b>10.59</b>	10.87	(0.28)

Notes:

1. Calculated pursuant to the requirements of *Regulations on the Preparation of Information Disclosure for Companies Offering Securities to the Public No. 9 - Calculation and Disclosure of Return on Equity and Earnings per Share* (2010 Revision) issued by the CSRC.
2. Loans and advances to customers do not include interest receivable on related loans.
3. Refers to shareholders' equity attributable to ordinary shareholders of the Bank after the deduction of other equity instruments against the total issued ordinary shares at the end of the period.
4. Calculated pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* by the CBIRC.
5. Calculated as operating expenses divided by net operating income after the deduction of other operating expenses, consistent with the financial report in accordance with China Accounting Standards.
6. Represented the ratio of net interest income to total average interest-bearing assets.

## I. FINANCIAL STATEMENT ANALYSIS

In the first half of 2021, with the normalisation of pandemic prevention and control in China, the real economy witnessed a rebound in demands for financing, and the assets and main businesses of the banking industry achieved stable growth. During the Reporting Period, the Group insisted on the orientation of high-quality development, and consistently optimised business structure, which enabled the business performance to make ongoing progress and quality improvement while maintaining stability, successfully achieving a good objective of the opening of the “14th Five-Year Plan”.

**The Group realised a steady improvement on operating performance.** During the Reporting Period, the Group’s net profit (attributable to shareholders of the Bank) amounted to 42.019 billion, representing a year-on-year increase of 15.10%. The Group’s net operating income amounted to 134.051 billion, representing a year-on-year increase of 5.59%. Net interest income amounted to 78.486 billion, representing a year-on-year increase of 6.28%. Net fee and commission income amounted to 24.966 billion, representing a year-on-year increase of 2.84%. The net interest margin stood at 1.55%, representing a year-on-year increase of 0.02 percentage point. The annualised return on average assets stood at 0.78%, representing a year-on-year increase of 0.06 percentage point. The annualised return on weighted-average shareholders’ equity was 10.93%, indicating an increase of 1.03 percentage points on a year-on-year basis.

**The Group achieved steady asset growth.** As at the end of the Reporting Period, the total assets of the Group increased by 6.70% over the end of the previous year to 11.41 trillion. The balance of the Group’s loans and advances to customers increased by 498.279 billion or 8.52% over the end of the previous year to 6.35 trillion. The balance of the Group’s due to customers increased by 409.322 billion or 6.19% over the end of the previous year to 7.02 trillion.

**The Group continued to improve asset quality while maintaining stability.** As at the end of the Reporting Period, the non-performing loan ratio of the Group was 1.60%, representing a decrease of 0.07 percentage point over the end of the previous year. Provision coverage ratio was 149.29%, representing an increase of 5.42 percentage points over the end of the previous year. Overdue loans accounted for 1.48%, representing a decrease of 0.06 percentage point over the end of the previous year.

### (I) Analysis on Key Income Statement Items

#### 1. Profit before tax

During the Reporting Period, the Group’s profit before tax increased by 6.630 billion on a year-on-year basis, representing an increase of 16.59% to 46.588 billion. Profit before tax was mainly derived from net interest income and net fee and commission income. Credit impairment losses decreased by 0.251 billion or 0.75% on a year-on-year basis.



The selected items from the income statement of the Group during the periods indicated are shown below:

(in millions of RMB unless otherwise stated)

	For the six months ended 30 June		
	2021	2020	Increase/ (decrease) (%)
Net interest income	78,486	73,849	6.28
Net non-interest income	55,565	53,110	4.62
Including: Net fee and commission income	24,966	24,277	2.84
<b>Net operating income</b>	<b>134,051</b>	126,959	5.59
Credit impairment losses	(33,082)	(33,333)	(0.75)
Impairment losses on other assets	(418)	(159)	162.89
Insurance business expense	(10,925)	(11,022)	(0.88)
Other operating expenses	(43,038)	(42,487)	1.30
Including: Operating expenses	(35,537)	(34,860)	1.94
<b>Profit before tax</b>	<b>46,588</b>	39,958	16.59
Income tax	(3,715)	(2,961)	25.46
<b>Net profit</b>	<b>42,873</b>	36,997	15.88

The breakdown of the net operating income of the Group during the periods indicated is shown below:

(in millions of RMB unless otherwise stated)

Item	For the six months ended 30 June 2021		
	Amount	Proportion (%)	Increase/ (decrease) on a year-on-year basis (%)
Net interest income	78,486	58.55	6.28
Net fee and commission income	24,966	18.62	2.84
Net gains arising from trading activities	10,169	7.59	38.30
Net gains arising from financial investments	772	0.58	(48.70)
Net share of profits of associates and joint ventures	114	0.08	34.12
Insurance business income	11,022	8.22	0.79
Other operating income	8,522	6.36	(4.82)
<b>Total net operating income</b>	<b>134,051</b>	<b>100.00</b>	<b>5.59</b>

## 2. Net interest income

During the Reporting Period, the Group's net interest income increased by 4.637 billion on a year-on-year basis to 78.486 billion, accounting for 58.55% of the net operating income, which was a major component of the Group's income. The increase in net interest income was attributable to the increase in the scale of interest-bearing assets. Besides, due to structural optimisation of liabilities and the decrease of cost ratio during the Reporting Period, the Group's interest expenses for the current year was lower than that over the same period of the previous year.

## FINANCIAL STATEMENT ANALYSIS

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

*(in millions of RMB unless otherwise stated)*

	For the six months ended 30 June 2021			For the six months ended 30 June 2020		
	Average balance	Interest income/ (expense)	Annualised average rate of return (cost) (%)	Average balance	Interest income/ (expense)	Annualised average rate of return (cost) (%)
<b>Assets</b>						
Cash and balances with central banks	791,467	5,383	1.37	793,229	5,499	1.39
Due from and placements with banks and other financial institutions	735,194	5,788	1.59	853,989	9,822	2.31
Loans and advances to customers	6,030,466	129,626	4.33	5,393,039	124,636	4.65
Investment securities	2,669,703	43,155	3.26	2,637,847	46,272	3.53
Interest-bearing assets	10,226,830	183,952	3.63	9,678,104	186,229	3.87
Non-interest-bearing assets	985,071			957,483		
<b>Total assets</b>	<b>11,211,901</b>			<b>10,635,587</b>		
<b>Liabilities and Shareholders' Equity</b>						
Due to customers	6,653,433	69,536	2.11	6,265,870	71,996	2.31
Due to and placements from banks and other financial institutions	1,956,558	19,154	1.97	2,128,528	26,058	2.46
Debt securities and others	1,188,987	16,776	2.85	935,566	14,326	3.08
Interest-bearing liabilities	9,798,978	105,466	2.17	9,329,964	112,380	2.42
Shareholders' equity and non-interest-bearing liabilities	1,412,923			1,305,623		
<b>Total Liabilities and Shareholders' Equity</b>	<b>11,211,901</b>			<b>10,635,587</b>		
<b>Net interest income</b>		<b>78,486</b>			<b>73,849</b>	
<b>Net interest spread<sup>1</sup></b>			<b>1.46</b>			<b>1.45</b>
<b>Net interest margin<sup>2</sup></b>			<b>1.55</b>			<b>1.53</b>
<b>Net interest spread<sup>1,3</sup></b>			<b>1.67</b>			<b>1.65</b>
<b>Net interest margin<sup>2,3</sup></b>			<b>1.76</b>			<b>1.74</b>

Notes:

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

During the Reporting Period, the Group's net interest spread increased by 6.28% on a year-on-year basis. The net interest spread was 1.46%, representing an increase of 1 basis point on a year-on-year basis. The net interest margin increased by 2 basis points on a year-on-year basis to 1.55%.

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

(in millions of RMB)

	Comparison between January to June 2021 and January to June 2020		
	Increase/(Decrease) due to		
	Amount	Interest rate	Net increase/(decrease)
<b>Interest-bearing assets</b>			
Cash and balances with central banks	(12)	(104)	(116)
Due from and placements with banks and other financial institutions	(1,361)	(2,673)	(4,034)
Loans and advances to customers	14,698	(9,708)	4,990
Investment securities	558	(3,675)	(3,117)
Changes in interest income	13,883	(16,160)	(2,277)
<b>Interest-bearing liabilities</b>			
Due to customers	4,440	(6,900)	(2,460)
Due to and placements from banks and other financial institutions	(2,098)	(4,806)	(6,904)
Debt securities issued and others	3,871	(1,421)	2,450
Changes in interest expenses	6,213	(13,127)	(6,914)
<b>Changes in net interest income</b>	<b>7,670</b>	<b>(3,033)</b>	<b>4,637</b>

During the Reporting Period, the Group's net interest income increased by 4.637 billion on a year-on-year basis, of which the increase of 7.670 billion was due to changes in the average balances of assets and liabilities and the decrease of 3.033 billion was due to changes in the annualised average rate of return and the annualised average rate of cost.

### (1) Interest income

During the Reporting Period, the Group's interest income decreased by 2.277 billion or 1.22% on a year-on-year basis to 183.952 billion. The interest income from loans and advances to customers, investment securities and cash and balances with central banks accounted for 70.47%, 23.46% and 2.93% of total interest income respectively.

#### A. Interest income from loans and advances to customers

Interest income from loans and advances to customers was the largest component of the Group's interest income. During the Reporting Period, interest income from loans and advances to customers increased by 4.990 billion or 4.00% on a year-on-year basis to 129.626 billion, which was mainly due to the impact on the average balance of loans and advances to customers increasing by 637.427 billion. The increase was mainly generated from medium and long-term corporate and personal loans.

## FINANCIAL STATEMENT ANALYSIS

**Analysis of the average income of loans and advances to customers by business type and term structure***(in millions of RMB unless otherwise stated)*

	For the six months ended 30 June 2021			For the six months ended 30 June 2020		
	Average balance	Interest income	Annualised average rate of return (%)	Average balance	Interest income	Annualised average rate of return (%)
<b>Corporate loans</b>	<b>3,856,489</b>	<b>77,262</b>	<b>4.04</b>	3,463,950	75,308	4.37
– Short-term loans	<b>1,316,730</b>	<b>22,377</b>	<b>3.43</b>	1,239,688	25,087	4.07
– Medium and long-term loans	<b>2,539,759</b>	<b>54,885</b>	<b>4.36</b>	2,224,262	50,221	4.54
<b>Personal loans</b>	<b>2,004,541</b>	<b>49,886</b>	<b>5.02</b>	1,735,369	46,526	5.39
– Short-term loans	<b>533,345</b>	<b>14,504</b>	<b>5.48</b>	468,343	15,724	6.75
– Medium and long-term loans	<b>1,471,196</b>	<b>35,382</b>	<b>4.85</b>	1,267,026	30,802	4.89
<b>Discounted bills</b>	<b>169,436</b>	<b>2,478</b>	<b>2.95</b>	193,720	2,802	2.91
<b>Total loans and advances to customers</b>	<b>6,030,466</b>	<b>129,626</b>	<b>4.33</b>	5,393,039	124,636	4.65

**B. Interest income from investment securities**

During the Reporting Period, interest income from investment securities decreased by 3.117 billion or 6.74% on a year-on-year basis to 43.155 billion, which was mainly due to the year-on-year decrease by 27 basis points in the annualised average rate of return of investment securities.

**C. Interest income from cash and balances with central banks**

The balances with central banks mainly included balances in statutory reserves and in excess reserves. During the Reporting Period, interest income from cash and balances with central banks decreased by 0.116 billion or 2.11% on a year-on-year basis to 5.383 billion, which was mainly due to the year-on-year decrease of 2 basis points in the annualised average rate of return on cash and balances with central banks.

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

During the Reporting Period, the interest income from balances due from and placements with banks and other financial institutions decreased by 4.034 billion or 41.07% on a year-on-year basis to 5.788 billion, which was mainly due to the year-on-year decrease of 72 basis points in the annualised average rate of return on due from and placements with banks and other financial institutions.

**(2) Interest expenses**

During the Reporting Period, the Group's interest expenses decreased by 6.914 billion or 6.15% on a year-on-year basis to 105.466 billion. During the Reporting Period, benefited by the declining market interest rate and the optimisation in the structure of due to customers, interest expenses on due to customers of the Group and balances due to and placements from banks and other financial institutions decreased.

## A. Interest expenses on due to customers

Due to customers is the Group's primary funding source. During the Reporting Period, interest expenses on due to customers decreased by 2.460 billion or 3.42% on a year-on-year basis to 69.536 billion, accounting for 65.93% of total interest expenses. The decrease in interest expenses on due to customers was mainly due to a year-on-year decrease in the annualised average rate of cost by 0.20 percentage point. The Group focused on reducing the scale of high-cost deposits and continuously optimising the deposit structure, which resulted in a significant growth in the scale of deposits and a slight year-on-year decrease in interest expenses.

**Analysis of the average cost of due to customers by product type***(in millions of RMB unless otherwise stated)*

	For the six months ended 30 June 2021			For the six months ended 30 June 2020		
	Average balance	Interest expenses	Annualised average rate of cost (%)	Average balance	Interest expenses	Annualised average rate of cost (%)
<b>Corporate deposits</b>	<b>4,364,792</b>	<b>43,414</b>	<b>2.01</b>	4,183,092	46,475	2.23
– Demand deposits	<b>1,910,236</b>	<b>8,272</b>	<b>0.87</b>	1,830,970	8,780	0.96
– Time deposits	<b>2,454,556</b>	<b>35,142</b>	<b>2.89</b>	2,352,122	37,695	3.22
<b>Personal deposits</b>	<b>2,288,641</b>	<b>26,122</b>	<b>2.30</b>	2,082,778	25,521	2.46
– Demand deposits	<b>779,876</b>	<b>1,964</b>	<b>0.51</b>	808,302	3,566	0.89
– Time deposits	<b>1,508,765</b>	<b>24,158</b>	<b>3.23</b>	1,274,476	21,955	3.46
<b>Total due to customers</b>	<b>6,653,433</b>	<b>69,536</b>	<b>2.11</b>	6,265,870	71,996	2.31

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

During the Reporting Period, interest expenses on balances due to and placements from banks and other financial institutions decreased by 6.904 billion or 26.49% on a year-on-year basis to 19.154 billion, which was mainly due to a year-on-year decrease of 49 basis points in the annualised average rate of cost of balances due to and placements from banks and other financial institutions.

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

During the Reporting Period, interest expenses on debt securities issued and other interest-bearing liabilities increased by 2.450 billion or 17.10% on a year-on-year basis to 16.776 billion, which was mainly due to a year-on-year increase of 253.421 billion in average balance of debt securities issued and others.

**3. Net fee and commission income.**

Net fee and commission income was an important component of the Group's net operating income. During the Reporting Period, the Group continued to facilitate the transformation of its profit-making mode and to diversify revenue streams. The Group's net fee and commission income increased by 0.689 billion or 2.84% on a year-on-year basis to 24.966 billion. Wealth management and agency services were the main drivers of the Group's net fee and commission income.

## FINANCIAL STATEMENT ANALYSIS

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

(in millions of RMB unless otherwise stated)

	For the six months ended 30 June		
	2021	2020	Increase/ (decrease)(%)
Bank cards	9,750	10,303	(5.37)
Wealth management business	5,830	4,828	20.75
Custody and other fiduciary businesses	3,972	4,121	(3.62)
Agency services	3,575	2,594	37.82
Investment banking	1,945	2,030	(4.19)
Guarantee and commitment	1,358	1,381	(1.67)
Settlement services	713	825	(13.58)
Others	156	133	17.29
<b>Total fee and commission income</b>	<b>27,299</b>	26,215	4.14
<b>Less: Fee and commission expense</b>	<b>(2,333)</b>	(1,938)	20.38
<b>Net fee and commission income</b>	<b>24,966</b>	24,277	2.84

Fee income from wealth management business increased on a year-on-year basis, mainly due to the increase in the scale of fund management and wealth management products of the controlling subsidiaries of the Group. Fee income from agency services increased on a year-on-year basis, mainly due to the increase in the income of funds consignment business.

#### 4. Operating expenses

During the Reporting Period, the Group's operating expenses increased by 0.677 billion or 1.94% on a year-on-year basis to 35.537 billion. The Group's cost-to-income ratio was 27.78%, representing a year-on-year decrease of 1.13 percentage points. The cost-to-income ratio would decrease by about 2 percentage points from 27.78% if the tax exemption effect of bond interest income and other income was restored. Other employees' cost increased by 36.23% on a year-on-year basis, mainly due to the decrease of employees' social insurance expenditure for the same period in the previous year resulting from the social insurance reduction policy.

The breakdown of the Group's operating expenses for the periods indicated is shown below:

(in millions of RMB unless otherwise stated)

	For the six months ended 30 June		
	2021	2020	Increase/ (decrease)(%)
Staff remuneration, bonus, allowance and welfare	9,321	9,124	2.16
Other staff costs	4,839	3,552	36.23
Operating expenses	17,400	18,276	(4.79)
Depreciation and amortisation	3,977	3,908	1.77
<b>Total operating expenses</b>	<b>35,537</b>	34,860	1.94

## 5. Asset impairment losses

During the Reporting Period, the Group's asset impairment losses were 33.500 billion, representing a year-on-year increase of 0.008 billion or 0.02%, of which the credit impairment losses on loans which increased by 0.039 billion or 0.13% on a year-on-year basis to 31.173 billion. Considering that the global pandemic was still evolving, adding the increasingly complex external environment and the unstable and unbalanced situation of domestic economic recovery, the Bank remained at a certain percentage of provision with asset impairment losses remaining flat on a year-on-year basis, maintaining its resilience in risk prevention.

## 6. Income tax

During the Reporting Period, the Group's income tax expenses increased by 0.754 billion or 25.46% on a year-on-year basis to 3.715 billion. The effective tax rate of 7.97% was lower than the statutory tax rate of 25%, which was mainly due to the tax exemption on interest income from treasury bonds and local treasury bonds held by the Group, as promulgated in relevant tax provisions.

### (II) Analysis on Key Balance Sheet Items

#### 1. Assets

As at the end of the Reporting Period, the Group's total assets increased by 716.344 billion or 6.70% over the end of the previous year to 11,413.960 billion, mainly due to the increase in the scale of loans granted and financial investments.

The balances (after provision) of the key components of the Group's total assets and their proportions to the total assets as at the dates indicated are shown below:

*(in millions of RMB unless otherwise stated)*

	30 June 2021		31 December 2020	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans and advances to customers (after provision)	6,208,293	54.39	5,720,568	53.48
Financial investments	3,352,666	29.37	3,237,337	30.26
Cash and balances with central banks	810,320	7.10	817,561	7.64
Due from and placements with banks and other financial institutions	712,370	6.24	571,130	5.34
Others	330,311	2.90	351,020	3.28
<b>Total assets</b>	<b>11,413,960</b>	<b>100.00</b>	<b>10,697,616</b>	<b>100.00</b>

#### (1) Loans and advances to customers

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

## FINANCIAL STATEMENT ANALYSIS

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

*(in millions of RMB unless otherwise stated)*

	30 June 2021		31 December 2020		31 December 2019	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
<b>Corporate loans</b>	<b>4,059,876</b>	<b>63.96</b>	3,707,471	63.39	3,346,476	63.09
– Short-term loans	<b>1,341,122</b>	<b>21.13</b>	1,251,162	21.39	1,189,543	22.43
– Medium and long-term loans	<b>2,718,754</b>	<b>42.83</b>	2,456,309	42.00	2,156,933	40.66
<b>Personal loans</b>	<b>2,116,957</b>	<b>33.36</b>	1,980,882	33.87	1,754,765	33.08
– Mortgage	<b>1,387,339</b>	<b>21.86</b>	1,293,773	22.12	1,135,428	21.41
– Credit card	<b>463,340</b>	<b>7.30</b>	464,110	7.94	467,387	8.81
– Others	<b>266,278</b>	<b>4.20</b>	222,999	3.81	151,950	2.86
<b>Discounted bills</b>	<b>169,870</b>	<b>2.68</b>	160,071	2.74	203,034	3.83
<b>Total loans and advances to customers</b>	<b>6,346,703</b>	<b>100.00</b>	5,848,424	100.00	5,304,275	100.00

As at the end of the Reporting Period, the Group's total loans and advances to customers increased by 498.279 billion or 8.52% over the end of the previous year to 6,346.703 billion, among which the Renminbi loans from domestic branches increased by 406.010 billion or 7.75% over the end of the previous year.

The corporate loan balance was 4,059.876 billion, achieving an increase of 352.405 billion or 9.51% over the end of the previous year, whose proportion in loans and advances to customers increased by 0.57 percentage point to 63.96% over the end of the previous year. Short-term loans increased by 89.960 billion, and medium and long-term loans increased by 262.445 billion, whose proportion in loans and advances to customers increased to 42.83%.

The balance of personal loans was 2,116.957 billion, representing an increase of 136.075 billion or 6.87% over the end of the previous year, whose proportion in loans and advances to customers decreased by 0.51 percentage point to 33.36% over the end of the previous year. Mortgage loans increased by 93.566 billion or 7.23% over the end of the previous year, whose proportion in loans and advances to customers decreased by 0.26 percentage point to 21.86%. Credit card loans decreased by 0.770 billion or 0.17% over the end of the previous year.

Discounted bills increased by 9.799 billion or 6.12% over the end of the previous year.



**Distribution of the loans and advances to customers by security types***(In millions of RMB unless otherwise stated)*

	30 June 2021		31 December 2020	
	Balance	Proportion (%)	Balance	Proportion (%)
<b>Unsecured loans</b>	<b>1,990,191</b>	<b>31.36</b>	1,812,785	31.00
<b>Guaranteed loans</b>	<b>1,060,509</b>	<b>16.71</b>	990,248	16.93
<b>Collateralised and other secured loans</b>	<b>3,296,003</b>	<b>51.93</b>	3,045,391	52.07
– Loans secured by collateral	<b>2,356,648</b>	<b>37.13</b>	2,191,847	37.48
– Pledged loans	<b>939,355</b>	<b>14.80</b>	853,544	14.59
<b>Total</b>	<b>6,346,703</b>	<b>100.00</b>	5,848,424	100.00

**Expected credit loss allowance for loans and advances to customers***(in millions of RMB)*

	30 June 2021	31 December 2020
Balance at the end of the previous year	<b>140,561</b>	134,052
Accrual/(Reversal) in the period	<b>31,173</b>	56,269
Transfer in/(Transfer out) in the period	<b>(449)</b>	(683)
Write-offs and disposals in the period	<b>(23,293)</b>	(53,828)
Recovered after written-off	<b>3,495</b>	5,052
Exchange differences	<b>(61)</b>	(301)
Balance at the end of the period	<b>151,426</b>	140,561

**(2) Financial investments**

As at the end of the Reporting Period, the Group's net balance of financial investments increased by 115.329 billion or 3.56% over the end of the previous year to 3,352.666 billion.

**The breakdown of investments by nature***(in millions of RMB unless otherwise stated)*

	30 June 2021		31 December 2020	
	Balance	Proportion (%)	Balance	Proportion (%)
Bonds	<b>2,823,557</b>	<b>84.22</b>	2,787,701	86.11
Equity instruments and others	<b>529,109</b>	<b>15.78</b>	449,636	13.89
<b>Total</b>	<b>3,352,666</b>	<b>100.00</b>	3,237,337	100.00

**The breakdown of investments by the presentation basis of financial statements***(in millions of RMB unless otherwise stated)*

	30 June 2021		31 December 2020	
	Balance	Proportion (%)	Balance	Proportion (%)
Financial investments at fair value through profit and loss	<b>575,837</b>	<b>17.18</b>	482,588	14.91
Financial investments at amortised cost	<b>2,050,282</b>	<b>61.15</b>	2,019,529	62.38
Financial investments at fair value through other comprehensive income	<b>726,547</b>	<b>21.67</b>	735,220	22.71
<b>Total</b>	<b>3,352,666</b>	<b>100.00</b>	3,237,337	100.00

## FINANCIAL STATEMENT ANALYSIS

As at the end of the Reporting Period, the balance of the Group's bond investments increased by 35.856 billion or 1.29% over the end of the previous year to 2,823.557 billion. In the future, the Bank will focus on the allocation of incremental investment and optimisation of historical bond investments at the same time. Firstly is to maintain the overall strategy of investing mainly in interest rate bonds and focus on investment in treasury bonds and local treasury bonds as new investments. Secondly is to keep tracking national industrial policies and changes in enterprise operations in real time to appropriately increase the investment in credit bonds projects with certain allocation values. Thirdly is to optimise the investment structure. The Bank will seek the opportunity to replace some historical low-yield bonds with other assets of higher yield. Fourthly is to increase the interest rate bonds transaction volume and expedite the turnover of treasury bonds and policy bank financial bonds.

**The breakdown of investment securities by issuers***(in millions of RMB unless otherwise stated)*

	30 June 2021		31 December 2020	
	Balance	Proportion (%)	Balance	Proportion (%)
Government and central banks	2,131,003	75.48	2,057,685	73.81
Public sector entities	28,024	0.99	26,940	0.97
Interbank institutions and other financial institutions	496,389	17.58	552,765	19.83
Corporate entities	168,141	5.95	150,311	5.39
<b>Total</b>	<b>2,823,557</b>	<b>100.00</b>	<b>2,787,701</b>	<b>100.00</b>

As at the end of the Reporting Period, financial bonds held by the Group amounted to 496.389 billion, including bonds issued by policy banks of 160.840 billion and by interbank institutions and non-bank financial institutions of 335.549 billion, which accounted for 32.40% and 67.60% of the total bonds respectively.

**Top 10 financial bonds held by the Group***(in millions of RMB unless otherwise stated)*

Bond name	Face value	Annual interest rate (%)	Maturity date	Impairment allowance
Policy Bank Bond issued in 2018	6,901	4.99	23/01/2023	1.21
Policy Bank Bond issued in 2017	6,330	4.39	07/09/2027	1.07
Policy Bank Bond issued in 2017	5,680	4.44	08/11/2022	0.98
Policy Bank Bond issued in 2018	5,000	4.98	11/01/2025	0.87
Policy Bank Bond issued in 2018	4,400	4.97	28/01/2023	0.77
Policy Bank Bond issued in 2017	3,330	4.30	20/08/2024	0.57
Commercial Bank Bond issued in 2017	3,000	4.38	29/08/2022	8.73
Policy Bank Bond issued in 2019	2,912	2.70	19/03/2024	0.54
Policy Bank Bond issued in 2018	2,750	4.88	09/02/2028	0.49
Commercial Bank Bond issued in 2017	2,506	Three-month Libor + 0.95	24/04/2022	0.67

**(3) Foreclosed asset**

The selected information of the Group's foreclosed asset on the dates indicated is shown below:

	30 June 2021	31 December 2020
Original value of foreclosed assets	1,270	1,109
Less: Impairment allowance	(310)	(142)
<b>Net value of foreclosed assets</b>	<b>960</b>	967

(in millions of RMB)

**2. Liabilities**

As at the end of the Reporting Period, the Group's total liabilities increased by 659.057 billion or 6.71% over the end of the previous year to 10,478.045 billion. Among them, due to customers increased by 409.322 billion or 6.19% over the end of the previous year, which accounted for 66.97% of total liabilities and represented a decrease of 0.32 percentage point over the end of the previous year. The balance of due to and placements from interbank institutions and other financial institutions increased by 50.615 billion or 2.83% over the end of the previous year, which accounted for 17.54% of total liabilities and represented a decrease of 0.66 percentage point over the end of the previous year.

**Due to customers**

Due to customers is the Group's primary funding source. As at the end of the Reporting Period, the Group's balance of due to customers increased by 409.322 billion or 6.19% over the end of the previous year to 7,016.652 billion. In terms of the customer structure, the proportion of corporate deposits was 64.88%, representing a decrease of 0.83 percentage point over the end of the previous year. The proportion of personal deposits was 33.97%, representing an increase of 0.79 percentage point over the end of the previous year. In terms of deposit tenure, the proportion of demand deposits decreased by 1.15 percentage points over the end of the previous year to 41.51%, while the proportion of time deposits increased by 1.11 percentage points over the end of the previous year to 57.34%.

The balance and breakdown of the Group's due to customers as of the dates indicated are shown below:

	30 June 2021		31 December 2020		31 December 2019	
	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
<b>Corporate deposits</b>	<b>4,552,470</b>	<b>64.88</b>	4,341,524	65.71	4,031,784	66.39
– Demand deposits	2,088,099	29.76	2,005,934	30.36	1,835,688	30.23
– Time deposits	2,464,371	35.12	2,335,590	35.35	2,196,096	36.16
<b>Personal deposits</b>	<b>2,383,481</b>	<b>33.97</b>	2,192,231	33.18	1,969,922	32.44
– Demand deposits	824,774	11.75	812,534	12.30	762,669	12.56
– Time deposits	1,558,707	22.22	1,379,697	20.88	1,207,253	19.88
<b>Other deposits</b>	<b>2,433</b>	<b>0.03</b>	5,499	0.08	3,364	0.06
<b>Accrued interest</b>	<b>78,268</b>	<b>1.12</b>	68,076	1.03	67,838	1.11
<b>Total</b>	<b>7,016,652</b>	<b>100.00</b>	6,607,330	100.00	6,072,908	100.00

(in millions of RMB unless otherwise stated)

## FINANCIAL STATEMENT ANALYSIS

### **3. Off-balance sheet items**

The Group's off-balance sheet items included derivative financial instruments, contingencies, commitments and collaterals.

The Group entered into various derivative financial instruments relating to interest rate contracts, exchange rate contracts, precious metals and commodity contracts for trading, hedging, asset and liability management and on behalf of customers. Please refer to Note 21 Derivative Financial Instruments to the Financial Statements for the details of nominal amounts and fair value of the derivative financial instruments.

The Group's contingencies and commitments mainly included outstanding litigations, credit related commitments and financial guarantees, capital expenditure commitments, operating leasing commitments, commitments on security underwriting and bond acceptance. Please refer to Note 39 Credit Related Commitments and Financial Guarantees, Other Commitments and Contingent Liabilities to the Financial Statements for the details of contingencies and commitments.

The Group uses part of its assets as collaterals for interbank repurchase arrangements and other liabilities-related business. Please refer to Note 40 Collaterals to the Financial Statements for the details.

#### (III) Analysis on Key Cash Flow Items

As at the end of the Reporting Period, the balance of cash and cash equivalents of the Group was 278.629 billion, representing a net decrease of 28.491 billion over the end of the previous year.

The cash flow from operating activities was a net outflow of 112.743 billion, representing an increase of 232.101 billion on a year-on-year basis, which was mainly resulted from the increase of loans issued, due from and placements with banks and other financial institutions over the same period of the previous year.

The cash flow from investment activities was a net inflow of 8.964 billion, representing an increase of 98.397 billion on a year-on-year basis, which was mainly due to the increase of cash inflow from the disposal of financial investments.

The cash flow from financing activities was a net inflow of 78.123 billion, representing an increase of 28.640 billion on a year-on-year basis, which was mainly due to the increase in cash inflow from the issuance of sustainable bonds.

## (IV) Segment Analysis

**1. Operating results by geographical segments**

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

(in millions of RMB unless otherwise stated)

	2021				2020			
	Profit before tax	Proportion (%)	Net operating income <sup>1</sup>	Proportion (%)	Profit before tax	Proportion (%)	Net operating income <sup>1</sup>	Proportion (%)
Yangtze River Delta	21,988	47.20	50,109	37.38	15,441	38.64	46,887	36.93
Pearl River Delta	4,115	8.83	11,515	8.59	3,923	9.82	9,758	7.69
Bohai Rim Economic Zone	2,323	4.99	14,788	11.03	3,742	9.36	13,091	10.31
Central China	9,612	20.64	18,099	13.51	7,588	18.99	16,217	12.77
Western China	3,271	7.02	10,937	8.16	6,066	15.18	9,367	7.38
North Eastern China	(1,494)	(3.21)	3,611	2.69	(77)	(0.19)	2,934	2.31
Overseas	4,661	10.00	7,165	5.34	4,350	10.89	7,288	5.74
Head Office <sup>2</sup>	2,112	4.53	17,827	13.30	(1,075)	(2.69)	21,417	16.87
<b>Total<sup>3</sup></b>	<b>46,588</b>	<b>100.00</b>	<b>134,051</b>	<b>100.00</b>	<b>39,958</b>	<b>100.00</b>	<b>126,959</b>	<b>100.00</b>

Notes:

- Including net interest income, net fee and commission income, net gains arising from trading activities, net gains arising from financial investments, net gains arising from investments in associates and joint ventures, insurance business income and other operating income. Same applies hereinafter.
- Head Office included the Pacific Credit Card Centre. Same applies hereinafter.
- Total included profit/(loss) attributable to non-controlling interests.
- Due to the adjustment to the standards of dividing segments and evaluation guidelines of income allocation within segment, comparative data has been restated in accordance with the current presentation.

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

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

(in millions of RMB unless otherwise stated)

	30 June 2021		31 December 2020	
	Loan and advances balances	Proportion (%)	Loan and advances balances	Proportion (%)
Yangtze River Delta	1,740,449	27.42	1,576,465	26.96
Pearl River Delta	795,832	12.54	701,865	12.00
Bohai Rim Economic Zone	919,712	14.49	831,454	14.22
Central China	1,031,618	16.25	958,527	16.39
Western China	732,604	11.54	680,088	11.63
North Eastern China	241,802	3.81	232,864	3.98
Overseas	378,425	5.96	359,368	6.14
Head Office	506,261	7.99	507,793	8.68
<b>Total</b>	<b>6,346,703</b>	<b>100.00</b>	<b>5,848,424</b>	<b>100.00</b>

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The Group's deposit balances by geographical segments as at the dates indicated:

*(in millions of RMB unless otherwise stated)*

	30 June 2021		31 December 2020	
	Deposit balances	Proportion (%)	Deposit balances	Proportion (%)
Yangtze River Delta	1,903,166	27.12	1,786,446	27.04
Pearl River Delta	872,402	12.43	768,470	11.63
Bohai Rim Economic Zone	1,436,471	20.47	1,348,298	20.41
Central China	1,155,580	16.47	1,072,501	16.23
Western China	774,681	11.04	734,423	11.12
North Eastern China	333,383	4.75	330,087	5.00
Overseas	459,161	6.54	495,356	7.50
Head Office	3,540	0.05	3,673	0.06
Accrued interest	78,268	1.13	68,076	1.01
<b>Total</b>	<b>7,016,652</b>	<b>100.00</b>	<b>6,607,330</b>	<b>100.00</b>

### 3. Operating results by business segments

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

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

*(in millions of RMB unless otherwise stated)*

	2021		2020	
	Amount	Proportion (%)	Amount	Proportion (%)
<b>Net operating income</b>	<b>134,051</b>	<b>100.00</b>	126,959	100.00
Corporate banking	60,384	45.04	54,489	42.92
Personal banking	63,026	47.02	60,896	47.97
Treasury businesses	9,989	7.45	10,819	8.52
Other businesses	652	0.49	755	0.59
<b>Profit before tax</b>	<b>46,588</b>	<b>100.00</b>	39,958	100.00
Corporate banking	13,510	29.00	16,334	40.88
Personal banking	24,762	53.15	14,402	36.04
Treasury businesses	8,271	17.75	9,003	22.53
Other businesses	45	0.10	219	0.55

Note: The comparative information was prepared in accordance with the categorisation of the current period since the assessment rules of the income distribution between various business segments have been adjusted.

## (V) Capital Adequacy Ratio

**1. Measurement method**

The Group calculated the capital adequacy ratios pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* issued by the CBIRC and the relevant requirements. Since the adoption of the Advanced Approach of Capital Management upon the first approval by the CBIRC in 2014, the Bank steadily promoted the implementation and deepened the application of advanced methods in accordance with regulatory requirements. Upon the approval by the CBIRC in 2018, the Bank ended the Advanced Approach of Capital Management parallel period and expanded the application scope.

**2. Measurement scope**

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

**3. Measurement result**

As at the end of the Reporting Period, the Group's capital adequacy ratio, tier-1 capital adequacy ratio and core tier-1 capital adequacy ratio were 15.29%, 13.11%, and 10.59% respectively, all of which met the regulatory requirements.

(in millions of RMB unless otherwise stated)

	30 June 2021		31 December 2020	
	The Group	The Bank	The Group	The Bank
Net core tier-1 capital	743,079	624,652	727,611	614,452
Net tier-1 capital	919,374	799,442	862,221	747,744
Net capital	1,072,904	948,197	1,021,246	900,694
Core tier-1 capital adequacy ratio (%)	10.59	9.94	10.87	10.21
Tier-1 capital adequacy ratio (%)	13.11	12.72	12.88	12.42
Capital adequacy ratio (%)	15.29	15.08	15.25	14.96

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

**4. Risk-weighted assets**

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

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*(in millions of RMB)*

	<b>30 June 2021</b>	31 December 2020
Credit risk-weighted asset	<b>6,471,581</b>	6,110,414
Covered under internal rating-based approach	<b>4,833,035</b>	4,546,002
Not covered under internal rating-based approach	<b>1,638,546</b>	1,564,412
Market risk-weighted asset	<b>173,612</b>	214,879
Covered under internal model approach	<b>120,209</b>	148,307
Not covered under internal model approach	<b>53,403</b>	66,572
Operational risk-weighted asset	<b>370,169</b>	370,169
Additional risk-weighted assets due to use of capital floor	<b>0</b>	0
<b>Total risk-weighted assets</b>	<b>7,015,362</b>	6,695,462

**5. Credit risk exposure**

*(in millions of RMB)*

	<b>30 June 2021</b>		31 December 2020	
	<b>Covered under internal rating-based approach</b>	<b>Not covered under internal rating-based approach</b>	Covered under internal rating-based approach	Not covered under internal rating-based approach
Corporate risk exposure	<b>4,765,004</b>	<b>241,880</b>	4,351,713	289,310
Sovereign risk exposure	<b>0</b>	<b>2,203,644</b>	0	2,149,539
Financial institution risk exposure	<b>916,382</b>	<b>589,500</b>	878,468	454,456
Retail risk exposure	<b>2,304,229</b>	<b>276,154</b>	2,208,533	215,292
Equity risk exposure	<b>0</b>	<b>58,018</b>	0	57,787
Asset securitisation risk exposure	<b>0</b>	<b>11,294</b>	0	12,385
Other risk exposures	<b>0</b>	<b>1,101,126</b>	0	1,081,052
<b>Total</b>	<b>7,985,615</b>	<b>4,481,616</b>	7,438,714	4,259,821

**6. Market risk capital requirement**

*(in millions of RMB)*

	<b>30 June 2021</b>	31 December 2020
<b>Risk type</b>		
Market risk covered under internal model approach	<b>9,617</b>	11,864
Market risk not covered under internal model approach	<b>4,272</b>	5,326
Interest rate risk	<b>3,676</b>	2,856
Stock risk	<b>135</b>	583
Foreign exchange risk	<b>441</b>	1,886
Commodity risk	<b>20</b>	1
Option risk	<b>0</b>	0
<b>Total</b>	<b>13,889</b>	17,190

**7. Value at risk (VaR)**

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



(in millions of RMB)

Item	January to June 2021				January to June 2020			
	At the end of the period	Average	Maximum	Minimum	At the end of the period	Average	Maximum	Minimum
Value at risk (VaR)	733	1,446	1,856	683	1,813	1,270	1,875	968
Stressed value at risk (SVaR)	1,889	1,560	1,927	1,319	1,844	1,926	2,126	1,734

## 8. Equity risk of banking book

(in millions of RMB)

Investee type	30 June 2021			31 December 2020		
	Publicly traded equity risk exposure <sup>1</sup>	Non-publicly traded equity risk exposure <sup>1</sup>	Unrealised potential risk returns <sup>2</sup>	Publicly traded equity risk exposure <sup>1</sup>	Non-publicly traded equity risk exposure <sup>1</sup>	Unrealised potential risk returns <sup>2</sup>
Financial institutions	3,735	4,730	4	3,667	3,974	6
Non-financial institutions	6,668	46,676	(3,768)	6,282	45,824	(3,876)
<b>Total</b>	<b>10,403</b>	<b>51,406</b>	<b>(3,764)</b>	<b>9,949</b>	<b>49,798</b>	<b>(3,870)</b>

Notes:

- Publicly traded equity risk exposure referred to the equity risk exposure of the investee as a listed company, while non-publicly traded equity risk exposure referred to the equity risk exposure of the investee as a non-listed company.
- Unrealised potential risk returns were unrealised using gains(losses) reflected in the balance sheet instead of using the profit or loss items.

Please refer to “Supplementary Information on Capital Adequacy Ratio, Leverage Ratio, Liquidity Coverage Ratio and Net Stable Funding Ratio” for more information on the Group’s capital measurement.

### (VI) Leverage Ratio

The Group calculated the leverage ratio pursuant to the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)* issued by the CBIRC. As at the end of the Reporting Period, the Group’s leverage ratio was 7.48%, which met the regulatory requirements.

(in millions of RMB unless otherwise stated)

	30 June 2021	31 March 2021	31 December 2020	30 September 2020
Net tier-1 capital	919,374	884,862	862,221	821,274
Balance of adjusted on- and off-balance sheet assets	12,283,568	11,984,683	11,502,604	11,616,142
Leverage ratio (%)	7.48	7.38	7.50	7.07

Please refer to “Supplementary Information on Capital Adequacy Ratio, Leverage Ratio, Liquidity Coverage Ratio and Net Stable Funding Ratio” for more information on the leverage ratio of the Group.

## II. BUSINESS REVIEW

### (I) Progress of Development Strategies

In the first half of the year, the Bank's "14th Five-Year Plan" was formulated and launched. During the "14th Five-Year Plan" period, the Group will remain committed to the strategic vision of "building the first-tier bank with wealth management characteristics and global competitive capabilities in the world". Accordingly, the "One-Four-Five" Strategy was used to promote high-quality development. "One" refers to the driving force of building "one leading bank in the Yangtze River Delta"; "Four" means developing four business features – inclusive finance, trade finance, sci-tech finance and wealth finance; "Five" refers to improving five professional capabilities including customer operations, technology empowerment, risk management, cooperative operation and resource allocation. During the Reporting Period, the "One-Four-Five" Strategy had a good start, achieving overall "reasonable growth in quantity and steady improvement in quality", making stable and fast progress in building the "leading bank in the Yangtze River Delta", and starting to show positive results in developing the four business features.

#### **1. Build the "leading bank in the Yangtze River Delta"**

During the "14th Five-Year Plan" period, promoting the construction of the "leading bank in the Yangtze River Delta" means to give full play to the advantages of BoCom being headquartered in Shanghai, to actively seize the strategic opportunities of the national strategy of the Yangtze River Delta integrated development, and to make BoCom's development in the Yangtze River Delta region into a "locomotive" and "showcase" for innovation and breakthrough, so as to drive the Bank's steady progress towards the goal of becoming a "first-tier bank in the world" from point to area.

In the first half of the year, all work of the Bank was carried out towards the strategic direction of "building a showcase of business characteristics" and "driving the bank-wide transformation and innovation". The Bank stepped up efforts to promote the design of sci-tech financial service solution, the innovation in the online mode of the financing of trade finance industry chain and the enhancement of cooperation on big data in the Yangtze River Delta region. Credit resources in the region were continuously directed to the areas with business features, and the innovative practices was replicated and promoted bank-wide in an orderly manner. As at the end of the Reporting Period, the balance of inclusive loans to small and micro enterprises in the Yangtze River Delta region increased by 29.75% over the end of the previous year, the balance of loans to strategic emerging industries increased by 15.53% over the end of the previous year and the trade financing balance increased by 21.29% over the end of the previous year, all higher than the growth rate of general loans in the region. The growth in the number of private banking customers and daily assets under management (AUM) balance in the region were also higher than the Bank average. The "Benefit Medical Payment" project, which has been innovatively implemented in the health care scenario in Shanghai, has been replicated and implemented in Nanjing, Wuxi, Dalian, Qingdao and other cities. In the first half of the year, the total profit of the Yangtze River Delta region was 21.988 billion, contributing to 47.20% of the Group's profit with a year-on-year increase of 8.56 percentage points.

## 2. Create four business features

Creating “four business features” in order to establish comparative advantages in the market competition is the top priority while the Bank adheres to “14th Five-Year Plan”. This is also the foundation of building a new service-oriented development pattern and the foundation of business development determined upon the Bank’s own situations while paying attention to seize new development opportunities.

**Develop the feature of inclusive finance.** Centring around “enhancing the inclusiveness of finance”, the Bank actively supported urban governance, rural revitalisation, livelihood consumption and many other areas while serving small and micro enterprises well. The Bank closely integrated with various scenarios such as digital government affairs platform and livelihood services, strengthened scientific and technological lead and digitalised risk control in order to achieve customer acquisition in batches and sustainable development of the Bank. In the first half of the year, the Bank enhanced the layout of scenarios such as travel, education and medical care, and more than 11% of the new retail customers were acquired from scenario derivations, including 0.16 million newly acquired customers through online banking cooperative institutions (individual customer with non-zero average daily assets on a quarterly basis), twice the number derived in 2020, and 175 thousand new contracted customers acquired through “one thing” for medical payment. The process of inclusive loan products to micro and small enterprises was continuously optimised. As at the end of the Reporting Period, the balance of inclusive loans to micro and small enterprises increased by 29.3% over the end of the previous year.

**Develop the feature of trade finance.** The Bank contributed to the construction of new development pattern, and seized the major opportunity of Shanghai building “the central node of domestic circulation and the strategic link between domestic and international dual circulation”. The Bank concentrated on the core node enterprises of the industrial chain, supply chain and value chain, and provided offshore and onshore integrated financial services in local and foreign currencies for domestic and overseas businesses. In the first half of the year, the Bank continued to improve product functions and business efficiency in business lines such as cash management, supply chain finance and international settlement. In addition, the Bank promoted the quality and quantity of “BoCom e-Customs”, focused on Shanghai’s “3+6” key industry system to facilitate the optimisation and iteration of chain financial products. During the Reporting Period, the volume of trade financing in domestic branches increased by 26.21% to 390.9 billion on a year-on-year basis, mainly driven by businesses including chain finance and cross-border trade. Cross-border business maintained fast development, with the international payment and foreign exchange settlement and sales business increasing by 48.56% on a year-on-year basis.

## BUSINESS REVIEW

**Develop the feature of sci-tech finance.** In response to the strategy of reinvigorating China with science and technology, the Bank built an integrated service system with characteristics of both commercial bank and investment bank, and provided comprehensive financial services for areas such as strategic emerging industries, sci-tech innovation, advanced manufacturing industry, green and low-carbon, and the upgrading of traditional industries. In the first half of the year, the basic support capability of sci-tech finance was gradually consolidated. The database of sci-tech enterprises was built and gradually improved, the policy guidance for credit business in the field of sci-tech innovation was further enhanced, and the solution of comprehensive financial services of sci-tech enterprises was further clarified. As at the end of the Reporting Period, the balance of loans to strategic emerging industries was 198.5 billion, representing an increase of 27.07% over the end of the previous year, and its proportion in corporate loans increased by 0.73 percentage point over the end of the previous year; the number of sci-tech business customers was 44.7 thousand, representing an increase of 1.5 thousand or 3.47% over the end of the previous year.

**Develop the feature of wealth finance.** The Bank actively served people's demands for a better life and the national strategy of coping with the ageing population, and thus built an integrated full-chain operating system of "Great Wealth-Great Asset Management-Great Investment Bank" to provide services for people's wealth accumulation, preservation, appreciation and inheritance. In the first half of the year, the mechanism of wealth management advisor assigned by the Head Office was promoted in an orderly manner, and the asset allocation system went live to enable the front-line account managers, thus improving the capability of online and offline cooperative service and better serve the middle-end and high-end customers. The financial brand and product system of elderly care were gradually built up, and the financial brand "BoCom Elderly Care" went live with 20 strategic action plans. As at the end of the Reporting Period, personal financial assets under management (AUM<sup>1</sup>) of domestic branches reached 4.14 trillion, representing an increase of 6.26% over the end of the previous year. The number of monthly active users (MAU) of Mobile banking increased by 5.41% over the end of the previous year. The number of OTO Fortune and private banking customers maintained a growth rate of more than 9% over the end of the previous year. In the first half of the year, the Bank achieved revenue of 5.406 billion in wealth management, representing an increase of 24% on a year-on-year basis, of which the revenue of funds business doubled on a year-on-year basis.

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<sup>1</sup> Excluding the number value of customers' securities, same below.

## (II) Corporate Banking Business

- ◆ The Bank served the real economy as always and focused on supporting areas like manufacturing, green finance and rural revitalisation. During the Reporting Period, the corporate loan balance increased by 352.405 billion or 9.51% over the end of the previous year, in which the proportion of medium and long-term loans increased by 262.445 billion or 10.68%.
- ◆ The Bank supported the development of key areas. As at the end of the Reporting Period, loans of three major regions including the Yangtze River Delta, the Beijing-Tianjin-Hebei Region and the Guangdong-Hong Kong-Macao Region increased by 11.14% over the end of the previous year, exceeding the average growth rate of the Group's loans by 2.62 percentage points. Balance of loans in these three major regions accounted for 52.06%, representing an increase of 1.22 percentage points over the end of the previous year.
- ◆ The Bank developed business features, drove continuous optimisation of deposit and constantly improved value contribution. As at the end of the Reporting Period, the balance of corporate deposit increased by 4.86% over the end of the previous year to 4,552.470 billion, in which demand deposits accounted for 45.87%, which increased by 1.22 percentage points over the end of the first quarter on a quarter-on-quarter basis.

**1. Customer development**

The Bank accelerated the construction of customer projects, and further established a stratified operation and service system. As at the end of the Reporting Period, the total number of corporate customers of domestic branches increased by 6.94% over the end of the previous year, and the number of new accounts increased by 43.71% on a year-on-year basis. For group customers, the Bank adopted a professional and intensive business model and highlighted the level of intra-city operations of headquarter economic clusters including the Yangtze River Delta, the Beijing-Tianjin-Hebei Region and the Guangdong-Hong Kong-Macao Region. The Bank improved the refined service levels for top customers by establishing an integrated three-dimensional service team consisting of the Head Office, the branches and the sub-branches and by adhering to the rule of "One Strategy for One Account". As at the end of the Reporting Period, the number of the Bank's group customers reached 77.5 thousand, representing an increase of 2,792 over the end of the previous year. For Government institutions customers, the Bank maintained its dominant position in the fields of government institution customers by building systems and platforms, as well as targeting at resource entry points. As at the end of the Reporting Period, the number of Government institutions customers reached 69 thousand, representing an increase of 658 over the end of the previous year. For small and micro basic customers, the Bank vigorously promoted the construction of online and remote customer acquisition channels, and cooperated with the optimisation of the account opening process, the construction of the outlet's corporate service capabilities and the centralised operation of online outbound teams, to create new operating models of "outlet channel", "online channel" and "remote channel" for small and micro basic customers. As at the end of the Reporting Period, the number of small and micro basic customers reached 1.8977 million, representing an increase of 0.1317 million over the end of the previous year.

## BUSINESS REVIEW

### **2. Scenario construction**

The Bank intensively explored scenario construction through digital thinking and integrated financial services into subdivided scenarios such as medical care, schools, parks, property management, parking, mortgage and Party membership dues payment. The Bank also launched some innovative products like Benefit Medical Payment, BoCom Smart Schools, Intelligent Financial Service Platform, e-License and e-Mortgage, upgrading the comprehensive financial solutions to all fields. Benefit Medical Payment has been launched in ten cities including Shanghai, Nanjing, Dalian, Qingdao and Shijiazhuang. BoCom Smart Schools used the monitoring mechanism of tuition collection as its platform to provide comprehensive service functions such as omni-channel tuition collection, one-stop service for electronic bills and management of non-tax revenue. The Intelligent Financial Services Platform has launched more than 20 scenario-based products, with 68 thousand registered customers in total, and the number of qualified customers was 24.9 thousand, representing an increase of 47.79% over the end of the previous year. The Bank launched a comprehensive financial service solution “BoCom e-Customs” focusing on the Single Window Platform at customs to develop a new model of trade finance services covering local and foreign currencies, and accelerated the electronic construction and characteristic scenario application of non-financing letter of guarantee business, with the balance of non-financing letter of guarantee increasing by 35% on a year-on-year basis.

### **3. Industrial chain finance**

Focusing on the industry leaders, the Bank consistently strengthened the expansion of industrial chain finance in key industries and built an “online + offline” digital business expansion model, with of the chain finance business increasing by 49% on a year-on-year basis. The Bank promoted the digital note product series of “Win to Fortune Rapid Discount”, which efficiently satisfied customers’ demands for fast financing. The Bank optimised factoring financing products and developed an industrial chain rapid financing product line, with characteristics of flexible credit granting and convenient operation, which was a leap forward in the efficiency of financing. As at the end of the Reporting Period, the total accumulated number of qualified industrial chain networks developed by domestic branches reached 5,034 and the balance of key industrial chain financing products increased by 18.66% to over 180.0 billion on a year-on-year basis.

### **4. Investment bank**

The scale of bond underwriting business (according to Wind) ranked 4th in the market for the first time, and the scale of bond underwriting according to NAFMII (debt financing instructions of non-financial enterprises) reached 196.677 billion with a counter-trend increase of 8.89% against the market decrease of 4.55% on a year-on-year basis, whose ranking rose from 12th at the end of the previous year to 9th this year. Specifically, the scale of NAFMII ABN underwriting increased by 94.31% to 13.011 billion on a year-on-year basis.

In terms of the innovative products, the Bank developed five Credit Risk Mitigation Warrants (CRMW) amounting to 1.69 billion, accounting for 21.69% and ranking first in the market. The Bank also completed the first BoCom Share Chain 10.0 billion N+N shelf offering project, enabling small and medium enterprises to realise supply chain financing. The newly increased scale of domestic and overseas mergers and acquisitions finance was 40.7 billion, representing an increase of 15% on a year-on-year basis. The Bank made innovations on the coordinated mechanism for the equity investment business of the Group, launched BoCom Industrial Investment (Hangzhou) Equity Investment Fund (0.9 billion). The Bank was awarded “Outstanding Institution of the Year”, “2020 Wind Best Bond Underwriter” and “2020 Wind Best ABN Underwriter” at the 7th Annual Conference of China Securitisation Forum.

### **5. Inclusive loans for small and micro enterprises**

The Bank established “Inclusive e-Loan” comprehensive online financing product system to realise the driving forces of online standardised products and scenario-customised products, improving the capabilities of both business scale and risk control. Relying on digital methods, the Bank optimised the customer service model, promoted “Share + Reward” linked marketing, enhanced the availability and service to inclusive customers and strengthened customer service in key areas.

The Bank strengthened the innovation in the supply chain financial service model, accelerated the development of online factoring, distributor fast lending and other online industrial chain businesses and promoted the expansion of businesses such as Express Pay. Through a scenario-based and industrial chain model, the Bank reinforced the layout and development in key areas including new energy, new infrastructure, low-carbon finance and sci-tech innovation to extend services to upstream and downstream enterprises and provide integrated financing and settlement services.

The Bank optimised its services of sci-tech finance and green finance. The Bank customised financing products with inclusive characteristics for high-quality small and micro sci-tech enterprises, with focus on the development of small and micro enterprises that functioned in the key “bottleneck” technology challenge, to improve the comprehensive financial service capability for small and micro enterprises in the field of science and technology innovation. The Bank established a new concept of “Carbon Inclusive”, formulating personalised financing solutions with special privileges such as carbon emission rights and pollution emission rights, and undertook the first carbon emission right pledge financing business in the Yangtze River Delta region.

As at the end of the Reporting Period, the balance of inclusive loans for small and micro enterprises<sup>2</sup> increased by 66.525 billion or 29.3% over the end of the previous year to 293.568 billion. The number of customers with loan balance increased by 35.7 thousand over the end of the previous year to 183.6 thousand, representing an increase of 24.13%. The non-performing loan ratio was 1.51%, representing a decrease of 0.67 percentage point over the end of the previous year. The average interest rate of cumulative loans of the year was 4.02%. As at the end of the Reporting Period, the Bank provided inclusive credit services for clients in 2,773 outlets.

<sup>2</sup> For small and micro enterprises with credit of less than 10.00 million (inclusive), the loan balance and the number of customers with loan balance do not include the data of discounted bills and rediscounted bills.

**BUSINESS REVIEW****(III) Personal Banking Businesses**

- ◆ The Bank increased the number of retail customers by leveraging the driving forces of “Consumer Finance + Wealth Management” and scaled up deposits and AUM. As at the end of the Reporting Period, the number of middle and high-end customers<sup>3</sup> increased by 9.70% over the end of the previous year, the balance of personal deposits increased by 8.72% over the end of the previous year.
- ◆ The Bank leveraged the Group’s advantages in integrated operations to build up wealth management characteristics. During the Reporting Period, the net income from wealth management fees and commission was 5.406 billion, representing an increase of 24.00% on a year-on-year basis.
- ◆ The Bank developed consumer finance business. As at the end of the Reporting Period, the balance of personal loans was 2,116.957 billion, representing an increase of 6.87% over the end of the previous year, of which the balance of personal mortgage loans increased by 7.23% over the end of the previous year. During the Reporting Period, the cumulative amount of consumptions through credit cards increased by 2.62% on a year-on-year basis.

**1. Retail customers and AUM**

The Bank focused on government affairs, travel, education, medical care and other livelihood scenarios, upgraded product and service solutions through digital transformation, and improved its capability of scenario-based customer acquisition. The Bank made efforts to consolidate the customer operation system, built a hierarchical and classified operation system covering all customers, and kept scaling up AUM. As at the end of the Reporting Period, the number of retail customers of domestic branches (including debit card and credit card customers) increased by 1.71% over the end of the previous year to 182 million. The number of qualified customers (customers with quarterly average assets of 0.50 million to 6.00 million) of OTO Fortune increased by 9.67% over the end of the previous year to 1,904.8 thousand. AUM remained a rapid growth, with the assets increased by 6.26% or 243.906 billion over the end of the previous year to 4,139.472 billion as at the end of the Reporting Period.

<sup>3</sup> High and mid-end customers include qualified customers of OTO Fortune and private banking customers of the Group.



## **2. Wealth management**

The Bank leveraged the Group's advantages in integrated operations while adhering to the principle of "Openness, Best Choice and Customisation", and enriched the variety of wealth management products to build the "OTO Best Choice" product system. During the Reporting Period, net wealth management fees and commission income increased by 24.00% to 5.406 billion on a year-on-year basis. The balance of public funds product on consignment increased by 21.32% over the end of the previous year to 289.730 billion. The Bank realised a net income of fund on consignment (including securities dealers and exclusive accounts) of 1.897 billion, representing an increase of 100.73% on a year-on-year basis. The average yield of the "OTO Best Choice" fund kept outperforming the market average. The Bank established a wealth management brand of "OTO Best Choice", built an exclusive wealth management system for different customer segments and promoted the net-worth transformation of wealth management products. At the end of the Reporting Period, the balance of wealth management products AUM increased by 2.85% over the end of the previous year to 903.97 billion; the net income of wealth management was 1.919 billion, representing an increase of 6.21% on a year-on-year basis. Following up with the trends of the expansion of the middle-income groups and the increasing demand for elderly care services, the Bank vigorously promoted the sales of insurance products such as life support and elderly care. At the end of the Reporting Period, the cumulative sales of insurance products reached 13.939 billion and the net income of agency insurance business was 1.314 billion, representing an increase of 4.93% on a year-on-year basis, of which future sales increased by 45.46% to 3.513 billion on a year-on-year basis.

## **3. Consumer finance**

The Bank continued to promote the online and offline integration of personal housing mortgage loans, took good control of housing mortgage limits and speeded up asset securitisation. To meet the consumer finance demands in the inclusive finance scenario, the Bank promoted the transformation from cash consumption loans to scenario-based consumption loans. As at the end of the Reporting Period, personal housing mortgage loan balance increased by 7.23% to 1,387.339 billion over the end of the previous year. The cumulative number of applications for Benefit Loan was 6.34 million, and the total loans granted were 173.668 billion, which included the newly issued loans of 50.908 billion over the year.

## **4. Private banking**

The Bank increasingly diversified the product category by launching the first CTA alternative investment strategy wealth management product of domestic market, private wealth management products, investment trust products, and TOF products. The Bank also launched the first charity trust product which was exclusively available to family trust customers with charitable willingness and deepened the connotation of wealth management.

## BUSINESS REVIEW

The Bank carried out a reform in private banking business model and implemented “1+1+N” customer service model, in which private banking consultants provided services to private banking customers, with professional support from wealth management consultants and expert teams. Guided by the investment and research report while using the asset allocation proposal as a tool, the Bank was able to meet the wealth management demands of private banking customers. As at the end of the Reporting Period, there were 67.5 thousand private banking customers of the Group, representing an increase of 10.46% over the end of the previous year; the assets of private banking customers under management of the Group were 943.762 billion, representing an increase of 13.19% over the end of the previous year. Major interbank market share of private banking businesses had increased from the end of the previous year.

### 5. Bank card

**Credit card** The Bank vigorously expanded quality customers and promoted the digital transformation of customer acquisition. During the Reporting Period, the number of new active accounts increased by 84.27% on a year-on-year basis, and the proportion of quality customers in the new customers saw a year-on-year rise of 9.54 percentage points. With a focus on high-quality young customers, the Bank launched a variety of cards themed by celebrities such as Wang Yibo and Luo Tianyi and famous brands such as KPL. In detail, more than 0.20 million Wang Yibo themed cards had been applied for within 21 days since it went live. In virtue of measures to activate the dormant accounts and retain customers, the number of existing active accounts retained increased by 610.4 thousand on a year-on-year basis. As at the end of the Reporting Period, there were 73,770 thousand registered domestic credit cards, representing an increase of 1,110 thousand over the end of the previous year, within which customers acquired online accounted for 51.48%.

Meanwhile, the Bank strengthened customer management to promote credit card consumption. Through marketing campaigns such as “Super Red Friday”, “May 5th Shopping Festival” and “Weekly Swipe”, the Bank promoted card binding for mobile payment. During the Reporting Period, the cumulative amount of consumption through credit cards was 1,451.556 billion, representing a year-on-year increase of 2.62%. In detail, the average consumption of active accounts increased by 4.70% on a year-on-year basis and the amount of mobile payment transactions increased by 21.96% on a year-on-year basis. In virtue of precise marketing for targeted customer segments, the balance in instalments increased by 29.43% on a year-on-year basis. As at the end of the Reporting Period, the credit card overdraft balance in domestic branches was 463.242 billion and the credit card overdraft non-performing ratio was 2.24%.

**Debit card** The Bank continuously optimised payment products by strengthening cooperation in quick payment with leading Internet platforms and third-party payment platforms, facilitating card binding for third-party payment and raising payment limit. Meanwhile, the Bank reinforced scenario construction, with a focus on online customer acquisition under the inclusive scenarios such as digital government affairs and transportation. During the Reporting Period, the number of customers acquired online amounted to 290.2 thousand, accounting for 8.36%, with the proportion increased by 5.45 percentage points on a year-on-year basis. The accumulated consumption amounted to 1,282.185 billion, representing a year-on-year increase of 49.75%. At the end of the Reporting Period, the accumulated number of debit cards issued amounted to 161.5987 million, representing a net increase of 2,359.7 thousand over the end of the previous year.

## (IV) Interbank and Financial Market Businesses

- ◆ The Bank actively established the financial scenarios of interbank cooperation, intensively participated in the market construction of bonds, currencies, foreign exchange, commodities and equities of China, and transformed financial market innovation into quality products and services satisfying the demands of individuals, enterprises, governments and interbank institutions.

**1. Interbank businesses**

As at the end of the Reporting Period, due to and placement from banks and other financial institutions accounted for 8.84% of total liabilities, representing a decrease of 0.38 percentage point over the end of the previous year. The balance of Renminbi demand deposits of domestic banks was 650.805 billion, accounting for 71.45% of Renminbi interbank deposits of domestic banks, representing an increase of 2.1 percentage points on a year-on-year basis.

The Bank supported the construction of Shanghai as an international financial centre. The Bank continuously optimised futures and securities settlement systems and strengthened customer expansion, making it a market leader in the scale of securities and futures settlement. Meanwhile, the Bank followed the business innovation of Shanghai Clearing House, and rolled out the first batch of clearing business for the cash commodities, with the volume of major agent clearing products such as foreign exchange, RMB interest rate swaps and standard bond forwards ranking first in the market. During the Reporting Period, the average balance of demand deposits of financial factor market was 206.176 billion, representing an increase of 22.488 billion over the previous year.

The Bank made more efforts in serving the real economy. Through an upgrade of the original interbank platform to BoCom e-Platform on which services such as wealth management, payment and settlement, trade finance and capital transactions were available to interbank customers, the Bank rendered its financial services to cities, counties and rural areas. As at the end of the Reporting Period, there were 1,680 interbank customers in cooperation with BoCom e-Platform, representing an increase of 130 from the beginning of the year. The Bank expanded customers indirectly involved in Cross-border Renminbi Interbank Payment System (CIPS) and supported the development of cross-border Renminbi interbank payment business. The Bank promoted the CIPS standard transmit product to improve the efficiency of cross-border Renminbi interbank payment. As at the end of the Reporting Period, the number of customers indirectly involved in CIPS ranked fourth in the market and the number of customers adopting the standard transmit product ranked first in the market. In addition, the Bank strengthened the cooperation with securities and futures companies. As at the end of the Reporting Period, the Bank accomplished the integration of third-party depository management system with 105 securities companies, achieving cooperation with 98% of securities company customers, accomplished the integration of financing and securities depository management system with 91 securities companies, achieving cooperation with 96% of securities company customers, and accomplished the integration of bank-futures transfer system with 147 futures companies, achieving cooperation with 98% of futures company customers.

## BUSINESS REVIEW

### **2. Financial market businesses**

The scale of financial investments grew steadily. As at the end of the Reporting Period, the scale of financial investments reached 3,352.666 billion, representing an increase of 3.56% over the end of the previous year and the securities investment yield was 3.26%.

The Bank actively played its role in market making, quotation and trading to support the steady operation of financial market and the steady growth in investment scale. During the Reporting Period, the trading volume in Renminbi money market of domestic branches amounted to 33.8 trillion; the trading volume in foreign currency market amounted to USD841.6 billion; the trading volume of Renminbi bonds amounted to 1.84 trillion; the trading volume in interbank foreign exchange market amounted to USD1.37 trillion; the trading volume of self-operated gold amounted to 2,189 tons, maintaining its market position as an active trading bank.

The Bank followed up the construction of Renminbi financial assets allocation and risk management centre of Shanghai, successfully issued the first foreign currency interbank deposit in the market, concluded the first-day transaction of multiple foreign exchange derivatives in the interbank market and became an X-Swap (an electronic transaction system for interest rate swaps) bridging agency and a quotation agency for interest rate options.

The Bank invested more in central and local government bonds, strengthened its support of bond investment businesses to the operation and development of enterprises and actively participated in the bond business of the Free Trade Zone. During the Reporting Period, the Bank invested in 0.3 billion Renminbi bonds issued by enterprises in the China (Shanghai) Pilot Free Trade Zone. To serve the demands of enterprises for risk avoiding and value preservation, the Bank completed designated RMB interest rate swap transactions amounting to 10.015 billion during the Reporting Period.

The Bank made efforts to accelerate the global capital integration and to improve the quality and effectiveness of fund operation and management of overseas branches. The Bank completed the second phase of the foreign exchange and interest rate trading business system construction of the Asia-Pacific capital platform, and concentrated US Dollar and offshore Renminbi funds of seven Asia-Pacific overseas branches in Tokyo, Singapore, Seoul and other regions, centralising the business operation of securities issuance and investment, money market transactions, foreign exchange transaction and derivatives close-out settlement with the international market.

### **3. Asset custody**

The Bank deepened its cooperation with asset management institutions and vigorously developed various custody businesses. By seizing development opportunities in the capital markets and strengthening cooperation with quality fund companies, the Bank screened out quality products and accelerated its layout of the equity-based public funds custody businesses. Focusing on protection of people's livelihood and centring on three pillars of pension, the Bank expanded the market, optimised its services and continuously strengthened its pension custody businesses. By providing custody services for businesses such as insurance debts plans and trust plans, the Bank supported the development of the real economy. By seizing policy opportunities like the connectivity of cross-border financial markets, the Bank promoted the development of cross-border custody businesses. As at the end of the Reporting Period, the assets under custody reached 11.06 trillion, representing an increase of 7.10% over the end of the previous year.

#### 4. *Wealth management businesses*

In response to people's demands for wealth management, the Bank promoted the development of wealth finance features and strengthened cooperation with sales agencies outside the Bank, resulting in a continuous rise in the scale of asset management products. During the Reporting Period, the average balance of off-balance sheet asset management products of the Group reached 1,161.404 billion, representing an increase of 6.18% or 67.570 billion over the previous year. As at the end of the Reporting Period, the scale of net-worth wealth management products of the Group reached 821.011 billion, accounting for 71.32% of the Group's off-balance sheet asset management products, representing an increase of 9.74 percentage points over the end of the previous year.



### Column

#### Support the construction of CIPS to contribute to the internationalisation of Renminbi

As the main channel for cross-border Renminbi payment and clearing, Cross-border Interbank Payment System (CIPS) is an important financial infrastructure of China. In an active response to the strategic deployment of the bi-directional opening of financial market and the internationalisation of Renminbi by the Party Central Committee and the State Council, the Group consistently deepened the cooperation with cross-border clearing companies, giving full support to the construction of CIPS.

**Play an active role in supporting the construction of CIPS global network.** As one of the first direct participants in CIPS, the Bank provided customers with convenient and efficient cross-border Renminbi payment and clearing services. As a result of its endeavour to get the qualification as an overseas direct participant, the clearing bank of Renminbi Business in Seoul, Hong Kong Branch and Hong Kong Sub-branch of the Bank also became direct participants of CIPS successively. Meanwhile, the Bank actively provided services to customers indirectly participating in CIPS. As at the end of the Reporting Period, the number of domestic and overseas customers indirectly participating in CIPS ranked fourth in the market.

**Serve as a pioneer in applying and implementing CIPS to contribute to the optimisation of CIPS payment and clearing system.** The CIPS standard transmit product is an innovative tool developed by cross-border clearing companies, which enables the interaction of cross-border Renminbi payment instructions and improves the efficiency and security of cross-border Renminbi payment and clearing services. The CIPS standard transmit product (direct participation version) was successfully launched for the first time within the Bank, the CIPS standard transmit product (indirect participation version) was successfully launched for the first time within the indirect participant customer of the Bank and the CIPS standard transmit product (enterprise version) was successfully launched for the first time within the enterprise customer of the Bank, which enabled the transmission of cross-border Renminbi payment instructions between direct participants and indirect participants, as well as between direct participants and enterprises, laying a solid foundation for completing the "last mile" of cross-border Renminbi payment and clearing services. As at the end of the Reporting Period, the number of customers with CIPS standard transmit product going live ranked first in the market.

## BUSINESS REVIEW

## (V) Integrated Operation

- ◆ The Group established a coordinative development pattern to provide comprehensive financial services for customers by using commercial banking businesses as the body, with other businesses including financial leasing, fund, wealth management, trust, insurance, and debt-to-equity swap developing alongside.
- ◆ During the Reporting Period, net profits of subsidiaries<sup>4</sup> that are attributable to shareholders of the Bank amounted to 4.928 billion, representing a year-on-year increase of 49.11%, the proportion of which to the Group's net profit increased by 2.68 percentage points to 11.73% on a year-on-year basis.
- ◆ As at the end of the Reporting Period, total assets of the subsidiaries increased by 8.52% over the end of the previous year to 537.878 billion, the proportion of which to the total assets of the Group increased by 0.08 percentage point to 4.71% over the end of the previous year.

**Bank of Communications Financial Leasing Co., Ltd.** As the Bank's wholly-owned subsidiary, it was set up in December 2007 with a registered capital of 14.0 billion. The main business scope includes financing leases and operating leases in sectors such as aviation, shipping and energy power, transportation infrastructure, equipment manufacturing and livelihood services. During the Reporting Period, the company adhered to the development strategies of "Professionalism, Internationalisation, Differentiation and Characteristics", deeply engaged in aviation, shipping, traditional financing leasing and other businesses. As at the end of the Reporting Period, the company's main indicators such as total assets and balance of leasing assets ranked first among domestic financial leasing companies, among which total assets and net assets were 330.542 billion and 33.794 billion respectively, and the balance of leasing assets amounted to 284.767 billion, indicating an increase of 5.95% over the end of the previous year. Total assets of aircraft and ship amounted to 170.302 billion, with fleets of 271 planes and 392 ships. The company's net profit during the Reporting Period was 1.746 billion, representing an increase of 10.3% on a year-on-year basis. The company was elected as the Fifth Chief Administration Unit of China Banking Association (CBA) Financial Leasing Committee.

**BANK OF COMMUNICATIONS INTERNATIONAL TRUST CO., LTD.** It was set up in October 2007 with a registered capital of 5.765 billion, of which the Bank and Hubei Provincial Communications Investment Group Co., Ltd. contributed 85% and 15% stock rights respectively. The main business scope includes trust loans, investment funds trusts, accounts receivable financing, real estate trusts, family trusts, charitable trusts, credit asset securitisation, corporate asset securitisation, qualified domestic institutional investor (QDII), and private equity investment trusts. During the Reporting Period, with the strategic goal of "building the most trustworthy first-class trust company", the company focused on four strategic pillar businesses including private investment banking, securities investment, wealth management and fiduciary services, to return to the essence of trust and serve the real economy. The company has been rated as Level A (the highest level) for six consecutive years since the China Trustee Association launched the industry rating and has won the Excellent Trust Company Award named "Cheng Xin Tuo" granted by the *Shanghai Securities News*. As at the end of the Reporting Period, the total assets, net assets and the AUM of the company were 16.834 billion, 13.829 billion and 622.409 billion respectively. The company's net profit during the Reporting Period was 0.586 billion.

<sup>4</sup> Excluding Bank of Communications (Luxembourg) S.A., Bank of Communications (Brazil) Co., Ltd. and Bank of Communications (Hong Kong) Limited, same applies hereinafter.

**Bank of Communications Schroder Fund Management Co., Ltd.** It was set up in August 2005 with a registered capital of 0.2 billion. It was jointly contributed by the Bank, Schroder Investment Management Limited and China International Marine Containers (Group) Co., Ltd., with the stock rights accounting for 65%, 30% and 5% respectively. The primary businesses include fund raising, fund sales and asset management. The yield of equity investment under active management ranked 3/82 in the industry in recent five years and 12/102 in recent three years. The rate of return of five fund products in recent five years was more than 200%, while the rate of return of 18 fund products in recent three years was more than 100%. As at the end of the Reporting Period, the company's total assets and net assets were 6.285 billion and 4.915 billion respectively, and the public fund under management reached 429.1 billion, representing an increase of 26% over the end of the previous year. The company's net profit during the Reporting Period was 0.977 billion, representing an increase of 96% on a year-on-year basis.

**BOCOM Wealth Management Co., Ltd.** As a wholly-owned subsidiary of the Bank, it was set up in June 2019 with a registered capital of 8.0 billion. It primarily issues wealth management products of fixed income, equity, commodities, financial derivatives and hybrid categories to personal, private banking, institutional and interbank customers. As a core vehicle for the Group to build up wealth management characteristics, a core supplier of wealth management products and an integrated platform for innovation and development of the wide asset management business, the company actively expanded consignment agencies outside the Bank, and the balance of products sold under consignment outside the Bank reached 176.411 billion, accounting for 17.13% of the balance of products. In addition, the scope of sales on consignment outside the Bank ranked first among wealth management subsidiaries. The company gave full play to its wealth management expertise, closely focused on the development of the leading bank in the Yangtze River Delta, selected high-quality assets in the Yangtze River Delta, and shared the benefits of regional integrated development, and the Boxiang Yangtze River Delta Value Investment product series were highly recognised by customers. As at the end of the Reporting Period, the company's total assets and net assets were 9.603 billion and 9.357 billion respectively. The company's net profit during the Reporting Period was 0.606 billion, indicating an increase of 99.47% on a year-on-year basis. The scale of wealth management products saw a continuous growth. As at the end of the Reporting Period, the balance of wealth management products increased by 264.474 billion or 49.55% over the beginning of the year to 798.271 billion.

**BOCOM MSIG Life Insurance Company Limited.** It was set up in January 2010 with a registered capital of 5.1 billion, of which the Bank and the MS&AD Insurance Group contributed 62.50% and 37.50% stock rights respectively. The business scope includes life insurance, health insurance, accident insurance and reinsurance businesses of the aforementioned insurances in Shanghai as well as regions where its branches were established. During the Reporting Period, with the strategic goal of "becoming a company with a leading position in growth and profitability of guaranteed insurance", the company was committed to providing insurance guarantee, highlighted distinctive operation and maintained a stable business performance with good development momentum. As at the end of the Reporting Period, the company's total assets and net assets were 87.004 billion and 7.184 billion respectively. During the Reporting Period, the original premium income was 11.4 billion, representing an increase of 0.12% on a year-on-year basis. The net profit was 0.604 billion, representing an increase of 31.44% on a year-on-year basis, and the value of new business increased by 56.46% on a year-on-year basis.

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**BOCOM Financial Asset Investment Co., Ltd.** As a wholly-owned subsidiary of the Bank, it was set up in December 2017 with a registered capital of 10.0 billion. As one of the first pilot banks to implement debt-to-equity conversion as determined by the State Council, it is mainly engaged in debt-to-equity conversion and supporting services. During the Reporting Period, the company made efforts to develop the main business of market-oriented debt-to-equity swap, and actively reduced leverage ratio and controlled risks to serve the real economy. As at the end of the Reporting Period, the company's total assets and net assets were 49.935 billion and 12.060 billion respectively. The company's net profit during the Reporting Period was 0.703 billion, representing an increase of 259.97% on a year-on-year basis. As at the end of the Reporting Period, the company held a total of 69 historical and incremental projects, with the total investment amount of 41.459 billion.

**BOCOM International Holdings Company Limited.** It was set up on June 1998 (formerly known as Communications Securities Co., Ltd.). It changed its name to BOCOM International Holdings Company Limited in May 2007.). It was listed on the main board of Hong Kong Stock Exchange on 19 May 2017. As at the end of the Reporting Period, the Bank's shareholding of the company was 73.14%. The main business of BOCOM International includes securities brokerage and margin financing, corporate financing and underwriting, asset management and consulting, investment and loan. During the Reporting Period, the company adopted the business strategy of "highlighting the businesses in Yangtze River Delta and Pearl River Delta, focusing on two fields of the industry and achieving transformation with intelligent and digital technologies", ploughed into fields of new economy and activated new growth drivers for diversified businesses, providing customers with comprehensive financial services of the integrated industrial chain. The number of IPO projects underwritten ranked among Top Five in the Hong Kong market, the number of Chinese-funded offshore bonds underwritten ranked among Top Three in the Hong Kong market, and the performance of Hong Kong stock public fund issued and managed by the company ranked first among similar funds in the Hong Kong market. As at the end of the Reporting Period, the company's total assets and net assets were HKD30.638 billion and HKD8.082 billion respectively. The company's net profit during the Reporting Period was HKD0.572 billion, representing an increase of 105% on a year-on-year basis.

**China BOCOM Insurance Co., Ltd.** As a wholly-owned subsidiary of the Bank, it was set up in November 2000 with a registered capital of HKD0.4 billion. The main business was the operation of 17 types of general insurances approved by the Insurance Authority of Hong Kong. During the Reporting Period, the company gave full play to the advantage of holding a full business license for general insurances, and improved the quality and efficiency of its main underwriting business simultaneously. As at the end of the Reporting Period, the company's total assets and net assets were HKD0.822 billion and HKD0.577 billion respectively. The company's net profits during the Reporting Period were HKD6.60 million, representing a year-on-year increase of 0.3%. The gross premiums increased by 11.11%, premium profits before expenditure increased by 27.16% on a year-on-year basis and the net compensation rate was 11.30%.



## (VI) Global Service Capabilities

- ◆ The Group formed an overseas operating network covering major international financial centres across five continents, and had 23 overseas branches (sub-branches) and representative offices in 18 countries and regions, with 69 overseas operating outlets.
- ◆ During the Reporting Period, net profit of overseas banking institutions increased by 6.20% on a year-on-year basis to 3.509 billion, whose contribution to the Group's total net profit was 8.35%.
- ◆ As at the end of the Reporting Period, the total assets of overseas banking institutions decreased by 3.74% over the end of the previous year to 1,194.599 billion, whose contribution to the Group's total assets was 10.47%.

**1. International settlement and trade financing**

The Bank implemented the requirements of trade facilitation, perfected online product system, expanded business processing channels and improved service intelligence levels. The Bank supported new forms of foreign trade, extensively served customers on cross-border e-Commerce platforms, integrated foreign trade service platforms and market procurement trade platforms to meet various customer segments' cross-border financial demands of being personalised, scenario-based and comprehensive. During the Reporting Period, the Bank continuously improved the capability of serving the real economy, and the balance of international payments reached USD230.455 billion, representing an increase of 52.72% on a year-on-year basis. The volume of trade financing for cross-border trade increased by 27.20% on a year-on-year basis to USD17.225 billion.

**2. Overseas service network**

The Group had 23 overseas branches (sub-branches) and representative offices in places including Hong Kong, New York, London, Singapore, Tokyo, Frankfurt, Luxembourg and Sydney, providing customers with financial services including deposits, loans, international settlement, trade financing and foreign currency exchange. The Group established overseas banking service network with 997 banks in 125 countries and regions, set up 243 cross-border Renminbi interbank accounts for 106 overseas Renminbi participating banks in 31 countries and regions. In addition, 81 foreign currency settlement accounts in 26 major currencies were opened in 62 banks in 31 countries and regions.

**3. Cross-Border Renminbi transactions**

The Bank actively facilitated the construction of cross-border Renminbi payment scenarios and completed the first market launch of CIPS standard transmit product (enterprise version), so as to improve the efficiency of cross-border payment while facilitating a fast and convenient experience of cross-border payment and collection. The Group strengthened its domestic and overseas collaboration, and the volume of cross-border transfer of domestic trade financing assets in the first half of the year amounted to 32.767 billion, representing an increase of 504% on a year-on-year basis. During the Reporting Period, the volume of cross-border Renminbi settlement of domestic banking institutions reached 604.196 billion, representing an increase of 60.89% on a year-on-year basis.

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### 4. Offshore services

The Bank accelerated the integrated development of offshore and onshore businesses as well as the integrated operation of non-resident accounts, and fully explored the business potentials of the integration of Yangtze River Delta and Lin-Gang Special Area of Shanghai Pilot Free Trade Zone. As at the end of the Reporting Period, the asset balance of offshore business increased by USD2.529 billion or 21.53% over the end of the previous year to USD14.273 billion.

#### (VII) Channel Construction, Service and Consumer Protection

##### 1. Channel construction

**Mobile banking** – Wealth management services on mobile banking have been comprehensively upgraded. Real-time valuation of fund transactions became available for customers to make investment decisions on a timely manner. Net value and returns are updated on a daily basis, which is leading in the industry. Certain wealth management products can be redeemed real-time with funds transferred quickly. The purchase period for insurance products was extended to 7x24 hours to meet customers' demands of placing orders in a timely manner. The batch processing window for loan business at night was compressed, basically achieving the goal of repayment at any time within 24 hours. As at the end of the Reporting Period, there were 32.7069 million MAUs, increasing by 5.41% over the end of the previous year. The frequency of mobile banking APP used in financial and non-financial scenarios reached 82.68% and 28.35% respectively.

**Go Pay** – Aiming at creating the best customer experience, the Bank promoted the upgrade and optimisation of products and services and released the 5.0 version of Go Pay App in the first half of the year, which became the first Internet application in the financial industry that supports both native App and “atomic services” of Harmony OS. As at the end of the Reporting Period, the accumulated number of registered customers of Go Pay App was 67.5227 million while the number of MAUs was 23.3354 million. The frequencies of Go Pay APP used in financial and non-financial scenarios were 78.84% and 64.04% respectively.

**Open banking** – The Bank accelerated the construction of open banking. As at the end of the Reporting Period, 839 interfaces were launched for open banking with a cumulative 0.11 billion calls, forming seven product modules including settlement services, loan financing, account services, international businesses, investment and wealth management, fund depository and public services, which accelerated the expansion of cooperation applications in scenarios of government affairs, travel, health care and education. During the Reporting Period, the number of new cooperative institutions increased by 71.43% over the end of the previous year, and electronic accounts with non-zero balance opened through open banking increased by over 100% over the end of the previous year.

**Third-party platforms** – The Bank promoted the deployment of new channels such as “BoCom” WeChat Mini Program, “Cloud Banking” and “Jiao Xiang Hui” WeChat Mini Program to enhance its capability of customer acquisition and activation. As at the end of the Reporting Period, customers served by “BoCom” WeChat Mini Program and Cloud Banking increased by 436.44% and 38.16% respectively over the end of the previous year.

## **2. Service and consumer rights protection**

Insisting on the principle of consumer-orientation, the Bank established a sound consumer protection mechanism and enhanced process control across various departments to build a benchmark for service quality. During the Reporting Period, 73.3 thousand complaints were received. In detail, complaints were completely processed, with a complaint follow-up satisfaction rate of 95.4%. The Bank was awarded A+ in the People's Bank of China Consumer Protection Rating in 2020 and ranked first among 18 national joint-stock commercial banks. The Bank was awarded the "Outstanding Bank for Event Organisation for '3.15' Education Awareness Week 2021" host by the CBIRC. The Bank made great efforts to solve the difficulties encountered by the elderly in use of intelligent technologies and improve its service level.

### (VIII) FinTech and Digital Transformation

#### **1. Enhance top-level design for digital transformation.**

Digital transformation has been promoted to the Group's strategic level to facilitate the construction of "New Digital BoCom". With joint efforts and targeted assignments, the Group accelerated the digital transformation process on an orderly and all-round basis. The establishment of strategic layout and implementation framework of transformation was outlined by improvements on five major capabilities of customer services, operation and management, data governance, technological innovation and organisational safeguards.

So far, key digital transformation projects were in progress as planned. 14 transformation sub-tasks (38 in total) have been initiated and promoted, which include marketing middle office, risk control middle office and a new generation of cloud platform have been approved, with periodical results achieved. As at the end of the Reporting Period, the number of FinTech employees amounted to 4,028.

#### **2. Deepen the integration of business and technologies and empower high-quality development.**

The Bank promoted the extension of the retail business scenario to improve customer experience. The Bank updated the product "Benefit Medical Payment" and supported multiple channels such as government affairs platforms, medical insurance platforms and hospital platforms. Using the Yangtze River Delta as the benchmark, this product and its various channels were quickly replicated and promoted to other cities across the country. So far, this product and its various channels have now been launched in ten cities. The Bank created "BoCom Solution" to build Open banking with features, which was integrated with the citizen cloud systems of Shanghai, Sichuan, Guangxi and other regions. In addition, the Bank has introduced the e-Wallet business and launched the "care version" of the Mobile Banking, which carried out age-appropriate and barrier-free function modifications on high-frequency transactions and services scenario of elderly users.

Promote the digitalisation of Group's businesses and serve new formats of finance. The Bank improved the product system of digitalised inclusive finance product, introduced Inclusive e-Loan 3.0 and increased online financing modes of credit and guarantee. In addition, it has also accelerated the launch of innovative products with characteristics of the branches such as cigarette loan. The Bank has also created a benchmarking practice in supply chain finance, connected with multiple leading supplier platforms, and relied on the product development model of "standardised functions + differentiated customisation" to respond to market demands in an agile manner. The Bank continuously improved customer experience of "BoCom e-Customs". "BoCom e-Customs"

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has now been promoted nationwide with its volume of transactions ranking first in cities including Shenzhen and Shanghai. The Bank optimised the “BoCom Smart Schools” platform, adopted modular system design and supported the customisation development of the individual demands of the education department. The platform has now been launched and promoted to many provinces and cities including Beijing, Jiangsu and Henan.

Promoted the intellectualisation of interbank businesses and the construction of ecosystem. The Bank actively deployed financial infrastructure services and constructed an independent, secure and controllable cross-border Renminbi payment network in order to provide a cross-border payment experience with higher efficiency and lower costs. Meanwhile, the Bank also optimised interbank financial management platform named BoCom e-Platform to provide one-stop integration of the financial products and services inside and outside the Group.

### **3. Enhance the data management and application service.**

The Bank improved the enterprise-level data standard system, formed nearly 50,000 data standards and regulations of various types. The Bank strengthened the data quality management and set up more than 8,000 inspection rules on data quality to achieve systematic management and automatic monitoring of data quality. The Bank improved the construction of big data infrastructure and improved data storage and computational capability. Based on the enterprise-level data middle office, the Bank connected internal and external data, provided integrated data services that were efficiently reusable with real-time empowerment, and supported the application of diversified scenarios including customer extension, targeted marketing, intelligent risk control and business operation. In addition, the Bank created a senior management data warehouse with dual access from mobile terminal and PC terminal to facilitate scientific decisions of operation management. The Bank also carried out integrated construction of a unified data analysis platform across the Bank to provide convenient services for nearly ten thousand users on data access, analysis and mining.

### **4. Strengthen the safeguard on work security.**

During the Reporting Period, the Bank’s production system was in a steady operating status. The Bank continuously consolidated the construction of security protection capabilities for operation and maintenance, traceability and evidence collection and anti-entrapment, and further enhanced the security response system of “response in minutes and settlement in hours” to preliminarily establish its organisational capability against hackers. The Bank’s network security control has been certified for the classified protection of cybersecurity of information systems for 11 consecutive years. Meanwhile, the Bank’s operation security centre program was awarded “Top 10 Solutions” in the “2020 Review of Excellent Integrated Solutions for ‘New Infrastructure’ Cybersecurity of Central Enterprises”.



## Column

### Enhance the adoption of cutting-edge technologies

The Bank vigorously promoted the adoption of technologies such as artificial intelligence and big data in areas of smart risk control and digital operation.

**Knowledge graph** By structuring models for implicit relationship exploring and guarantee network risk monitoring upon complex knowledge graphs, the Bank improved the efficiency and accuracy of risk controls to a great extent. So far, its “Risk Monitoring Project Based on Complex Knowledge Graphs” has been shortlisted for Top 30 of 2021 SAIL Award. In virtue of establishing complex relationships between retail and corporate customers, the Bank achieved smart network darning, risk business insights and platform-based ecosystem, effectively addressing the issues of incomplete customer profile and implicit mechanism in the risk monitoring of the Bank. Since the project went live, it has been applied to 32 business scenarios such as anti-fraud, customer expansion through marketing and customer portrait, with the accuracy of risk warning above 86%.

**Smart voice recognition** Supported by the large-scale knowledge management system, the Bank developed intelligent solutions to customer reception, management and services, providing customers with anthropomorphic smart customer services through mobile banking and online banking. The smart voice platform reached an overall successful recognition rate of above 90%, and handled tens of thousands of customer enquiries every day with responses to more than 30% of total enquires.

**Optical Character Recognition (“OCR”)** As the Bank applied the OCR technology to mainstream channels such as mobile banking, corporate online banking, mini program and H5 page. Currently, it takes an average of 1.8 seconds to recognise a single page in sheet format, with an average recognition rate of over 97%, and the time of categorisation has been shortened by 55% from 4 seconds by manual recognition to 1.8 seconds by machine recognition.

**Privacy computing** The Bank accelerated the application of the privacy computing technology in government data sharing, inclusive finance, smart risk control and biological recognition to resolve the problem of cooperative computing among parties without trust for each other on the premise of data security. At present, the small, medium and micro enterprises financing project based on multi-party security computing has been classified into the first batch of “regulatory sandbox” by the Shanghai Head Office of the People’s Bank of China.

**Blockchain** The Bank actively promote the platform of BoCom Chain Finance with the number of institutions on chain increasing by 14% and the scale of issuance increasing by 15% on a year-on-year basis. By further upgrading the platform of BoCom Chain Finance and enhancing the on-chain governance over smart contracts, the Bank achieved the state cryptography alteration and the anti-fishing function of data encryption algorithm, and thus satisfied the security requirements of the People’s Bank of China on the cryptographic algorithm of distributed ledger and the personal financial information. The Bank successfully connected to the blockchain for the payment of construction funds and workers’ salary of Xiong’an New Area in Hebei Province, realizing the penetrating management of construction funds.

### III. RISK MANAGEMENT

The Board of Directors of the Bank established the overall risk appetite of “Stability, Balance, Compliance and Innovation” for the Bank and further set specific indicators of risk limits against various risk types including credit, market, operation, liquidity, interest rate of banking book, information technology and country to control strictly over various risk types and thus ensured the bottom line of preventing the occurrence of systematic and regional risks.

#### (I) Risk Management Framework

The Board of Directors of the Bank assumed the ultimate responsibility and the highest decision-making function of risk management, and controlled the Bank’s risk condition through the subordinate Risk Management and Related Party Transaction Control Committee. The Bank’s senior management established the Comprehensive Risk Management and Internal Control Committee, as well as two business review committees namely the Credit and Investment Review Committee and the Risk Asset Review Committee. The business review committees were guided by and reported regularly to the Comprehensive Risk Management and Internal Control Committee. Each provincial and directly managed branch, overseas branch and subsidiary established the Comprehensive Risk Management and Internal Control Committee accordingly based on the aforementioned framework, which served as the main platform to study the prevention and control of systematic and regional risks of the Group and decision-making risk management on major issues, ensuring that the comprehensive risk management system had been implemented throughout the Group.

#### (II) Risk Management Tool

The Group introduced various types of risk information data, explored and applied the advanced technologies such as big data, artificial intelligence and knowledge diagram to construct models, upgraded the unified risk monitoring system which covered throughout the Group and improved the intelligent level of risk management. During the Reporting Period, the Group pushed forward the construction of risk measurement system, created a full lifecycle model management platform, strengthened the unified management of risk measurement throughout the Group and optimised the measurement system covering all types of major risks. The Group launched the project of implementing new capital management measures and promoted the construction and upgrade of systems.

#### (III) Credit Risk Management

During the Reporting Period, the Group stuck to build credit risk prevention and control capabilities. By improving asset quality, adjusting credit structure and deepening risk credit granting reform, the Group improved the unified credit granting policy system, optimised credit risk management processes, promoted the intellectualisation of data and systems and achieved steady improvement in asset quality.

The Group constantly optimised credit structure. The Group improved its industry guidelines, promoted policy updates in an agile manner, and formulated special policies for new infrastructure, strategic emerging industries and green finance. By optimising regional policies, the Group provided more support for key regions such as the Yangtze River Delta, the Beijing-Tianjin-Hebei Region, the Guangdong-Hong Kong-Macao Greater Bay Area and the Chengdu-Chongqing Economic Circle. With a close eye on asset quality and by means of total volume control, name list and quota limits, the Group strengthened risk prevention and control in key areas such as group customers, real estate and implicit local government debts to continuously promote sci-tech empowerment and improve the effectiveness of risk monitoring and warning.

The Group enhanced disposal and collection. During the Reporting Period, the Group disposed 43.718 billion non-performing loans, representing a year-on-year increase of 9.395 billion, of which 23.293 billion was written off. On the one hand, through the reinforcement of direct operation and management by the Head Office and the implementation of operation and management responsibilities, the Group drove the disposal of projects with significant risks to improve the disposal effectiveness of non-performing loans. On the other hand, the Group actively implemented new regulatory policies on the pilot transfer of non-performing loans, achieving the normalisation and standardisation of the operations of single transfer of corporate accounts and batch transfer of personal loans.

The Group was dedicated to improving the risk management capabilities of credit card businesses. The Group integrated, upgraded and restructured the data, models and systems to continuously improve the accuracy of risk strategies and the capability to identify instances of fraud. On the premise of controllable risks, the Group empowered the front-end business and supported the acquisition of quality customers, stimulated existing customers and scaled up high-quality assets. Meanwhile, the Group strengthened the collection of non-performing loans, focused on the settlement and collection of substantive non-performing loans, proactively coped with the historical risks and ensured that the quality of credit card assets was under control. As at the end of the Reporting Period, the non-performing ratio of credit card business is 2.24%, decreasing by 0.03 percentage point over the end of the previous year or by 0.66 percentage point on a year-on-year basis. During the Reporting Period the volume of new non-performing loans decreased by 39.06% on a year-on-year basis and this had decreased for four consecutive quarters.

During the Reporting Period, due to the lingering COVID-19 pandemic and other factors, certain customer risks were exposed. Meanwhile, the Group strengthened risk identification and tightened asset quality classification standards. As at the end of the Reporting Period, the balance of non-performing loans of the Group was 101.432 billion and the non-performing loan ratio was 1.60%, representing an increase of 3.734 billion and a decrease of 0.07 percentage point respectively over the end of the previous year. This period also witnessed a decrease in proportions of special mention loans and overdue loans.

## RISK MANAGEMENT

**Distribution of loans by five categories of loan classification***(in millions of RMB unless otherwise stated)*

	30 June 2021		31 December 2020		31 December 2019	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Pass loan	6,157,685	97.02	5,668,199	96.92	5,111,715	96.37
Special mention loan	87,586	1.38	82,527	1.41	114,517	2.16
<b>Total performing loan balance</b>	<b>6,245,271</b>	<b>98.40</b>	5,750,726	98.33	5,226,232	98.53
Sub-standard loan	63,237	0.99	52,652	0.90	16,963	0.32
Doubtful loan	23,276	0.37	26,713	0.46	42,508	0.80
Loss loan	14,919	0.24	18,333	0.31	18,572	0.35
<b>Total non-performing loan balance</b>	<b>101,432</b>	<b>1.60</b>	97,698	1.67	78,043	1.47
<b>Total</b>	<b>6,346,703</b>	<b>100.00</b>	5,848,424	100.00	5,304,275	100.00

**Distribution of special mention loans and overdue loans by business type***(in millions of RMB unless otherwise stated)*

	30 June 2021				31 December 2020			
	Special mention loan balance	Special mention loan ratio (%)	Overdue loan balance	Overdue loan ratio (%)	Special mention loan balance	Special mention loan ratio (%)	Overdue loan balance	Overdue loan ratio (%)
<b>Corporate loans</b>	<b>76,399</b>	<b>1.88</b>	<b>65,215</b>	<b>1.61</b>	71,677	1.93	60,851	1.64
<b>Personal loans</b>	<b>11,174</b>	<b>0.53</b>	<b>29,007</b>	<b>1.37</b>	10,841	0.55	29,264	1.48
Mortgage	2,845	0.21	7,556	0.54	2,395	0.19	7,132	0.55
Credit cards	7,243	1.56	17,636	3.81	7,684	1.66	18,245	3.93
Personal business loans	316	0.20	1,385	0.86	204	0.17	1,648	1.36
Others	770	0.74	2,430	2.33	558	0.55	2,239	2.19
<b>Discounted bills</b>	<b>13</b>	<b>0.01</b>	<b>18</b>	<b>0.01</b>	9	0.01	88	0.05
<b>Total</b>	<b>87,586</b>	<b>1.38</b>	<b>94,240</b>	<b>1.48</b>	82,527	1.41	90,203	1.54

The balance of corporate special mention loan was 76.399 billion, representing an increase of 4.722 billion over the end of the previous year. The special mention loan ratio was 1.88%, representing a decrease of 0.05 percentage point over the end of the previous year. The balance of corporate overdue loan was 65.215 billion, representing an increase of 4.364 billion over the end of the previous year. The overdue loan ratio was 1.61%, representing a decrease of 0.03 percentage point over the end of the previous year.



The balance of personal special mention loan was 11.174 billion, representing an increase of 0.333 billion over the end of the previous year. The special mention loan ratio was 0.53%, representing a decrease of 0.02 percentage point over the end of the previous year. The balance of personal overdue loan was 29.007 billion, indicating a decrease of 0.257 billion over the end of the previous year. The overdue loan ratio was 1.37%, representing a decrease of 0.11 percentage point over the end of the previous year.

### **Distribution of loans and non-performing loans by business type**

*(in millions of RMB unless otherwise stated)*

	30 June 2021				31 December 2020			
	Loans	Proportion (%)	Non-performing loans	Non-performing loan ratio (%)	Loans	Proportion (%)	Non-performing loans	Non-performing loan ratio (%)
<b>Corporate loans</b>	<b>4,059,876</b>	<b>63.96</b>	<b>83,264</b>	<b>2.05</b>	3,707,471	63.39	78,830	2.13
<b>Personal loans</b>	<b>2,116,957</b>	<b>33.36</b>	<b>18,149</b>	<b>0.86</b>	1,980,882	33.87	18,773	0.95
Mortgage	<b>1,387,339</b>	<b>21.86</b>	<b>4,759</b>	<b>0.34</b>	1,293,773	22.12	4,849	0.37
Credit cards	<b>463,340</b>	<b>7.30</b>	<b>10,391</b>	<b>2.24</b>	464,110	7.94	10,558	2.27
Personal business loans	<b>161,858</b>	<b>2.55</b>	<b>1,199</b>	<b>0.74</b>	120,985	2.07	1,542	1.27
Others	<b>104,420</b>	<b>1.65</b>	<b>1,800</b>	<b>1.72</b>	102,014	1.74	1,824	1.79
<b>Discounted bills</b>	<b>169,870</b>	<b>2.68</b>	<b>19</b>	<b>0.01</b>	160,071	2.74	95	0.06
<b>Total</b>	<b>6,346,703</b>	<b>100.00</b>	<b>101,432</b>	<b>1.60</b>	5,848,424	100.00	97,698	1.67

## RISK MANAGEMENT

**Distribution of loans and non-performing loans by industry**

*(in millions of RMB unless otherwise stated)*

	30 June 2021				31 December 2020			
	Loans	Proportion (%)	Non-performing loans	Non-performing loan ratio (%)	Loans	Proportion (%)	Non-performing loans	Non-performing loan ratio (%)
<b>Corporate loans</b>	<b>4,059,876</b>	<b>63.96</b>	<b>83,264</b>	<b>2.05</b>	3,707,471	63.39	78,830	2.13
Transportation, storage and postal services	757,552	11.94	12,426	1.64	708,649	12.12	9,738	1.37
Manufacturing	708,217	11.16	29,892	4.22	658,203	11.25	29,301	4.45
Leasing and commercial services	649,188	10.23	11,626	1.79	577,500	9.87	10,876	1.88
Water conservancy, environmental and other public facilities	374,929	5.91	508	0.14	334,399	5.72	234	0.07
Real estate	382,381	6.02	6,461	1.69	348,185	5.95	4,711	1.35
Wholesale and retail trade	214,175	3.37	9,124	4.26	204,856	3.50	9,823	4.80
Production and supply of electric power, heat, gas and water	241,298	3.80	2,208	0.92	221,313	3.78	2,156	0.97
Construction	169,975	2.68	2,709	1.59	135,732	2.32	3,683	2.71
Mining	131,771	2.08	2,453	1.86	125,367	2.14	2,625	2.09
Finance	148,399	2.34	10	0.01	118,702	2.03	10	0.01
Education, science, culture and public health	120,884	1.90	3,299	2.73	112,961	1.93	2,908	2.57
Others	80,103	1.26	985	1.23	85,570	1.48	1,075	1.26
Accommodation and catering	33,744	0.53	871	2.58	34,886	0.60	701	2.01
Information transmission, software and information technology services	47,260	0.74	692	1.46	41,148	0.70	989	2.40
<b>Personal loans</b>	<b>2,116,957</b>	<b>33.36</b>	<b>18,149</b>	<b>0.86</b>	1,980,882	33.87	18,773	0.95
<b>Discounted bills</b>	<b>169,870</b>	<b>2.68</b>	<b>19</b>	<b>0.01</b>	160,071	2.74	95	0.06
<b>Total loans and advances</b>	<b>6,346,703</b>	<b>100.00</b>	<b>101,432</b>	<b>1.60</b>	5,848,424	100.00	97,698	1.67

During the Reporting Period, the Group actively supported the development of real economy with its new loans preferentially going to industries such as leasing and commercial services, manufacturing and transportation, and insisted on implementing the principle that “houses are for living in, not for speculation” with respect to real estate loans. The non-performing ratio in manufacturing, wholesale and retail trade fell, while that in leasing and commercial services remained relatively stable. In addition, the Group strictly held control over industries with severe overcapacity. As at the end of the Reporting Period, the balance of loans to industries with severe overcapacity accounted for 2.49% of the total domestic loans, representing a decrease of 0.11 percentage point from the beginning of the year.

### Distribution of loans and non-performing loans by region

*(in millions of RMB unless otherwise stated)*

	30 June 2021				31 December 2020			
	Loans	Proportion (%)	Non-performing loans	Non-performing loan ratio (%)	Loans	Proportion (%)	Non-performing loans	Non-performing loan ratio (%)
Yangtze River Delta	1,740,449	27.42	22,841	1.31	1,576,465	26.96	20,932	1.33
Pearl River Delta	795,832	12.54	8,315	1.04	701,865	12.00	7,332	1.04
Bohai Rim Economic Zone	919,712	14.49	16,850	1.83	831,454	14.22	17,058	2.05
Central China	1,031,618	16.25	18,797	1.82	958,527	16.39	18,005	1.88
Western China	732,604	11.54	10,126	1.38	680,088	11.63	9,220	1.36
North Eastern China	241,802	3.81	10,572	4.37	232,864	3.98	10,998	4.72
Overseas	378,425	5.96	3,539	0.94	359,368	6.14	3,586	1.00
Head Office	506,261	7.99	10,392	2.05	507,793	8.68	10,567	2.08
<b>Total loans and advances</b>	<b>6,346,703</b>	<b>100.00</b>	<b>101,432</b>	<b>1.60</b>	<b>5,848,424</b>	<b>100.00</b>	<b>97,698</b>	<b>1.67</b>

Note: Head Office included the Pacific Credit Card Centre.

The Group implemented differentiated policies of “One Strategy for One Bank” to make dynamic adjustments to business authorisation based on regional economic traits. While the Pearl River Delta maintained a stable non-performing loan ratio, Western China witnessed a slight increase in the non-performing loan ratio and other regions showed decreases in this ratio.

### Overdue loans and advances

*(in millions of RMB unless otherwise stated)*

Overdue period	30 June 2021		31 December 2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 3 months	25,923	0.41	25,480	0.44
3 months to 1 year	32,625	0.51	34,145	0.58
1 to 3 years	27,561	0.43	25,916	0.44
Over 3 years	8,131	0.13	4,662	0.08
<b>Total</b>	<b>94,240</b>	<b>1.48</b>	<b>90,203</b>	<b>1.54</b>

## RISK MANAGEMENT

The Group adopted prudent classification standards for overdue loans. Corporate loans overdue for more than 60 days were included in non-performing loans. The balance of loans overdue for over 90 days accounted for 67.35% of the balance of non-performing loans.

As at the end of the Reporting Period, the balance of overdue loans was 94.240 billion, representing an increase of 4.037 billion over the end of the previous year. The overdue ratio was 1.48%, representing a decrease of 0.06 percentage point over the end of the previous year. The balance of loans overdue for over 90 days was 68.317 billion, representing an increase of 3.594 billion over the end of the previous year.

**Loan migration rates**

(%)	30 June 2021	2020	2019
Pass loan migration rate	0.97	1.84	1.71
Special mention loan migration rate	28.96	46.59	29.76
Sub-standard loan migration rate	6.85	25.48	42.76
Doubtful loan migration rate	11.45	19.92	10.92

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

**Credit risk concentration**

As at the end of the Reporting Period, the total loans to the largest single borrower of the Group accounted for 3.70% of the Group's net capital, and the total loans to Top 10 customers accounted for 15.91% of the Group's net capital. The situation of loans to Top 10 single borrowers as at the end of the Reporting Period is shown below.

(in millions of RMB unless otherwise stated)

	30 June 2021		
	Industry	Amount	Percentage of total loans (%)
Customer A	Production and supply of electric power, heat, gas and water	39,700	0.63
Customer B	Transportation, storage and postal services	36,900	0.58
Customer C	Transportation, storage and postal services	13,677	0.22
Customer D	Transportation, storage and postal services	12,864	0.20
Customer E	Transportation, storage and postal services	12,000	0.19
Customer F	Transportation, storage and postal services	11,440	0.18
Customer G	Leasing and commercial services	11,200	0.18
Customer H	Transportation, storage and postal services	11,190	0.18
Customer I	Real estate	10,885	0.17
Customer J	Transportation, storage and postal services	10,857	0.16
<b>Total of Top 10 Customers</b>		<b>170,713</b>	<b>2.69</b>

## (IV) Market Risk Management

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

The aim of the market risk management of the Group was to proactively identify, measure, monitor, control and report its market risks based on the risk appetite determined by the Board of Directors. By using methods and means of quota management, risk hedging and risk transfer, the Group was able to manage its market risk exposure to an acceptable level and pursued a maximisation of its risk-adjusted profits based on its controlled risks.

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

During the Reporting Period, the Group kept improving the market risk management system, optimising the market risk information management system and improving the effectiveness of market risk measurement. The Group closely observed market fluctuations, enhanced exposure monitoring and risk warning in the events of financial market volatility, and strictly controlled various market risk exposure limits.

#### (V) Liquidity Risk Management

The governance structure of liquidity risk management of the Group consisted of a decision-making body comprised the board of directors and its special committees and senior management, a supervisory body comprised the board of supervisors and the audit supervision committee and an executive body comprised Financial Management Department, Financial Markets Department, Risk Management Department, Operations and Channel Management Department, all the branches and subsidiaries, and the Head Office’s departments in charge of each business unit.

The Group’s liquidity risk management goal was to establish and improve the liquidity risk management system, and effectively identify, measure, monitor and manage the liquidity risk at various levels and hierarchies including the legal entity and group level, subsidiaries, branches and business lines to ensure that the liquidity demands can be timely satisfied at a reasonable cost.

The Group made decisions on its liquidity risk appetite on an annual basis based on factors such as operation strategies, business characteristics, financial strength, financing abilities, overall risk appetite and market influence. According to the liquidity risk appetite, the Group formulated written liquidity risk management strategies, policies and procedures. The strategies and policies of liquidity risk management covered all on- and off-balance sheet businesses, as well as all domestic and overseas business departments, branches and subsidiaries that might have significant impacts on liquidity risks and included liquidity risk management under normal and stressful conditions.

## RISK MANAGEMENT

During the Reporting Period, the Group conscientiously implemented the regulatory requirements, continuously strengthened the on- and off-balance sheet liquidity risk management and ensured the liquidity security of the Bank, with all the liquidity monitoring indicators meeting the regulatory requirements. The Group thoroughly analysed and judged the domestic and overseas macroeconomic and financial situation, flexibly adjusted the liquidity management strategy as well as the structure and pace of business development in time, and thus realised the chronological and effective balance between the source of funds and the use of funds. By forecasting in advance and performing cash flow calculation and analysis, the Group ensured the liquidity security during major holidays and at key time points; the Group also reinforced the coordination and integration to improve financing management and high quality liquid asset management, strengthened position forecast management and ensured daytime liquidity security through continuous monitoring.

The Group launched regular stress testing for liquidity risk, taking various factors that may affect the liquidity into full consideration, and set reasonable stress scenarios. The results of stress tests showed that the liquidity risk of the Bank was in a controllable range under various stress scenarios.

As the end of the Reporting Period, the table below shows the liquidity ratio indicator of the Group:

	Standard value	30 June 2021	31 December 2020	31 December 2019
Liquidity ratios (%)	≥25	<b>68.05</b>	69.24	72.92

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

The daily average liquidity coverage ratio of the Group during the second quarter of 2021 was 125.63% (the daily average within the quarter was the arithmetic average of daily data of the quarter, the number of daily data required was 91). The ratio increased by 0.51 percentage point over the previous quarter, which was mainly due to increase in the volume of cash inflows. The Group's qualified HQLA mainly included cash, reserves that were saved in and can be withdrawn from the central bank under stress scenarios and bonds that meet the definition of tier-1 and tier-2 assets in the *Administrative Measures for Liquidity Risk Management of Commercial Banks*. In the first quarter of 2021, the quarter-end net stable funding ratio of the Group was 110.68%, representing an increase of 0.08 percentage point over the previous quarter, which was mainly due to the increase in financing from retail and small business customers. In the second quarter of 2021, the quarter-end net stable funding ratio was 110.80%, representing an increase of 0.12 percentage point over the previous quarter, which was mainly due to increase in wholesale financing.

For more details about the liquidity coverage ratio, the average of detailed items during the second quarter of 2021, the net stable funding ratio and detailed items in the first two quarters of 2021, please refer to "Supplementary Information on Capital Adequacy Ratio, Leverage Ratio, Liquidity Coverage Ratio and Net Stable Funding Ratio".

#### (VI) Operational Risk Management

The Group developed a comprehensive operational risk management system compatible to the nature, scale and product complexity of the Bank's businesses. The Group also standardised the procedures of self-assessment on operational risk controls, lost data collection, key risk indicator monitoring and operational risk incident management. During the Reporting Period, the Group enhanced the categorised management on operational risks in categories and risk assessment mechanism and strengthened operational risk monitoring assessment on key areas. As a result, the Group established an integrated business continuity management system at home and abroad, expanding the outsourcing risk management mechanism to the whole Group.

#### (VII) Legal Compliance and Anti-money Laundering

During the Reporting Period, the Bank promoted the development of long-term mechanism for overseas compliance management, strengthened legal compliance risk control, and improved legal knowledge education and the construction of compliance culture to enhance the legal compliance guarantee for operation and management. During the Reporting Period, the Bank also improved the capability construction of anti-money laundering management, optimised the anti-money laundering process, strengthened the identification and assessment of money laundering risks, and advocated the establishment of anti-money laundering system.

#### (VIII) Reputation Risk Management

The Group improved the reputation risk management framework, prevented the risk arising from negative comments from various stakeholders resulting from the Group's operation, management and any other behaviours or external events, and handled various reputational incidents properly. The Group laid an emphasis on the identification, warning, assessment and monitoring of reputation risk, and promptly adjusted corresponding strategies and measures. During the Reporting Period, reputation risk was well managed, reputation risk was under control and there was no occurrence of significant reputational incidents.

#### (IX) Cross-Industry, Cross-Border and By-Country Risk Management

The Group set up the risk management system across industries and borders, characterised by "centralised management, clear allocation, adequate tools, IT support, risk quantification, and consolidation of substantially controlled entities". During the Reporting Period, considering the uncertainties caused by the global COVID-19 pandemic and changes in the external environment, the Group emphasised the prevention and control of the pandemic and risk management in overseas institutions to ensure stable operation of business. In addition, the Group also strengthened management of key areas such as employees' awareness of pandemic prevention, liquidity, business continuity and asset quality in overseas institutions. The Group enhanced the consolidation management, refined the full lifecycle management of subsidiaries, and provided better guidance and assessment on the consolidation management of subsidiaries. The Group implemented by-country risk management, optimised by-country risk limit plans, regularly monitored by-country risk exposures and timely carried out by-country risk rating, assessment and warning.

#### (X) Management of Large Exposure Risk

The Group thoroughly implemented the requirements of the *Administrative Measures for the Large Exposures of Commercial Banks* issued by the CBIRC, boosted the construction of management system, and optimised management process and organisation structure. The Group continuously monitored situations of large exposure risk, and strictly adhered to various delegated authorities' standards, so as to improve the Group's ability to prevent systematic and regional risk. During the Reporting Period, the Group's large exposure risk indicators all met the regulatory requirements.

#### IV. OUTLOOK

Since 2021, with the continuous and steady recovery of national economy, the rebound in production demand and the rapid increase of new growth drivers, the economy has witnessed a stable performance with consolidation and improvement. Nevertheless, there are still many external instabilities and uncertainties amid the evolving pandemic. Overall, opportunities and challenges coexist in the banking industry.

From the second half of 2021, the Group will continue to adhere to the general work keynote of making progress while remaining stability. The Group will promote development with advances in strategies, ensure development levels through risk prevention and controls, and accelerate development while deepening the reform in order to carry forward the achievement of various goals throughout the year with stability. Therefore, the Group will specifically focus on the following aspects:

**Firstly is to cultivate product innovation capability.** The Group will accelerate the construction of the leading bank in the Yangtze River Delta, create a special series of products with characteristics and core customer segments to build a new engine for strategic breakthroughs in a coordinative manner. The Group will also accelerate the layout of “four features” including inclusive finance, trade finance, sci-tech finance and wealth finance, enrich financial product categories for effective supplies, optimise operational structures for steady development. In addition, the Group will focus on common but indispensable scenarios and strengthen the construction of ecosystem in order to improve customer experience by satisfying customers’ demands with highly integrated product innovation.

**Secondly is to activate scientific and technological productivity.** The Group will further establish, improve data management and application systems of the Group, strengthen enterprise-level data governance, and create data services that are integrated, efficient and reusable, and instantly empowered. The Group will promote the integration of technology and business in depth, use digitalisation as the stepping stone to simultaneously promote rapid iteration of business processes and systems in real time, and achieve rapid growth of the business scale.

**Thirdly is to enhance the safety buffer of development.** The Group will continue to improve the comprehensive risk management system featured with “full coverage, full process, specialisation, and accountability” and strengthen the Group’s on- and off-balance sheet cross-risk management capabilities both at home and abroad. In addition, the Group will promote the construction of risk control middle office and the digital internal control systems to enhance and optimise professional risk controls and digital risk management capabilities.

**Fourthly is to improve the collaboration ability.** The Group will fully leverage its advantage of the integrated operation and the international layout to build the integrated collaborative capability covering different regions, domestic and overseas banks, the Bank and its subsidiaries, and consistently optimise the supporting systems of organisation, personnel, channel and finance to improve resource allocation capability and ensure the effective implementation of the “One-Four-Five” Strategy in order to achieve high-quality development of the Group.



# CHANGES IN SHARES AND SHAREHOLDERS

## I. CHANGES IN ORDINARY SHARES

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

	30 June 2021		Increase or decrease during the Reporting Period	31 December 2020	
	Number of shares (share)	Percentage (%)		Number of shares (share)	Percentage (%)
<b>I. Shares subject to sales restrictions</b>	–	–	–	–	–
<b>II. Shares not subject to sales restrictions</b>	<b>74,262,726,645</b>	<b>100.00</b>	–	74,262,726,645	100.00
1. Renminbi ordinary shares	<b>39,250,864,015</b>	<b>52.85</b>	–	39,250,864,015	52.85
2. Domestically listed foreign shares	–	–	–	–	–
3. Overseas listed foreign shares	<b>35,011,862,630</b>	<b>47.15</b>	–	35,011,862,630	47.15
<b>III. Total shares</b>	<b>74,262,726,645</b>	<b>100.00</b>	–	74,262,726,645	100.00

## II. SHAREHOLDERS OF ORDINARY SHARES

As at the end of the Reporting Period, the total number of shareholders of ordinary shares of the Bank was 399,954, of which 367,469 were holders of A shares and 32,485 were holders of H shares.

### (I) Shareholdings of Top 10 Ordinary Shareholders as at the end of the Reporting Period<sup>1</sup>

Name of shareholders	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares	Shares pledged or frozen	Nature of shareholders
Ministry of Finance of the People's Republic of China	–	13,178,424,446	17.75	A Share	Nil	Government
	–	4,553,999,999	6.13	H Share	Nil	
HKSCC Nominees Limited <sup>2,6</sup>	2,115,748	14,977,186,707	20.17	H Share	Unknown	Foreign legal entity
The Hongkong and Shanghai Banking Corporation Limited ("HSBC") <sup>2,3</sup>	–	13,886,417,698	18.70	H Share	Nil	Foreign legal entity
The National Council for Social Security Fund ("SSF") <sup>2,4</sup>	–	3,105,155,568	4.18	A Share	Nil	Government
	–	1,405,555,555	1.89	H Share	Nil	
China Securities Finance Corporation Limited	(330,937,589)	1,891,651,202	2.55	A Share	Nil	State-owned legal entity
Capital Airports Holdings Limited	–	1,246,591,087	1.68	A Share	Nil	State-owned legal entity
Hong Kong Securities Clearing Company Ltd. ("HKSCC")	333,681,420	985,188,700	1.33	A Share	Nil	Foreign legal entity
Shanghai Haiyan Investment Management Co., Ltd. <sup>5</sup>	–	808,145,417	1.09	A Share	Nil	State-owned legal entity
Yunnan Hehe (Group) Co., Ltd. <sup>5</sup>	–	745,305,404	1.00	A Share	Nil	State-owned legal entity
FAW Equity Investment (Tianjin) Co., Ltd.	–	663,941,711	0.89	A Share	Nil	State-owned legal entity

## CHANGES IN SHARES AND SHAREHOLDERS

## Notes:

- The relevant data and information is based on the Bank's register of members at the Share Registrar and Transfer Office.
- The aggregate number of shares held by HKSCC Nominees Limited represents the total number of H shares of the Bank held by all institutional and individual investors who maintained account with it as at the end of the Reporting Period. The data included 249,218,915 and 7,649,557,777 H shares indirectly held by HSBC and SSF respectively, which were registered under HKSCC Nominees Limited. The data did not include 13,886,417,698 and 1,405,555,555 H shares of the Bank directly held by the aforementioned two shareholders respectively, which were registered in the Bank's register of members.
- According to the disclosure forms of interests filed with Hong Kong Stock Exchange by HSBC Holdings plc, **HSBC beneficially held 14,135,636,613 H shares of the Bank as at the end of the Reporting Period, representing 19.03% of the Bank's total ordinary shares issued.** HSBC beneficially held 249,218,915 more H shares than shown on the Bank's register of members. The discrepancy was due to a purchase of H shares by HSBC from the secondary market in 2007 and thereafter receiving bonus shares issued by the Bank and participating in the rights issue of the Bank. Those extra shares have been registered under HKSCC Nominees Limited.
- This included the 1,970,269,383 A shares of the Bank held by the Sixth Transfer Account for State-owned Capital of the SSF. Other than the above shareholdings, the SSF held additional 7,649,557,777 H shares of the Bank, of which 7,027,777,777 H shares were registered under HKSCC Nominees Limited and 621,780,000 H shares were indirectly held by certain asset managers (including Hong Kong Stock Connect). **As at the end of the Reporting Period, the SSF held a total of 12,160,268,900 A shares and H shares of the Bank, representing 16.37% of the Bank's total ordinary shares issued.**
- Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd. are parties acting in concert as defined under *Provisional Measures on Shareholdings Administration of Commercial Banks*. 7 subordinate enterprises of China National Tobacco Corporation including Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd. authorised and entrusted China National Tobacco Corporation to represent at the Shareholders' General Meeting of the Bank and to exercise the right to vote.
- HKSCC Nominees Limited is a wholly-owned subsidiary of HKSCC.
- The Bank is not aware of the existence of any related relationship among the other Top 10 shareholders, or whether they are parties acting in concert as defined in *Provisional Measures on Shareholdings Administration of Commercial Banks*.

## (II) Controlling Shareholders/Actual Controllers

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

(III) Institutional Shareholders Holding 10% or more of the Issued Share Capital of the Bank<sup>1</sup>

Name of institutional shareholders	Person in charge or legal representative	Date of incorporation	Organisation code/ Business registration No./Unified social credit code	Registered capital	Main responsibilities or management activities
Ministry of Finance of the People's Republic of China	Liu Kun	October 1949	00001318-6	N/A	Division of the State Council, in charge of national financial revenue and expenditure as well as fiscal and taxation policies.
The Hongkong and Shanghai Banking Corporation Limited	Liao, Yi Chien David	1866	00173611-000	N/A <sup>2</sup>	Primarily providing local and international banking services, and related financial services in the Asia-Pacific region.
The National Council for Social Security Fund	Liu Wei	August 2000	12100000717800822N	RMB8.00 million	An independent legal entity under the management of Ministry of Finance, responsible for managing and operating national social security fund.

## Notes:

- Excluding HKSCC Nominees Limited.
- As at the end of the Reporting Period, HSBC had issued ordinary share capital of HKD116.1025 billion and USD7.198 billion, which was divided into 46.4410 billion ordinary shares.

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

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

Details of related party transactions among the Bank and Ministry of Finance, HSBC and the SSF are disclosed in Note 46 to the Consolidated Financial Statements.

#### (IV) Other Substantial Shareholders

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

1. China National Tobacco Corporation. According to the information provided by China National Tobacco Corporation, 7 shareholders of the Bank (affiliated enterprises of China National Tobacco Corporation) entrusted China National Tobacco Corporation to exercise their voting rights on behalf of them. As at the end of the Reporting Period, the above 7 shareholders together held 3.00% of shares of the Bank. China National Tobacco Corporation was established on 15 December 1983 with a registered capital of 57.0 billion and its legal representative is Zhang Jianmin. Ministry of Finance performs the duties of investor on behalf of the State Council.
2. Capital Airports Holdings Limited. As at the end of the Reporting Period, Capital Airports Holdings Limited held 1.68% of shares of the Bank. Capital Airports Holdings Limited was established on 13 June 1988 with a registered capital of 53.7 billion and its legal representative is Wang Changyi. The shareholder's sole controlling shareholder is Civil Aviation Administration of China. As at the end of the Reporting Period, the balance of loans of Capital Airports Holdings Limited in the Bank was 316 million.
3. Aviation Industry Corporation of China, Ltd.. As at the end of the Reporting Period, Aviation Industry Corporation of China, Ltd. held 0.4% of the Bank's shares. Aviation Industry Corporation of China, Ltd. was established on 6 November 2008 with a registered capital of 64.0 billion and its legal representative is Tan Ruisong. The shareholder's sole controlling shareholder is the State-owned Assets Supervision and Administration Commission of the State Council.
4. Daqing Petroleum Administration Bureau. As at the end of the Reporting Period, Daqing Petroleum Administration Bureau held 0.4% of the Bank's shares. Daqing Petroleum Administration Bureau was established on 14 September 1991 with a registered capital of 46.5 billion and its legal representative is Sun Longde. The shareholder's sole controlling shareholder is China National Petroleum Corporation.

## CHANGES IN SHARES AND SHAREHOLDERS

The transactions between the Bank and the above shareholders were conducted in accordance with general commercial terms and conditions, and the terms were fair and reasonable. Major shareholders of the Bank did not pledge the shares of the Bank.

(V) Substantial Shareholders and Holders of Interest or Short Positions Required to be Disclosed under Division 2 and 3 of Part XV of the *Securities and Futures Ordinance* (“SFO”)

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

Name of substantial shareholders	Capacity	Number of A shares	Nature of interest <sup>1</sup>	Percentage of total A shares (%)	Percentage of total share capital of ordinary shares (%)
Ministry of Finance of the People's Republic of China	Beneficial owner	13,178,424,446 <sup>2</sup>	Long position	33.57	17.75
The National Council for Social Security Fund	Beneficial owner	3,105,155,568 <sup>4</sup>	Long position	7.91	4.18

Name of substantial shareholders	Capacity	Number of H shares	Nature of interest <sup>1</sup>	Percentage of total H shares (%)	Percentage of total share capital of ordinary shares (%)
Ministry of Finance of the People's Republic of China	Beneficial owner	4,553,999,999 <sup>2</sup>	Long position	13.01	6.13
HSBC Holdings plc	Interests of controlled corporations	14,135,636,613 <sup>3</sup>	Long position	40.37	19.03
The National Council for Social Security Fund	Beneficial owner	9,055,113,332 <sup>4</sup>	Long position	25.86	12.19

## Notes:

- Long positions held other than through equity derivatives.
- To the knowledge of the Bank, as at the end of the Reporting Period, Ministry of Finance held 13,178,424,446 A shares of the Bank, representing 17.75% of the total shares and 4,553,999,999 H shares of the Bank, representing 6.13% of the total ordinary shares issued by the Bank.
- HSBC Holdings plc wholly owns HSBC Asia Holdings Limited, which wholly owns HSBC. HSBC beneficially held 14,135,636,613 H shares of the Bank. Pursuant to the *SFO*, HSBC Holdings plc was deemed to own the interests associated with the 14,135,636,613 H shares held by HSBC.
- To the knowledge of the Bank, as at the end of the Reporting Period, the SSF held 3,105,155,568 A shares (please refer to details in *Shareholdings of Top 10 Ordinary Shareholders* and relevant notes) and 9,055,113,332 H shares of the Bank, representing 4.18% and 12.19% of the total ordinary shares issued by the Bank respectively.

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

### III. ISSUANCE OF PREFERENCE SHARES

#### (I) Issuance and Listing of Preference Shares in the Past Three Years

The Bank did not issue preference shares during the past three years.

#### (II) Information of Preference Shareholders

As at the end of the Reporting Period, the total number of preference shareholders was 41.

#### **Top 10 Preference Shareholders and their Shareholdings as at the end of the Reporting Period**

Name of shareholders	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares held	Shares pledged or frozen	Nature of shareholders
China Mobile Communications Corporation	–	100,000,000	22.22	Domestic preference share	Nil	State-owned legal entity
Hwabao Trust Co., Ltd. -Hwabao Trust-Baofu Investment No. 1 Collective Capital Trust Plan	33,710,000	33,710,000	7.49	Domestic preference share	Nil	Others
AXA SPDB Investment Managers-SPDB-Shanghai Pudong Development Bank Shanghai Branch	–	20,000,000	4.44	Domestic preference share	Nil	Others
CCB Trust Co., Ltd.- “Qian Yuan – Ri Xin Yue Yi” open-ended wealth management single fund trust	–	20,000,000	4.44	Domestic preference share	Nil	Others
Truvalue Asset Management-CMBC-China Merchants Bank Co., Ltd.-	–	20,000,000	4.44	Domestic preference share	Nil	Others
Bosera Funds-ICBC-Bosera-ICBC-Flexible Allocation No.5 Specific Multi-customer Asset Management Plan	–	20,000,000	4.44	Domestic preference share	Nil	Others
Wisdom Asset Management – Ping An Bank – Ping An Bank Co., Ltd.	–	20,000,000	4.44	Domestic preference share	Nil	Others
China Ping An Life Insurance Co., Ltd. – Self-owned capital	–	18,000,000	4.00	Domestic preference share	Nil	Others
China National Tobacco Corporation – Henan Branch	–	15,000,000	3.33	Domestic preference share	Nil	State-owned legal entity
China Life Property & Casualty Insurance Company Limited – Traditional – Common insurance product	–	15,000,000	3.33	Domestic preference share	Nil	Others

Notes:

- Shareholdings of preference shareholders are summarised according to the Bank’s register members of preference shareholders.
- “Percentage” refers to the percentage of number of preference shares held by preference shareholders in the total number of preference shares.
- The Bank is not aware of the existence of any related relationship among the Top 10 preference shareholders, or any relationship between the above shareholders and Top 10 ordinary shareholders, or whether they are parties acting in concert.

## CHANGES IN SHARES AND SHAREHOLDERS

### (III) Dividends Distribution of Preference Shares

In accordance with the resolution and authorisation of the Shareholders' General Meeting, the 19th meeting of the 9th Session of Board of Directors of the Bank was held on 29 April 2021, at which the proposal for the dividend distribution of the domestic preference shares was reviewed and approved.

The dividend on domestic preference shares was calculated at the nominal dividend yield of 3.9% and amounted to 1,755,000,000, which will be distributed on 7 September 2021. Please refer to the announcement published by the Bank for details of dividend distribution of preference shares.

### (IV) Redemption or Conversion of Preference Shares

During the Reporting Period, there was no redemption or conversion of preference shares.

### (V) Restoration of Voting Rights

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

### (VI) Accounting Policy for Preference Shares and its Rationale

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

# CORPORATE GOVERNANCE

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

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

## I. SHAREHOLDERS' GENERAL MEETING

On 24 March 2021, the Bank held the 2021 First Extraordinary General Meeting, at which the Shareholders reviewed and approved two proposals of the 2021-2025 Capital Management Plan and the issuance of tier-2 capital bonds. On 29 June 2021, the Bank held the 2020 Annual General Meeting, at which six proposals were reviewed and approved, including 2020 Report of the Board of Directors, 2020 Report of the Board of Supervisors and 2020 Financial Report. The results announcements for the above Shareholders' General Meetings were disclosed on the websites of SSE, Hong Kong Stock Exchange and the Bank, and were published via media designated by the CSRC.

## II. PROFIT DISTRIBUTION

Pursuant to the 2020 Profit Distribution Plan approved at the 2020 Annual General Meeting, a cash dividend of 0.317 (tax inclusive) for each share, totaling 23.541 billion, which was calculated based on a total share capital of 74.263 billion ordinary shares as at 31 December 2020 was approved. The aforementioned dividend was distributed to holders of A share and H share of the Bank on 13 July 2021 and 3 August 2021 respectively.

The Bank will not distribute an interim dividend or convert any capital reserve into share capital for the six months ended 30 June 2021.

## III. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Name	Position	Name	Position
Ren Deqi	Chairman of the Board of Directors and Executive Director	Chen Junkui	Non-executive Director
Liu Jun	Vice Chairman of the Board of Directors, Executive Director and President	Liu Haoyang	Non-executive Director
Li Longcheng	Non-executive Director	Yeung Chi Wai Jason	Independent Non-executive Director
Wang Linping	Non-executive Director	Woo Chin Wan Raymond	Independent Non-executive Director
Chang Baosheng	Non-executive Director	Cai Haoyi	Independent Non-executive Director
Liao, Yi Chien David	Non-executive Director	Shi Lei	Independent Non-executive Director
Chan Siu Chung	Non-executive Director	Zhang Xiangdong	Independent Non-executive Director
Song Hongjun	Non-executive Director	Li Xiaohui	Independent Non-executive Director

## CORPORATE GOVERNANCE

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

Name	Position	Name	Position
Xu Jiming	Chairman of the Board of Supervisors (designate)	Chen Hanwen	External Supervisor
Zhang Minsheng	Shareholder Supervisor	Ju Jiandong	External Supervisor
Wang Xueqing	Shareholder Supervisor	Guan Xingshe	Employee Supervisor
Xia Zhihua	External Supervisor	Lin Zhihong	Employee Supervisor
Li Yao	External Supervisor	Feng Bing	Employee Supervisor

Note: The proposal on electing Mr.Xu Jiming as the Chairman of the Board of Supervisors was reviewed and approved at the Meeting of the Board of Supervisors held on 27 August, 2021. After the general meeting of shareholders elects Mr.Xu as the shareholder supervisor of the Bank, Mr.Xu will serve as the Chairman of the Board of Supervisors of the Bank.

As at the date of this Report, the members of senior management of the Bank are as below:

Name	Position	Name	Position
Liu Jun	President	Gu Sheng	Secretary of the Board of Directors
Yin Jiuyong	Executive Vice President	Tu Hong	Chief Business Officer (Interbank and Market Business Sector)
Guo Mang	Executive Vice President	Lin Hua	Chief Risk Officer
Zhou Wanfu	Executive Vice President	Wang Feng	Chief Business Officer (Retail and Private Business Sector)
Hao Cheng	Executive Vice President	Ng Siu On	BoCom-HSBC Strategic Cooperation Consultant
Qian Bin	Executive Vice President		

Notes:

1. Mr.Qian Bin served as Executive Vice President of the Bank from 30 July 2021.
2. Mr.Wang Feng served as Chief Business Officer of the Bank (Retail and Private Business Sector) from 5 August,2021.

## Changes in Directors, Supervisors and Senior Management

Newly Elected/Appointed Name	Position	Change
Wang Linping	Non-executive Director	Elected
Chang Baosheng	Non-executive Director	Elected
Liao, Yi Chien David	Non-executive Director	Elected
Xu Jiming	Chairman of the Board of Supervisors (designated)	Elected
Hao Cheng	Executive Vice President	Appointed
Qian Bin	Executive Vice President	Appointed
Lin Hua	Chief Risk Officer	Appointed
Wang Feng	Chief Business Officer (Retail and Private Business Sector)	Appointed

Resigned/Retired Name	Ex-position	Change
He Zhaobin	Ex-Non-executive Director	Retired (due to job assignment)
Cai Yunge	Ex-Chairman of the Board of Supervisors and Ex-Shareholder Supervisor	Resigned (due to job assignment)
Du Yarong	Ex-Employee Supervisor	Retired (due to job assignment)



## Changes in Information of Directors, Supervisors and Senior Management

After being proposed for appointment as Non-executive Director of the Bank, Mr. Liao, Yi Chien David also served as Co-chief Executive Officer of the Hongkong and Shanghai Banking Corporation Limited (“HSBC”), Executive Director of the HSBC Group and a member of the Group Executive Committee; he no longer served as General Manager of the HSBC Group and Head of HSBC Asia Pacific Global Banking.

During the Reporting Period, Mr. Chen Hanwen, External Supervisor of the Bank, served as Independent Non-executive Director of Shenwan Hongyuan Securities Co.,Ltd.; Ms. Feng Bing, Employee Supervisor, served as Executive Vice President of the Labour Union of the Bank, League Secretary and President of the Head Office Authority Labour Union.

## Shareholdings of Directors, Supervisors and Senior Management

Name	Position	Class of shares	Number of shares held at the beginning of the Reporting Period (share)	Increase (or decrease) in shareholdings during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Reason for changes
Ren Deqi	Chairman of the Board of Directors and Executive Director	A share	0	0	0	–
		H share	200,000	0	200,000	–
Chan Siu Chung	Non-executive Director	A share	0	0	0	–
		H share	49,357	0	49,357	–
Guan Xingshe	Employee Supervisor	A share	0	30,000	30,000	Purchased from secondary market
		H share	0	0	0	–
Lin Zhihong	Employee Supervisor	A share	30,000	0	30,000	–
		H share	0	0	0	–
Guo Mang	Executive Vice President	A share	50,000	0	50,000	–
		H share	0	0	0	–
Gu Sheng	Secretary of the Board of Directors	A share	66,100	0	66,100	–
		H share	21,000	0	21,000	–
Tu Hong	Chief Business Officer (Interbank and Market Business Sector)	A share	0	0	0	–
		H share	50,000	0	50,000	–
Lin Hua	Chief Risk Officer	A share	107,100	25,000	132,100	Purchased from secondary market
		H share	0	0	0	–
Wang Feng	Chief Business Officer (Retail and Private Business Sector)	A share	189,335	50,000	239,335	Purchased from secondary market
		H share	140,000	0	140,000	–
Ng Siu On	BoCom-HSBC Strategic Cooperation Consultant	A share	0	0	0	–
		H share	30,000	0	30,000	–
<b>Resigned/Retired Directors, Supervisors and Senior Management</b>						
He Zhaobin	Non-executive Director	A share	20,000	0	20,000	–
		H share	0	0	0	–
Du Yarong	Employee Supervisor	A share	90,000	0	90,000	–
		H share	20,000	0	20,000	–

## CORPORATE GOVERNANCE

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

#### IV. HUMAN RESOURCE MANAGEMENT

##### (I) Basic Information of Employees

As at the end of the Reporting Period, the Group had a total of 89,890 employees, of whom 83,945 employees were based in domestic banking institutions and 2,610 were local employees in overseas branches. The number of employees of the Bank's subsidiaries was 3,335, excluding staff dispatched from the Head Office and branches.

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

	Assets		Entities		Employees	
	Amount (in millions of RMB)	Proportion (%)	Number of entities	Proportion (%)	Number of employees	Proportion (%)
Yangtze River Delta	2,795,905	24.50	717	23.96	25,519	29.48
Pearl River Delta	1,026,051	8.99	322	10.76	9,075	10.48
Bohai Rim Economic Zone	1,608,059	14.09	490	16.38	13,335	15.41
Central China	1,276,579	11.18	557	18.62	13,542	15.65
Western China	855,889	7.50	479	16.01	10,697	12.36
North Eastern China	386,394	3.39	357	11.93	8,582	9.92
Overseas	1,094,045	9.59	69	2.31	2,610	3.02
Head Office	4,395,387	38.51	1	0.03	3,195	3.69
Eliminated and unallocated assets	(2,024,349)	(17.75)	–	–	–	–
<b>Total</b>	<b>11,413,960</b>	<b>100.00</b>	<b>2,992</b>	<b>100.00</b>	<b>86,555</b>	<b>100.00</b>

##### (II) Employees' Remuneration Policy

Under the Group's strategic goals and reform and development requirements, the Bank consistently optimised the performance appraisal and remuneration system of "salary determined by post and bonus granted upon performance" and highlighted the assessment criteria of value creation and performance orientation. The Bank also motivated staff incentives and enhanced input and output efficiency of resources.

### (III) Employees' Training Management

During the Reporting Period, centring around the “One-Four-Five” Strategy, the Bank focused on value creation and ability improvement. With the aim of cultivating a high-quality professional cadre team and an emphasis on belief and faith, Party spirit education and capability development, the Bank stuck to a demand-oriented and problem-oriented approach, insisted on reform and innovation, consolidated management basis, exploited the empowerment function of training and improved the training of the cadre team. The Bank also utilised the e-Campus online training platform to increase the proportion of online trainings. In addition, the Bank held training sessions for young and middle-aged cadres, training for FinTech management trainees and other key training programmes in forms of centralised training, special seminar, tutorial lecture and online learning. To further improve education and training capabilities, the Bank reinforced the construction of fundamental resources including teachers, curricula, channels, facilities and systems, promoted the development of e-HR education and training module the level of information-based training management. During the Reporting Period, the Bank organised 1,705 sessions of online and offline training programmes for about 0.45 million employees.

# SIGNIFICANT EVENTS

## I. COMMITMENT

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

## II. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group was not involved in any material litigation or arbitration that had significant impact on its operating activities. As at the end of the Reporting Period, the Group was involved in certain outstanding litigations and arbitrations as defendant or third party with an amount of approximately 3.075 billion.

## III. PUNISHMENT

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

## IV. INTEGRITY

During the Reporting Period, neither did the Bank refuse to execute any court orders nor fail to settle any significant due debts involved in lawsuits.

## V. RELATED PARTY TRANSACTIONS

During the Reporting Period, all transactions between the Group and its related parties were the monetary transactions conducted in the ordinary course of business. No significant related party transactions occurred. As at the end of the Reporting Period, details of continuing related party transactions of the Group were disclosed in Note 46 to the Consolidated Financial Statements set out in this Report.

## VI. MATERIAL CONTRACTS AND PERFORMANCE OF OBLIGATIONS THEREUNDER

### (I) Material Trust, Sub-contract and Lease

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

## (II) Material Guarantees

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

## VII. SOCIAL RESPONSIBILITIES

With the mission of “creating shared value”, the Bank upheld the new development philosophy of innovation, coordination, green, openness and sharing, insisted on serving the real economy while considering people, society, environment and other factors, and strived to achieve comprehensive improvement on economic, environmental, and social benefits.

**Rural Revitalisation** During the Reporting Period, extensive efforts were made in developing the organisational structure and working mechanism of services to rural revitalisation. The Bank established a leading group for rural revitalisation, which was responsible for studying and formulating the Bank’s strategic plan of rural revitalisation; The Bank formed a finance department of rural revitalisation to take a lead in the Bank’s financial services to the rural revitalisation planning, the construction of agriculture-related product system, the operation of customer segment and the paired assistance. The Bank increased credit support to rural revitalisation undertakings.

To contribute to the implementation of the national rural revitalisation strategy, the Bank optimised business guidelines for rural revitalisation, upgraded the product system and accelerated the replication of mature business models. As a regional pilot bank in the Yangtze River Delta in cooperation with the Ministry of Agriculture and Rural Affairs, the Bank launched its first batch of “New Agricultural Direct Loans” business among branches in the Yangtze River Delta, which became the first of its kind in the region. As at the end of the Reporting Period, the Bank’s balance of agriculture-related loans increased by 29.948 billion over the end of the previous year to 603.406 billion. The balance of inclusive agriculture-related loans increased by 5.927 billion over the end of the previous year to 32.98 billion.

**Environmental Protection** The Bank implemented the national carbon neutrality strategy and took a green development path. Focusing on the goals of “carbon peak” and “carbon neutrality”, the Bank promulgated the *Opinions on Accelerating the Development of Green Credit (2021 Edition)*. With developing green finance as a long-term strategy, the Bank actively supported major climate projects and other green credit businesses, increased the issuance and investment in green bonds, and intensified efforts in green funds and other green finance areas. As at the end of the Reporting Period, the balance of the domestic branches’ green loan was 408.811 billion, representing an increase of 45.903 billion or 12.65% over the end of the previous year. Among them, the balance of the clean energy industry loans was 58.8 billion, indicating an increase of 12.8 billion. During the Reporting Period, the Bank was not subject to any administrative penalty due to the environmental issues.

## SIGNIFICANT EVENTS

The Bank actively participated in the innovative pilot projects of green bonds and carbon neutrality bonds in the interbank bond market and have successively made breakthroughs in fields including green transportation, green buildings and green energy. As at the end of the Reporting Period, the Bank underwrote a total of 16 green bonds (carbon neutrality bonds), with its total issuance and underwriting amount of 96.0 billion and 18.8 billion respectively.

## VIII. AUDIT COMMITTEE

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

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

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

## X. MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

## XI. SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

## XII. APPOINTMENT OF ACCOUNTING FIRM

With the approval at the 2020 Annual General Meeting, the Bank has continued to appoint PricewaterhouseCoopers Zhong Tian LLP to perform the audit of the financial statements prepared by the Group in accordance with China Accounting Standards, the internal control and other related professional services and continued to appoint PricewaterhouseCoopers to perform the audit of the financial statements prepared by the Group in accordance with IFRSs and to provide other related professional services. The term of appointment starts upon the approval on the date of the Bank's 2020 Annual General Meeting and will end upon the conclusion of the Bank's 2021 Annual General Meeting.

## XIII. OTHER SIGNIFICANT EVENTS

(I) The Bank's 2021 First Extraordinary General Meeting reviewed and approved the issuance of write-down tier-2 capital bonds with a total amount of no more than RMB140.0 billion or equivalent amount in foreign currency. In July 2021, the Bank was approved for the public issuance of tier-2 capital bonds of no more than RMB60.0 million in the national interbank bond market. For related details, please refer to the announcements the Bank published on 24 March 2021 and 27 July 2021.

(II) The Bank intended to fund 7.5 billion into setting up National Green Development Fund Co., Ltd., which had been approved by relevant regulatory authorities. For related details, please refer to the announcement the Bank published on 30 April 2021.

(III) The Bank issued 41.5 billion of undated capital bonds in the national interbank bond market. For related details, please refer to the announcement the Bank published on 10 June 2021.

(IV) The Bank intended to inject capital of 5.0 billion to BOCOM Financial Asset Investment Co., Ltd., a wholly-owned subsidiary of the Bank. For related details, please refer to the announcements the Bank published on 28 June 2021.

The above announcements were published on the website of Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

# LIST OF INSTITUTIONS

## LIST OF DOMESTIC PROVINCIAL BRANCHES AND DIRECTLY MANAGED BRANCHES OF HEAD OFFICE

Region Division	Name	Address
<b>Yangtze River Delta</b>	Shanghai Branch	No. 200 Jiangxi Middle Road, Huangpu District, Shanghai
	Jiangsu Provincial Branch	No. 218 Lushan Road, Jianye District, Nanjing City, Jiangsu Province
	Suzhou Branch	No. 28 Suhui Road, Suzhou Industrial Park, Suzhou City, Jiangsu Province
	Wuxi Branch	No. 8 Second Jinrong Street, Binhu District, Wuxi City, Jiangsu Province
	Zhejiang Provincial Branch	No. 1-39 Juyuan Road, Jianggan District, Hangzhou City, Zhejiang Province
	Ningbo Branch	No. 455 Haiyan North Road, Yinzhou District, Ningbo City, Zhejiang Province
	Anhui Provincial Branch	Intersection of Huizhou Avenue and Jialingjiang Road, Baohe District, Hefei City, Anhui Province
<b>Pearl River Delta</b>	Fujian Provincial Branch	No. 116 Hudong Road, Gulou District, Fuzhou City, Fujian Province
	Xiamen Branch	No. 9 Hubin Middle Road, Siming District, Xiamen City, Fujian Province
	Guangdong Provincial Branch	No. 11 Xiancun Road, Tianhe District, Guangzhou City, Guangdong Province
	Shenzhen Branch	No. 3018 Shennan Middle Road, Futian District, Shenzhen City, Guangdong Province
<b>Bohai Rim Economic Zone</b>	Beijing Branch	No. 22 Jinrong Street, Xicheng District, Beijing
	Tianjin Branch	No. 7 Youyi Road, Hexi District, Tianjin City
	Hebei Provincial Branch	No. 26 Ziqiang Road, Qiaoxi District, Shijiazhuang City, Hebei Province
	Shandong Provincial Branch	No. 98 Gongqingtuan Road, Shizhong District, Jinan City, Shandong Province
	Qingdao Branch	No. 6 Zhongshan Road, Shinan District, Qingdao City, Shandong Province
<b>Central China</b>	Shanxi Provincial Branch	No. 5 Qingnian Road, Yingze District, Taiyuan City, Shanxi Province
	Jiangxi Provincial Branch	No. 199 Huizhan Road, Honggutan New District, Nanchang City, Jiangxi Province
	Henan Provincial Branch	No. 11 Zhenghua Road, Jinshui District, Zhengzhou City, Henan Province
	Hubei Provincial Branch	No. 847 Jianshe Avenue, Jiangnan District, Wuhan City, Hubei Province
	Hunan Provincial Branch	No. 447 Wuyi Avenue, Furong District, Changsha City, Hunan Province
	Guangxi Zhuang Autonomous Region Branch	No. 228 Renmin East Road, Xingning District, Nanning City, Guangxi Zhuang Autonomous Region
	Hainan Provincial Branch	No. 45 Guomao Avenue, Longhua District, Haikou City, Hainan Province



Region Division	Name	Address
<b>Western China</b>	Inner Mongolia Autonomous Region Branch	No. 18 Xinhua East Street, Saihan District, Hohhot, Inner Mongolia Autonomous Region
	Chongqing Branch	No. 3 Jiangbei City West Street, Jiangbei District, Chongqing City
	Sichuan Provincial Branch	No. 211 West Yulong Street, Qingyang District, Chengdu City, Sichuan Province
	Guizhou Provincial Branch	East Third Tower, Financial City, Guanshanhu District, Guiyang City, Guizhou Province
	Yunnan Provincial Branch	No. 397 Baita Road, Panlong District, Kunming City, Yunnan Province
	Shaanxi Provincial Branch	No. 88 Xixin Street, Xincheng District, Xi'an City, Shaanxi Province
	Gansu Provincial Branch	No. 129 Qingyang Road, Chengguan District, Lanzhou City, Gansu Province
	Ningxia Hui Autonomous Region Branch	No. 64 Ning'an Street, Jinfeng District, Yinchuan City, Ningxia Hui Autonomous Region
	Xinjiang Uygur Autonomous Region Branch	No. 16 Dongfeng Road, Tianshan District, Urumqi, Xinjiang Uygur Autonomous Region
	Qinghai Provincial Branch	No. 67 Wusi West Road, Chengxi District, Xining City, Qinghai Province
<b>North Eastern China</b>	Liaoning Provincial Branch	No. 258-1 Shifu Road, Shenhe District, Shenyang City, Liaoning Province
	Dalian Branch	No. 6 Zhongshan Square, Zhongshan District, Dalian City, Liaoning Province
	Jilin Provincial Branch	No. 3535 Renmin Street, Chaoyang District, Changchun City, Jilin Province
	Heilongjiang Provincial Branch	No. 428 Youyi Road, Daoli District, Harbin City, Heilongjiang Province

Note: For the business outlet address and contact information of the Bank, please visit the Bank's official website ([www.bankcomm.com](http://www.bankcomm.com)) and click on "Branch Inquiry" for relevant information.

## LIST OF OVERSEAS BANKING INSTITUTIONS

Name	Address
Hong Kong Branch/Bank of Communications (Hong Kong) Limited	Unit B B/F & G/F, Unit C G/F, 1-3/F, 16/F Room 01 & 18/F, Wheelock House, 20 Pedder Street, Central, Hong Kong
New York Branch	ONE EXCHANGE PLAZA 55 BROADWAY, 31ST & 32ND FLOOR, NEW YORK NY 10006-3008, U.S.A.
San Francisco Branch	575 MARKET STREET, 38th FLOOR, SAN FRANCISCO, CA 94105, U.S.A.
Tokyo Branch	SANYO Group Building, 1-3-5 Nihombashi, Chuo-ku, Tokyo, Japan
Singapore Branch	50 Raffles Place #18-01 Singapore Land Tower, Singapore 048623
Seoul Branch	6th DouZone Tower. #29, Eulji-ro, Jung-Gu, Seoul, 04523, Korea
Frankfurt Branch	Neue Mainzer Strasse 75, 60311 Frankfurt am Main, Germany
Macau Branch	16th Floor, AIA Tower, No. 251A-301, Avenida Commercial De Macau
Ho Chi Minh City Branch	17th floor, Vincom Center, 72 Le Thanh Ton, Dist.1, HCMC, VN
Sydney Branch	Level 23, 60 Martin Place, Sydney NSW2000, Australia
Brisbane Branch	Level 35, 71 Eagle Street, Brisbane QLD4000, Australia
Melbourne Branch	Level 34 Rialto South Tower, 525 Collins Street, Melbourne VIC, 3000, Australia

## LIST OF INSTITUTIONS

Name	Address
Taipei Branch	A Wing, 29th Floor, No. 7, Section 5, Xinyi Road, Taipei (101 Tower), Taiwan
London Branch	4th Floor, 1 Bartholomew Lane, London EC2N 2AX UK
Luxemburg Branch/Bank of Communications (Luxembourg) Co., Ltd.	7 Rue de la Chapelle, L-1325 Luxembourg, Luxembourg
Bank of Communications (Luxembourg) S.A. Paris Branch	90, Avenue des Champs-Élysées, 75008, Paris, France
Bank of Communications (Luxembourg) S.A. Rome Branch	3rd floor, Piazza Barberini 52, Rome. 00187, Italy
Bank of Communications (Brazil) Co., Ltd.	Av Barão de Tefé, 34-20th, Rio de Janeiro, Brazil, 20220-460
Prague Branch	7th floor, RUSTONKA R2, Rohanske nabrezi 693/10, Prague 8, 186 00, Czech Republic
Johannesburg Branch	140 West St, Sandown, Sandton, 2196, Johannesburg, South Africa
Toronto Representative Office	Suite 2460, 22 Adelaide Street West, Toronto, ON M5H 4E3, Canada

## LIST OF MAJOR SUBSIDIARIES

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

# APPENDIX – REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION AND THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

## To the Board of Directors of Bank of Communications Co., Ltd

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

### INTRODUCTION

We have reviewed the interim financial information set out on pages 75 to 176, which comprises the interim condensed consolidated statement of financial position of Bank of Communications Co., Ltd (the “Bank”) and its subsidiaries (together, the “Group”) as at 30 June 2021 and the interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Bank are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

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

### CONCLUSION

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

## **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 27 August 2021

# UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Notes	Six months ended 30 June	
		2021	2020
Interest income		183,952	186,229
Interest expense		(105,466)	(112,380)
<b>Net interest income</b>	4	<b>78,486</b>	73,849
Fee and commission income	5	27,299	26,215
Fee and commission expense	6	(2,333)	(1,938)
<b>Net fee and commission income</b>		<b>24,966</b>	24,277
Net gains arising from trading activities	7	10,169	7,353
Net gains arising from financial investments		772	1,505
<i>Including: Net gains on derecognition of financial assets measured at amortised cost</i>		<i>40</i>	<i>68</i>
Share of profits of associates and joint ventures		114	85
Insurance business income	8	11,022	10,936
Other operating income	9	8,522	8,954
<b>Net operating income</b>		<b>134,051</b>	126,959
Credit impairment losses	10	(33,082)	(33,333)
Other assets impairment losses	11	(418)	(159)
Insurance business expense	12	(10,925)	(11,022)
Other operating expenses	13	(43,038)	(42,487)
<b>Profit before tax</b>		<b>46,588</b>	39,958
Income tax	16	(3,715)	(2,961)
<b>Net profit for the period</b>		<b>42,873</b>	36,997

## UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

	Notes	Six months ended 30 June	
		2021	2020
<b>Other comprehensive income, net of tax</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Loans and advances to customers at fair value through other comprehensive income			
Amount recognised in equity		319	249
Amount reclassified to profit or loss		(144)	(198)
Debt investments at fair value through other comprehensive income			
Amount recognised in equity		211	(127)
Amount reclassified to profit or loss		(192)	(1,062)
Effective portion of gains or losses on hedging instruments in cash flow hedges			
Amount recognised in equity		972	(659)
Amount reclassified to profit or loss		(740)	4
Translation difference on foreign operations		(1,344)	1,093
Others		5	28
Subtotal		(913)	(672)
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Changes in fair value of equity investments designated at fair value through other comprehensive income			
		(455)	(371)
Actuarial losses on pension benefits			
		58	(34)
Changes in fair value attributable to changes in the credit risk of financial liability designated at fair value through profit or loss			
		(36)	44
Others			
		7	26
Subtotal		(426)	(335)
Other comprehensive income, net of tax	41	(1,339)	(1,007)
<b>Total comprehensive income for the period</b>		<b>41,534</b>	<b>35,990</b>
<b>Net profit attributable to:</b>			
Shareholders of the Bank		42,019	36,505
Non-controlling interests		854	492
		42,873	36,997
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Bank		40,799	35,403
Non-controlling interests		735	587
		41,534	35,990
<b>Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (in RMB yuan)</b>	17	<b>0.54</b>	<b>0.46</b>

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

# UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Notes	As at 30 June 2021	As at 31 December 2020
<b>ASSETS</b>			
Cash and balances with central banks	18	810,320	817,561
Due from and placements with banks and other financial institutions	19	712,370	571,130
Derivative financial assets	21	35,584	54,212
Loans and advances to customers	22	6,208,293	5,720,568
Financial investments at fair value through profit or loss	20	575,837	482,588
Financial investments at amortised cost	23	2,050,282	2,019,529
Financial investments at fair value through other comprehensive income	23	726,547	735,220
Investments in associates and joint ventures	24	5,505	4,681
Property and equipment	25	167,054	169,471
Deferred income tax assets	26	29,119	27,991
Other assets	27	93,049	94,665
<b>Total assets</b>		<b>11,413,960</b>	<b>10,697,616</b>
<b>LIABILITIES</b>			
Due to and placements from banks and other financial institutions	28	1,838,106	1,787,491
Financial liabilities at fair value through profit or loss	29	20,532	29,279
Derivative financial liabilities	21	33,702	55,942
Due to customers	30	7,016,652	6,607,330
Certificates of deposits issued	31	792,542	634,297
Current income tax liabilities		3,326	3,786
Deferred income tax liabilities	26	1,491	1,286
Debt securities issued	32	541,597	497,755
Other liabilities	33	230,097	201,822
<b>Total liabilities</b>		<b>10,478,045</b>	<b>9,818,988</b>
<b>EQUITY</b>			
Share capital	34	74,263	74,263
Other equity instruments	35	174,790	133,292
<i>Including: Preference shares</i>		<i>44,952</i>	<i>44,952</i>
<i>Perpetual bonds</i>		<i>129,838</i>	<i>88,340</i>
Capital surplus	34	111,428	111,428
Other reserves	36	345,770	333,176
Retained earnings	36	217,357	214,448
<b>Equity attributable to shareholders of the Bank</b>		<b>923,608</b>	<b>866,607</b>
Equity attributable to non-controlling interests of ordinary shares		9,086	8,763
Equity attributable to non-controlling interests of other equity instruments	38	3,221	3,258
<b>Non-controlling interests</b>		<b>12,307</b>	<b>12,021</b>
<b>Total equity</b>		<b>935,915</b>	<b>878,628</b>
<b>Total equity and liabilities</b>		<b>11,413,960</b>	<b>10,697,616</b>

The condensed consolidated financial statements were approved and authorised for issuance by the Board of Directors on 27 August 2021 and signed on its behalf by:

**Chairman and Executive Director: Ren Deqi**

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

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

## UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Other equity instruments				Other reserves									Non-controlling interests			Total	
	Share capital Note 34	Preference shares Note 35	Perpetual bonds Note 35	Capital surplus Note 34	Statutory reserve Note 36	Discretionary reserve Note 36	Statutory general reserve Note 36	Revaluation reserve for other comprehensive income	Revaluation reserve for the changes in credit risk of the financial liabilities designated at fair value through profit or loss	Effective portion of gains or losses on hedging instruments in cash flow hedges	Translation reserve on foreign operations	Actuarial changes reserve	Others	Retained earnings Note 36, 37	Attributable to the shareholders of the Bank	Attributable to non-controlling interests of ordinary shares		Attributable to non-controlling interests of other equity instruments Note 35
As at 1 January 2021	74,263	44,952	88,340	111,428	72,431	139,930	123,163	456	12	(532)	(3,517)	(142)	1,375	214,448	866,607	8,763	3,258	878,628
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	42,019	42,019	793	61	42,873
Other comprehensive income	-	-	-	-	-	-	-	(144)	(36)	231	(1,341)	58	12	-	(1,220)	(82)	(37)	(1,339)
Total comprehensive income	-	-	-	-	-	-	-	(144)	(36)	231	(1,341)	58	12	42,019	40,799	711	24	41,534
Capital contribution to holders of other equity instruments	-	-	41,498	-	-	-	-	-	-	-	-	-	-	-	41,498	-	-	41,498
Dividends paid to ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(23,541)	(23,541)	(388)	-	(23,929)
Dividends paid to preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,755)	(1,755)	-	-	(1,755)
Interest paid to non-cumulative subordinated additional tier-1 capital securities holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(61)	(61)
Transfer to reserves	-	-	-	-	7,100	-	6,715	-	-	-	-	-	-	(13,815)	-	-	-	-
Transferred from other comprehensive income	-	-	-	-	-	-	-	(1)	-	-	-	-	-	1	-	-	-	-
As at 30 June 2021	74,263	44,952	129,838	111,428	79,531	139,930	129,878	311	(24)	(301)	(4,858)	(84)	1,387	217,367	923,608	9,086	3,221	935,915
As at 1 January 2020	74,263	59,876	39,994	113,663	64,897	139,853	117,567	3,421	5	15	1,199	(10)	1,363	177,141	793,247	7,665	-	800,912
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	36,505	36,505	492	-	36,997
Other comprehensive income	-	-	-	-	-	-	-	(1,363)	44	(655)	852	(34)	54	-	(1,102)	17	78	(1,007)
Total comprehensive income	-	-	-	-	-	-	-	(1,363)	44	(655)	852	(34)	54	36,505	35,403	509	78	35,990
Capital contribution to holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,458	3,458
Dividends paid to ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(23,393)	(23,393)	(121)	-	(23,514)
Dividends paid to preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,714)	(2,714)	-	-	(2,714)
Transfer to reserves	-	-	-	-	7,209	-	4,690	-	-	-	-	-	-	(11,899)	-	-	-	-
Transferred from other comprehensive income	-	-	-	-	-	-	-	2	-	-	-	-	-	(2)	-	-	-	-
As at 30 June 2020	74,263	59,876	39,994	113,663	72,106	139,853	122,257	2,060	49	(640)	2,051	(44)	1,417	175,638	802,543	8,053	3,536	814,132

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



# UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Notes	Six months ended 30 June	
		2021	2020
<b>Cash flows from operating activities:</b>			
Profit before tax:		46,588	39,958
Adjustments for:			
Provision for impairment losses		33,082	33,333
Provision for other assets impairment losses		418	159
Provision for insurance contracts reserve		10,053	9,051
Depreciation and amortisation		7,320	7,236
Reversal for outstanding litigations		(54)	(63)
Net gains on the disposal of property, equipment and other assets		(302)	(211)
Interest income from financial investments		(43,155)	(46,272)
Accreted interests on impaired financial assets		(663)	(767)
Net losses arising from fair value		826	3,040
Share of profit of associates and joint ventures		(114)	(85)
Net gains arising from financial investments		(772)	(1,505)
Interest expense on debt securities issued		7,989	6,901
Operating cash flows before movements in operating assets and liabilities		61,216	50,775
Net (increase)/decrease in balances with central banks		(33,185)	36,202
Net increase in due from and placements with banks and other financial institutions		(129,165)	(41,526)
Net increase in financial assets at fair value through profit or loss		(99,628)	(108,518)
Net increase in loans and advances to customers		(527,372)	(450,276)
Net increase in other assets		(1,833)	(9,738)
Net increase in due to and placements from banks and other financial institutions		49,880	12,173
Net (decrease)/increase in financial liabilities at fair value through profit or loss		(2,890)	2,578
Net increase in due to customers and certificates of deposits issued		557,355	606,571
Net increase in other liabilities		16,914	27,321
Net increase in value-added tax and surcharge payable		1,091	688
Income tax paid		(5,126)	(6,892)
<b>Net cash flows (used in)/generated from operating activities</b>		<b>(112,743)</b>	<b>119,358</b>

## UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

	Notes	Six months ended 30 June	
		2021	2020
<b>Cash flows from investing activities:</b>			
Purchase of financial investments		(540,713)	(551,012)
Disposal or redemption of financial investments		510,961	423,024
Dividends received		1,838	1,150
Interest received from financial investments		42,023	46,961
Acquisition of intangible assets and other assets		(622)	(720)
Disposal of intangible assets and other assets		336	366
Purchase and construction of property and equipment		(7,549)	(13,741)
Disposal of property and equipment		2,690	4,539
<b>Net cash flows generated from/(used in) investing activities</b>		<b>8,964</b>	<b>(89,433)</b>
<b>Cash flows from financing activities:</b>			
Cash received from issuing other equity instruments		41,498	3,458
Cash received on debt securities issued		54,988	68,528
Repayment of principals and interests of lease liabilities		(1,182)	(1,131)
Repayment of principals of debt securities issued		(13,240)	(18,442)
Cash payments for interest on debt securities		(3,829)	(2,910)
Dividends paid to non-controlling interests		(112)	(20)
<b>Net cash flows generated from financing activities</b>		<b>78,123</b>	<b>49,483</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(2,835)</b>	<b>1,170</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(28,491)</b>	<b>80,578</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>307,120</b>	<b>167,735</b>
<b>Cash and cash equivalents at the end of the period</b>	42	<b>278,629</b>	<b>248,313</b>
Net cash flows from operating activities include:			
Interest received		143,138	140,667
Interest paid		(86,764)	(102,391)

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

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

## 1 GENERAL

Bank of Communications Co., Ltd. (the “Bank”) is a joint-stock national state-owned commercial bank, reorganised on 1 April 1987 at the approval of notice Guo Fa (1986) No. 81 issued by the State Council of the PRC and notice Yin Fa (1987) No. 40 issued by the People’s Bank of China (the “PBOC”). Headquartered in Shanghai, the Bank operates 246 branches in Mainland China and 23 branches (sub-branches), subsidiary banks and representative offices overseas. The Bank’s A shares are listed on Shanghai Stock Exchange and H shares on Hong Kong Stock Exchange.

The Bank obtained its finance permit No. B0005H131000001 from the CBIRC of the PRC. The Bank obtained its business license with unified social credit code 9131000010000595XD from the State Administration for Industry and Commerce of the PRC. The registered capital is RMB74,263 million. The legal representative is Ren Deqi.

The Bank’s stock codes of A Shares and H Shares listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited are 601328 and 03328, respectively. The Bank’s domestic preference shares are listed on the Shanghai Stock Exchange and the stock codes are 360021.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

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

These unaudited interim condensed consolidated financial statements of the Group should be read in conjunction with the 2020 annual consolidated financial statements.

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

The unaudited interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment property which are measured at fair value. Except as described below, the Group’s accounting policies applied in preparing these unaudited interim condensed consolidated financial statements are consistent with those policies applied in preparing the 2020 annual consolidated financial statements.

#### 2.1.1 New and amended standards adopted by the Group

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16  
Amendments to IFRS 16

Interest Rate Benchmark Reform—Phase 2  
COVID-19-related Rent Concessions

#### *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

The IASB has issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (“Interest Rate Benchmark Reform—Phase 2”). The amendments are effective for annual periods beginning on or after 1 January 2021, with early application permitted.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.1 Basis of preparation *(Continued)*

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

##### *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Continued)*

The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial instruments (that is, financial instruments classified as amortised cost and debt instruments at FVOCI), lease receivables and lease liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness.

The amendment provides a provisional exemption. When a company expects reasonably that the alternative benchmark interest rate will meet the separately identifiable requirements within 24 months from the date when it is designated as a non-contractually clear risk component, it shall be deemed to meet the separately identifiable requirements. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

##### *Amendments to IFRS 16*

The International Accounting Standards Board (IASB) has published 'Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)' that extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification, and the changes in Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) amend IFRS 16 to:

- permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021);
- require a lessee applying the amendment to do so for annual reporting periods beginning on or after 1 April 2021;
- require a lessee applying the amendment to do so retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and
- specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8.

The adoption of these standards and amendments does not have a material effect on the Group's consolidated financial information.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.1 Basis of preparation (Continued)

##### 2.1.2 Standards and amendments issued but not yet effective

		<b>Effective for annual period commencing on or after</b>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018 – 2020	1 January 2022
IFRS 17 and its amendments	Insurance Contracts	1 January 2023
Amendments to IAS 8	Accounting Estimates	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

##### *Amendments to IFRS 10 and IAS 28*

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

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

##### *Amendments to IAS 16*

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

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

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.1 Basis of preparation *(Continued)*

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

##### *Amendments to IFRS 3*

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

##### *Amendments to IAS 37*

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

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

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

##### *Annual Improvements to IFRS Standards 2018 – 2020 Cycle*

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

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases – amendment of its illustrative example to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- IFRS 1 First – time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.1 Basis of preparation (Continued)

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

###### *IFRS 17 and its amendments*

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

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

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

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

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

- Effective date

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

- Expected recovery of insurance acquisition cash flows

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

- Contractual service margin attributable to investment services

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

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.1 Basis of preparation *(Continued)*

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

*IFRS 17 and its amendments (continued)*

- Reinsurance contracts held – recovery of losses

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

- Other amendments to IFRS 17 include:
  - Scope exclusions for some credit card (or similar) contracts, and some loan contracts;
  - Presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups;
  - Applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss;
  - An accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17;
  - Inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows;
  - Selected transition reliefs and other minor amendments.

The Group is assessing the impact on the Group's operating results and financial position of adopting IFRS 17.

#### *Amendments to IAS 8*

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.



# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.1 Basis of preparation (Continued)

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

##### *Amendments to IAS 1 and IFRS Practice Statement 2*

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) amends IAS 1 in the following ways:

- An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- Several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- The amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- The amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

##### *Amendments to IAS 12*

The main change in Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This is also explained in the newly inserted paragraph IAS 12.22A.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognises deferred tax for all temporary differences related to leases and decommissioning obligations and recognises the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Except for the above-mentioned impact of IFRS 17 and its amendments, the adoption of the above new standards and amendments issued but not yet effective is not expected to have a material effect on the Group's consolidated financial information.

### 2.2 Critical accounting estimates and judgments in applying accounting policies

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

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

### 3 FINANCIAL RISK MANAGEMENT

#### Overview

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

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

#### Risk management framework

The Board of Directors sets out risk management strategies, overall risk preference and risk tolerance level. The senior management establishes risk management policies and procedures according to the strategies set by the Board of Directors. The Risk Management Department/Internal Control and Crime Prevention Office at Head Office serves as the chief department for the Group's risk management and leads the overall risk management duties, of which the crucial ones would be further designated to specific leading departments. The risk management division in each operation department at Head Office, in each domestic and overseas branch and in each subsidiary undertakes specific risk management function. Internal Audit Department is responsible for independent review of risk management and control environment.

#### 3.1 Credit risk

Credit risk is the risk of loss that a borrower or counterparty fails to or is unwilling to meet its obligations. Credit risk arises principally from loans and advances to customers, financial investments, derivative instruments and due from and placements with banks and other financial institutions. There is also credit risk in off-balance sheet items such as credit related commitments and financial guarantees, acceptances and letters of credit. Credit risk is a major risk to which the Bank is exposed. Therefore, the Group manages and controls the overall credit risk, integrated into the comprehensive risk management, in a prudent manner, and reports regularly to the Senior Management and the Board of Directors of the Group.

##### 3.1.1 Credit risk management

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

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

As for corporate loans, the Group's relationship managers are responsible for receiving application files submitted by the applicants, conducting pre-loan investigation, assessing the credit risk, and raising the proposed rating. The Group adopts the hierarchical approval system at the branch and Head Office level based on the credit approval authority. Credit line is determined by taking into account the credit record, financial position, collaterals and guarantees of the applicant, overall credit risk of the credit portfolio, macroeconomic regulation and control policies and relevant laws and regulations. The Group keeps a close eye on the economic and financial trend and credit risk profile in the industry, provides more guidance on credit investment, formulate guidance for different industries, strengthens daily risk pre-warning, monitoring and specific risk investigation, identify customers under major risks and material potential risk points, enhances the refinement of post-loan management and centers on customer credit risk management to carry out post-loan management. The independent loan granting centre shall review the compliance, completeness and effectiveness of relevant credit files before loan granting according to the applications for drawdown of credit line. The Group's relationship managers are primarily responsible for post-loan management. The Group adopts a series of tools and approaches, such as risk filtering, list management, risk warning and risk investigation, in daily risk monitoring of corporate loans. The Group manages non-performing loans mainly through (1) collection; (2) restructuring; (3) disposal of collaterals or recourse to the guarantors; (4) litigation or arbitration; (5) disposal.

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.1 Credit risk *(Continued)*

##### **3.1.1 Credit risk management** *(Continued)*

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

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

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

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

###### *(b) Treasury business*

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

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

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

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

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.1 Credit risk *(Continued)*

##### 3.1.1 Credit risk management *(Continued)*

###### (b) Treasury business *(Continued)*

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

###### (c) Credit-related commitments

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

###### (d) Credit risk quality

In accordance with the Guideline for Loan Credit Risk Classification issued by the CBIRC, the Group measures and manages the quality of corporate and personal loans and advances by classifying loans into the following five categories: normal, special-mention, substandard, doubtful and loss, of which substandard, doubtful and loss loans are regarded as non-performing loans.

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

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special-mention:	Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operating revenues to repay principal and interest. Losses may ensue even when collaterals or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collaterals or guarantees are invoked.
Loss:	Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

##### 3.1.2 Expected credit loss ("ECL")

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

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

- (1) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (2) the time value of money;
- (3) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.1 Credit risk *(Continued)*

##### **3.1.2 Expected credit loss (“ECL”) *(Continued)***

###### *Stage classification*

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

###### Definition of credit-impaired and default

The criteria adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives for relevant financial instrument, in addition to consideration of quantitative and qualitative indicators.

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

- (1) Principal (including advances, applies to below) or interest of the asset is more than 90 days past due;
- (2) The issuer or obligor is in significant financial difficulty, or has already become insolvent
- (3) It is becoming probable that the obligor will enter bankruptcy;
- (4) An active market for that financial asset has disappeared because of financial difficulties of issuers;
- (5) Other objective evidence indicating impairment of the financial asset.

In general, the Group considers a financial instrument is in default, when it is credit-impaired.

###### A significant increase in credit risk

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

- (1) Principal or interest of the instrument is more than 30 days past due;
- (2) Credit rating of obligor changes significantly. Credit rating is based on both internal and external rating results, and the criteria are as follow: (a) a significant increase in credit risk is determined when internal and external rating during the reporting period is below the Group’s credit acceptance standards; (b) the non-retail assets’ internal ratings are downgraded by 3 ranks or above upon initial recognition;
- (3) Significant adverse issues have negative impacts on obligator’s repayment ability;
- (4) Other circumstances of significant increase in credit risk. For example, appearance of other risk alarm indicators which imply growing potential risk, and could cause losses of financial assets to the Group.

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

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.2 Expected credit loss (“ECL”) (Continued)

*Stage classification (Continued)*

A significant increase in credit risk (Continued)

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

*Description of parameters, assumptions and estimation techniques*

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

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

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

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

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

Estimation of ECL: the impairment models

The impairment models adopt a top down approach. Through grouping, the models cover the risk exposures of financial institutions, corporates and retailers. The Group has established a macro-economic forecast model driven by the year-on-year Gross Domestic Product (GDP) growth rate to forecast values of macro-economic indicators in multiple categories, including national accounts, price index, foreign trades, fixed asset investments, currency and interest rates, under three scenarios, namely “Basic Scenario”, “Optimistic Scenario” and “Pessimistic Scenario”. The forecasts, after evaluation and confirmation by economic experts and senior management of the Bank, are used in asset impairment model. The macro scenario settings and the rationality of the weightings are reviewed and adjusted quarterly, based on changes in the internal and external economic environment. As at June 30 2021, the macro scenario settings and the weightings of the Group are similar to those at the end of 2020.

Where impairment models could not be established due to lack of data support, the Group endeavoured to select appropriate methods in order to make prospective estimation. The Group made prospective adjustments to impairment calculation of overseas branches and subsidiaries regularly based on macro-forecast data from authoritative institutions (such as IMF and the World Bank). For asset portfolios not covered by impairment models, expected loss rate was set by referring to that of similar asset portfolios with impairment models available. When the management believed that the forecast model could not fully reflect recent credit or economic events, management overlay adjustments could be used to supplement ECL allowances.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
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### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.2 Expected credit loss (“ECL”) (Continued)

Description of parameters, assumptions and estimation techniques (Continued)

##### Grouping of instruments with similar credit risk characteristics

To calculate the relevance between ECL allowance and macro-economic indicators, a grouping of exposure is performed for assets with similar credit risk characteristics. In performing this grouping, the Group has obtained sufficient information to ensure the data reliability for statistical purposes. Where sufficient information is not available internally, the Group has leveraged supplementary data from both internal and external environments to help establish impairment model. Non-retail assets of the Group are mainly grouped according to industries, while retail assets are mainly grouped based on product types, repayment methods and so on.

##### Sensitivity analysis

As at the balance sheet date, the basic scenario weighting is higher than the non-basic scenario weighting. The probability-weighted impairment allowance under three scenarios is higher than the basic scenario impairment allowance by the following amounts:

	As at 30 June 2021	As at 31 December 2020
Corporate loans	454	337
Personal loans	98	96
Debt investments at amortise cost and fair value through other comprehensive income	4	10

If the optimistic scenario weighting increases by 10%, and the basic scenario weighting decreases by 10%, the impairment allowance of loans and advances will decrease by RMB611 million (31 December 2020: RMB484 million), and the impairment allowance of debt investments at amortise cost and fair value through other comprehensive income will decrease by RMB3 million (31 December 2020: RMB6 million). If the Pessimistic scenario weighting increases by 10%, and the Basic scenario weighting decreases by 10%, the impairment allowance of loans and advances will increase by RMB1,774 million (31 December 2020: RMB1,402 million), and the impairment allowance of debt investments at amortise cost and fair value through other comprehensive income will increase by RMB10 million (31 December 2020: RMB23 million).

##### 3.1.3 Maximum exposure to credit risk

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

The Group categorises asset risk characteristics based on the quality of the assets, differentiating financial instruments that are likely to incur expected credit losses as “Low risk”, “Medium risk”, “High risk” and “Impaired”. “Low risk” refers to counterparty with strong repayment ability, low probability of impairment in the future, and minor effect of adverse external factors. “Medium risk” refers to counterparty with certain repayment ability, but business, finance, and economic conditions that are continuously unstable and worsening will potentially cause its repayment ability to descend. “High risk” refers to counterparty with adverse factors that are likely to impact its repayment ability significantly or with high probability of impairment in the future. And “Impaired” refers to the assets met the Group’s definition of credit-impaired.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 3 FINANCIAL RISK MANAGEMENT (Continued)

## 3.1 Credit risk (Continued)

## 3.1.3 Maximum exposure to credit risk (Continued)

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

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

As at 30 June 2021	Low risk	Medium risk	High risk	Impaired	Domestic branches	Overseas and subsidiaries	Group total	Allowance for impairment losses	Group carrying amount
<b>On-balance sheet item</b>									
<b>Cash and balances with central banks (Stage 1)</b>	749,234	-	-	-	749,234	47,484	796,718	-	796,718
<b>Loans and advances to customers (Corporate)</b>									
- at amortised cost	2,049,770	1,295,677	62,737	75,057	3,483,241	533,230	4,016,471	(116,827)	3,899,644
Stage 1	2,043,570	1,210,725	6,389	-	3,260,684	518,717	3,779,401	(37,466)	3,741,935
Stage 2	6,200	84,952	56,348	-	147,500	6,307	153,807	(29,255)	124,552
Stage 3	-	-	-	75,057	75,057	8,206	83,263	(50,106)	33,157
- at FVOCI	157,206	49,476	6,508	20	213,210	65	213,275	-	213,275
Stage 1	157,199	49,158	2,972	-	209,329	65	209,394	-	209,394
Stage 2	7	318	3,536	-	3,861	-	3,861	-	3,861
Stage 3	-	-	-	20	20	-	20	-	20
<b>Loans and advances to customers (Personal)</b>									
- at amortised cost	1,469,526	545,764	31,082	17,990	2,064,362	52,595	2,116,957	(33,446)	2,083,511
Stage 1	1,469,316	544,880	23,907	-	2,038,103	52,195	2,090,298	(15,793)	2,074,505
Stage 2	210	884	7,175	-	8,269	241	8,510	(3,519)	4,991
Stage 3	-	-	-	17,990	17,990	159	18,149	(14,134)	4,015
<b>Due from and placements with banks and other financial institutions (Stage 1)</b>									
	501,406	312	-	-	501,718	212,211	713,929	(1,559)	712,370
<b>Financial investments at amortised cost</b>									
Stage 1	1,961,907	21,302	-	450	1,983,659	69,144	2,052,803	(2,521)	2,050,282
Stage 2	-	657	-	-	657	551	1,208	(41)	1,167
Stage 3	-	-	-	450	450	2,355	2,805	(840)	1,965
<b>Debt investments at FVOCI</b>									
Stage 1	296,221	2,159	-	-	298,380	408,497	706,877	-	706,877
Stage 2	-	-	-	-	-	401	401	-	401
Stage 3	-	-	-	-	-	51	51	-	51
<b>Other financial assets at amortised cost</b>									
Stage 1	15,007	14,724	129	3,000	32,860	13,519	46,379	(3,470)	42,909
Stage 2	14,819	14,521	-	-	29,340	13,458	42,798	(282)	42,516
Stage 3	86	102	25	-	213	-	213	(95)	118
Stage 3	102	101	104	3,000	3,307	61	3,368	(3,093)	275
<b>On-balance sheet total</b>	<b>7,200,277</b>	<b>1,929,414</b>	<b>100,456</b>	<b>96,517</b>	<b>9,326,664</b>	<b>1,336,745</b>	<b>10,663,409</b>	<b>(157,823)</b>	<b>10,505,586</b>
<b>Credit related commitments and financial guarantees</b>									
Stage 1	1,481,337	309,529	2,413	-	1,793,279	51,781	1,845,060	(8,895)	1,836,165
Stage 2	-	2,423	3,165	-	5,588	132	5,720	(1,432)	4,288
<b>Off-balance sheet total</b>	<b>1,481,337</b>	<b>311,952</b>	<b>5,578</b>	<b>-</b>	<b>1,798,867</b>	<b>51,913</b>	<b>1,850,780</b>	<b>(10,327)</b>	<b>1,840,453</b>
<b>Total</b>	<b>8,681,614</b>	<b>2,241,366</b>	<b>106,034</b>	<b>96,517</b>	<b>11,125,531</b>	<b>1,388,658</b>	<b>12,514,189</b>	<b>(168,150)</b>	<b>12,346,039</b>



# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
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## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.1 Credit risk (Continued)

#### 3.1.3 Maximum exposure to credit risk (Continued)

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

As at 31 December 2020	Low risk	Medium risk	High risk	Impaired	Domestic branches	Overseas and subsidiaries	Group total	Allowance for impairment losses	Group carrying amount
<b>On-balance sheet item</b>									
Cash and balances with central banks (Stage 1)	731,772	-	-	-	731,772	70,436	802,208	-	802,208
<b>Loans and advances to customers (Corporate)</b>									
- at amortised cost	1,862,280	1,155,378	70,714	72,874	3,161,246	495,804	3,657,050	(104,425)	3,552,625
Stage 1	1,860,944	1,077,691	5,140	-	2,943,775	475,755	3,419,530	(27,418)	3,392,112
Stage 2	1,336	77,687	65,574	-	144,597	14,093	158,690	(29,034)	129,656
Stage 3	-	-	-	72,874	72,874	5,956	78,830	(47,973)	30,857
- at FVOCI	94,543	106,440	9,335	95	210,413	79	210,492	-	210,492
Stage 1	94,542	105,458	3,627	-	203,627	79	203,706	-	203,706
Stage 2	1	982	5,708	-	6,691	-	6,691	-	6,691
Stage 3	-	-	-	95	95	-	95	-	95
<b>Loans and advances to customers (Personal)</b>									
- at amortised cost	1,341,584	542,393	31,885	18,610	1,934,472	46,410	1,980,882	(34,849)	1,946,033
Stage 1	1,341,429	541,708	24,607	-	1,907,744	46,020	1,953,764	(16,008)	1,937,756
Stage 2	155	685	7,278	-	8,118	227	8,345	(3,836)	4,509
Stage 3	-	-	-	18,610	18,610	163	18,773	(15,005)	3,768
Due from and placements with banks and other financial institutions (Stage 1)	370,162	259	-	-	370,421	201,957	572,378	(1,248)	571,130
<b>Financial investments at amortised cost</b>									
Stage 1	1,936,199	26,277	793	465	1,963,734	58,845	2,022,579	(3,050)	2,019,529
Stage 2	-	5,347	793	-	6,140	2,309	8,449	(682)	7,767
Stage 3	-	-	-	465	465	329	794	(524)	270
<b>Debt investments at FVOCI</b>									
Stage 1	291,786	2,515	-	-	294,301	429,572	723,873	-	723,873
Stage 2	-	-	-	-	-	278	278	-	278
Stage 3	-	-	-	-	-	72	72	-	72
<b>Other financial assets at amortised cost</b>									
Stage 1	14,624	8,560	127	3,842	27,153	13,908	41,061	(4,088)	36,973
Stage 2	14,455	8,353	-	-	22,808	13,838	36,646	(166)	36,480
Stage 3	45	83	28	10	166	-	166	(115)	51
Stage 3	124	124	99	3,832	4,179	70	4,249	(3,807)	442
<b>On-balance sheet total</b>	<b>6,642,950</b>	<b>1,841,822</b>	<b>112,854</b>	<b>95,886</b>	<b>8,693,512</b>	<b>1,317,011</b>	<b>10,010,523</b>	<b>(147,660)</b>	<b>9,862,863</b>
<b>Credit related commitments and financial guarantees</b>									
Stage 1	1,283,391	319,352	2,499	-	1,605,242	61,620	1,666,862	(6,858)	1,660,004
Stage 2	-	4,422	5,031	-	9,453	397	9,850	(3,642)	6,208
<b>Off-balance sheet total</b>	<b>1,283,391</b>	<b>323,774</b>	<b>7,530</b>	<b>-</b>	<b>1,614,695</b>	<b>62,017</b>	<b>1,676,712</b>	<b>(10,500)</b>	<b>1,666,212</b>
<b>Total</b>	<b>7,926,341</b>	<b>2,165,596</b>	<b>120,384</b>	<b>95,886</b>	<b>10,308,207</b>	<b>1,379,028</b>	<b>11,687,235</b>	<b>(158,160)</b>	<b>11,529,075</b>

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.1 Credit risk *(Continued)*

##### 3.1.3 Maximum exposure to credit risk *(Continued)*

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

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

	Maximum exposure to credit risk	
	30 June 2021	31 December 2020
Financial assets at fair value through profit or loss		
Derivative financial instruments	35,584	54,212
Debt securities	156,028	153,034
Fund investments and other asset management products	344,655	252,098
Precious metal contracts	20,071	19,975
<b>Total</b>	<b>556,338</b>	<b>479,319</b>

##### 3.1.3.3 Collaterals and other credit enhancements

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

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

The exposure to any single borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. The Group monitors the actual credit risk exposure and credit limits on a daily basis.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet principal and interest repayment obligations. The Group will change their lending limits when appropriate based on the analysis.

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

##### (a) Collaterals

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

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

The value of collaterals at the time of loan origination is subject to loan-to-value ratio limits based on collateral types. The principal types of collaterals for corporate loans and personal loans are as follows:

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

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
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### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Credit risk (Continued)

##### 3.1.3 Maximum exposure to credit risk (Continued)

##### 3.1.3.3 Collaterals and other credit enhancements (Continued)

##### (a) Collaterals (Continued)

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

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

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

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

	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
As at 30 June 2021				
Credit-impaired assets				
Loans and advances to customers				
Loans and advances to customers at amortised cost	101,413	(64,227)	37,186	48,067
Loans and advances to customers at fair value through other comprehensive income	19	–	19	19
Financial investments				
Financial investments at amortised cost	2,805	(840)	1,965	3,589
Debt investments at fair value through other comprehensive income	51	–	51	–
	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
As at 31 December 2020				
Credit-impaired assets				
Loans and advances to customers				
Loans and advances to customers at amortised cost	97,603	(62,978)	34,625	46,264
Loans and advances to customers at fair value through other comprehensive income	95	–	95	95
Financial investments				
Financial investments at amortised cost	794	(524)	270	2
Debt investments at fair value through other comprehensive income	72	–	72	–

##### (b) Master netting arrangements

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

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.1 Credit risk *(Continued)*

##### 3.1.4 Derivative instruments

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

##### *Credit risk-weighted amounts*

	As at 30 June 2021	As at 31 December 2020
Counterparty credit risk-weighted amount	49,942	50,052

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

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

##### 3.1.5 Foreclosed assets

	As at 30 June 2021	As at 31 December 2020
Buildings	1,246	1,085
Land use rights	10	10
Others	14	14
Gross	1,270	1,109
Less: Impairment allowances	(310)	(142)
Net	960	967

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

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.1 Credit risk *(Continued)*

##### **3.1.6 Concentration risk analysis for financial assets with credit risk exposure**

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

##### *Concentration risk for geographical sectors*

	Mainland China	Hong Kong	Others	Total
As at 30 June 2021				
Financial assets				
Balances with central banks	750,894	27,413	18,110	796,417
Due from and placements with banks and other financial institutions	528,827	71,450	112,093	712,370
Derivative financial assets	24,943	7,905	2,736	35,584
Financial investments at FVPL	462,807	7,212	50,735	520,754
Loans and advances to customers	5,832,003	210,556	165,734	6,208,293
Debt investments at FVOCI	395,356	104,672	206,849	706,877
Financial investments at amortised cost	1,998,717	6,432	45,133	2,050,282
Other financial assets	33,239	13,722	1,932	48,893
	10,026,786	449,362	603,322	11,079,470
Off-balance sheet exposures				
Guarantees, acceptances and letters of credit	870,072	7,926	9,572	887,570
Loan commitments and other credit related commitments	933,014	26,196	4,000	963,210
	1,803,086	34,122	13,572	1,850,780
	Mainland China	Hong Kong	Others	Total
As at 31 December 2020				
Financial assets				
Balances with central banks	733,895	33,431	34,562	801,888
Due from and placements with banks and other financial institutions	365,731	113,071	92,328	571,130
Derivative financial assets	42,150	9,617	2,445	54,212
Financial investments at FVPL	375,566	7,813	41,729	425,108
Loans and advances to customers	5,362,745	194,300	163,523	5,720,568
Debt investments at FVOCI	373,966	120,315	229,592	723,873
Financial investments at amortised cost	1,967,344	6,195	45,990	2,019,529
Other financial assets	28,229	15,436	2,772	46,437
	9,249,626	500,178	612,941	10,362,745
Off-balance sheet exposures				
Guarantees, acceptances and letters of credit	796,707	9,979	9,151	815,837
Loan commitments and other credit related commitments	825,973	25,552	9,350	860,875
	1,622,680	35,531	18,501	1,676,712

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

**3 FINANCIAL RISK MANAGEMENT** (Continued)**3.1 Credit risk** (Continued)**3.1.6 Concentration risk analysis for financial assets with credit risk exposure** (Continued)(a) *Geographical risk concentration for loans and advances to customers*

	As at 30 June 2021		As at 31 December 2020	
		%		%
Yangtze River Delta	1,740,449	27.42	1,576,465	26.96
Pearl River Delta	795,832	12.54	701,865	12.00
Bohai Rim Economic Zone	919,712	14.49	831,454	14.22
Central China	1,031,618	16.25	958,527	16.39
Western China	732,604	11.54	680,088	11.63
North Eastern China	241,802	3.81	232,864	3.98
Overseas	378,425	5.96	359,368	6.14
Head Office	506,261	7.99	507,793	8.68
Gross amount of loans and advances to customers	6,346,703	100.00	5,848,424	100.00

Note: The definitions of geographical operating segments are set out in Note 47

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

	As at 30 June 2021		As at 31 December 2020	
		%		%
Corporate loans				
Mining	131,771	2.08	125,367	2.14
Manufacturing				
– Petroleum and chemical	123,733	1.95	118,387	2.02
– Electronics	156,509	2.47	130,836	2.24
– Steel	40,136	0.63	41,680	0.71
– Machinery	96,420	1.52	100,571	1.72
– Textile and clothing	26,522	0.42	27,057	0.46
– Other manufacturing	264,897	4.17	239,672	4.10
Production and supply of power, heat, gas and water	241,298	3.80	221,313	3.78
Construction	169,975	2.68	135,732	2.32
Transportation, storage and postal service	757,552	11.94	708,649	12.12
Information transmission, software and IT services	47,260	0.74	41,148	0.70
Wholesale and retail	214,175	3.37	204,856	3.50
Accommodation and catering	33,744	0.53	34,886	0.60
Finance	148,399	2.34	118,702	2.03
Real estate	382,381	6.02	348,185	5.95
Leasing and commercial services	649,188	10.23	577,500	9.87
Water conservancy, environmental and other public services	374,929	5.91	334,399	5.72
Education, science, culture and public health	120,884	1.90	112,961	1.93
Others	80,103	1.26	85,570	1.48
Discounted bills	169,870	2.68	160,071	2.74
Total corporate loans	4,229,746	66.64	3,867,542	66.13
Personal loans				
Mortgages	1,387,339	21.86	1,293,773	22.12
Credit cards	463,340	7.30	464,110	7.94
Others	266,278	4.20	222,999	3.81
Total personal loans	2,116,957	33.36	1,980,882	33.87
Gross amount of loans and advances before impairment allowances	6,346,703	100.00	5,848,424	100.00

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

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

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Market risk

##### 3.2.1 Overview

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

The Group established an integrated market risk management system, formed a market risk management structure with the separation of front and middle-end platforms and specified the responsibilities, the division of labor and the reporting route of the Board of Directors, Board of Supervisors, Senior Management, Special Committees and other relevant departments to ensure the compliance and effectiveness of market risk management.

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

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

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

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

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

##### 3.2.2 VaR

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

A summary of VaR by risk type including foreign exchange rate risk and interest rate risk of the trading book of the Group's portfolios is as follows:

Items	Six months ended 30 June 2021			
	30 June 2021	Average	Maximum	Minimum
VaR	336	454	746	336
Including: Interest rate risk	290	362	453	263
Foreign exchange risk	255	226	743	100

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

**3 FINANCIAL RISK MANAGEMENT** (Continued)**3.2 Market risk** (Continued)**3.2.2 VaR** (Continued)

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

**3.2.3 Sensitivity analysis***Interest rate sensitivity analysis*

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

	Changes in net profit	
	As at 30 June 2021	As at 31 December 2020
+100 basis points parallel shift in yield curves	9,743	13,551
-100 basis points parallel shift in yield curves	(9,743)	(13,551)

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

	Changes in other comprehensive income	
	As at 30 June 2021	As at 31 December 2020
+100 basis points parallel shift in yield curves	(12,980)	(11,882)
-100 basis points parallel shift in yield curves	13,141	12,363

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

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

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



## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Market risk (Continued)

##### 3.2.3 Sensitivity analysis (Continued)

###### Foreign exchange sensitivity analysis

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

	Changes in net profit	
	As at 30 June 2021	As at 31 December 2020
5% appreciation of RMB	(1,858)	(1,662)
5% depreciation of RMB	1,858	1,662

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

	Changes in other comprehensive income	
	As at 30 June 2021	As at 31 December 2020
5% appreciation of RMB	(1,382)	(1,397)
5% depreciation of RMB	1,382	1,397

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

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

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

##### 3.2.4 Interest rate risk

The Group's interest rate risk mainly arises from interest rate repricing and maturity mismatching of assets and liabilities, and the fluctuation of market interest rates, as well as from the adjustments in the interest rate policies made by the People's Bank of China (the "PBOC"). On 20 July 2013, the PBOC cancelled the lower limit of benchmark interest rates of loans dominated in RMB, allowing financial institutions to determine the loan interest rates independently based on commercial principles. The PBOC cancelled the upper limit of the benchmark interest rates for deposits on 24 October 2015 and established RMB Loan Prime Rate (LPR) as a new pricing benchmark of new loans in 2019. The Group conducts most of its domestic deposit businesses at benchmark interest rates for deposits and conducts most of its domestic loan businesses at LPR published by the PBOC.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Market risk (Continued)

##### 3.2.4 Interest rate risk (Continued)

The Group pays high attention to the transition of interest rate benchmark and has established a task force to speed up the launch and implementation of this LIBOR reform project. At the current stage, the progress of this reform is basically on schedule. According to the overall timetable of the LIBOR reform, libors in sterling, euro, Swiss franc and Japanese yen, as well as one week and 2-month libors in US dollars, will be the first ones to cease or lose representativeness on 31 December 2021. The business scale of the Group's contracts in reference to LIBOR with the above currencies and maturities is relatively small, and the impact of the methods of benchmark transition on interest rate risk is generally under control, which has a relatively limited substantial impact on the operations.

The Group has initially established a relatively complete interest rate risk monitoring system. By using the gap analysis system, the Group regularly monitors the repricing maturity gap of interest rate-sensitive assets and liabilities throughout the Group, takes the initiative to adjust the proportion of interest-bearing assets at floating interest rates and fixed interest rates, and adjusts the repricing term structure of interest rate and manages interest rate risk by applying appropriate derivatives such as interest rate swaps based on allocation strategy of assets and liabilities. Consequently, the Group is less vulnerable to interest rate risk.

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

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

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non- interest bearing	Total
<b>As at 30 June 2021</b>							
<b>Assets</b>							
Cash and balances with central banks	790,404	-	-	-	-	19,916	810,320
Due from and placements with banks and other financial institutions	398,644	84,635	184,281	33,766	7,480	3,564	712,370
Derivative financial assets	-	-	-	-	-	35,584	35,584
Financial investments at FVPL	17,861	26,287	35,045	36,749	48,444	411,451	575,837
Loans and advances to customers	905,207	775,859	3,663,261	367,342	201,127	295,497	6,208,293
Financial investments at FVOCI	55,570	75,978	113,537	282,494	172,443	26,525	726,547
Financial investments at amortised cost	54,001	44,527	158,868	1,021,632	741,583	29,671	2,050,282
Other assets	463	-	-	-	-	294,264	294,727
<b>Total assets</b>	<b>2,222,150</b>	<b>1,007,286</b>	<b>4,154,992</b>	<b>1,741,983</b>	<b>1,171,077</b>	<b>1,116,472</b>	<b>11,413,960</b>
<b>Liabilities</b>							
Due to and placements from banks and other financial institutions	(972,472)	(277,161)	(514,041)	(53,856)	(9,493)	(11,083)	(1,838,106)
Financial liabilities at FVPL	(1,661)	(3,393)	(6,065)	(132)	-	(9,281)	(20,532)
Derivative financial liabilities	-	-	-	-	-	(33,702)	(33,702)
Due to customers	(3,746,767)	(576,987)	(990,812)	(1,610,391)	(26)	(91,669)	(7,016,652)
Other liabilities	(75,631)	(162,282)	(605,470)	(357,755)	(201,174)	(166,741)	(1,569,053)
<b>Total liabilities</b>	<b>(4,796,531)</b>	<b>(1,019,823)</b>	<b>(2,116,388)</b>	<b>(2,022,134)</b>	<b>(210,693)</b>	<b>(312,476)</b>	<b>(10,478,045)</b>
<b>Total interest sensitivity gap</b>	<b>(2,574,381)</b>	<b>(12,537)</b>	<b>2,038,604</b>	<b>(280,151)</b>	<b>960,384</b>	<b>803,996</b>	<b>935,915</b>

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
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### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Market risk (Continued)

##### 3.2.4 Interest rate risk (Continued)

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non- interest bearing	Total
<b>As at 31 December 2020</b>							
<b>Assets</b>							
Cash and balances with central banks	795,102	–	–	–	–	22,459	817,561
Due from and placements with banks and other financial institutions	291,121	97,782	162,611	13,718	2,792	3,106	571,130
Derivative financial assets	–	–	–	–	–	54,212	54,212
Financial investments at FVPL	22,761	21,369	34,378	31,955	51,251	320,874	482,588
Loans and advances to customers	1,661,920	749,592	2,420,672	334,404	260,828	293,152	5,720,568
Financial investments at FVOCI	82,187	134,536	83,786	237,760	179,006	17,945	735,220
Financial investments at amortised cost	41,734	49,906	258,697	962,447	678,347	28,398	2,019,529
Other assets	466	–	–	–	–	296,342	296,808
<b>Total assets</b>	<b>2,895,291</b>	<b>1,053,185</b>	<b>2,960,144</b>	<b>1,580,284</b>	<b>1,172,224</b>	<b>1,036,488</b>	<b>10,697,616</b>
<b>Liabilities</b>							
Due to and placements from banks and other financial institutions	(913,880)	(265,073)	(537,732)	(47,277)	(13,181)	(10,348)	(1,787,491)
Financial liabilities at FVPL	(6,291)	(6,340)	(6,985)	(134)	–	(9,529)	(29,279)
Derivative financial liabilities	–	–	–	–	–	(55,942)	(55,942)
Due to customers	(3,515,457)	(552,070)	(924,291)	(1,529,725)	(2)	(85,785)	(6,607,330)
Other liabilities	(90,687)	(214,973)	(366,449)	(329,911)	(192,715)	(144,211)	(1,338,946)
<b>Total liabilities</b>	<b>(4,526,315)</b>	<b>(1,038,456)</b>	<b>(1,835,457)</b>	<b>(1,907,047)</b>	<b>(205,898)</b>	<b>(305,815)</b>	<b>(9,818,988)</b>
<b>Total interest sensitivity gap</b>	<b>(1,631,024)</b>	<b>14,729</b>	<b>1,124,687</b>	<b>(326,763)</b>	<b>966,326</b>	<b>730,673</b>	<b>878,628</b>

##### 3.2.5 Foreign exchange risk

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

As at 30 June 2021, the exchange rates for US dollar and HK dollar are 1 US dollar to RMB6.4601 (31 December 2020: RMB6.5249) and 1 HK dollar to RMB0.8321 (31 December 2020: RMB0.8416), respectively.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

**3 FINANCIAL RISK MANAGEMENT** (Continued)**3.2 Market risk** (Continued)**3.2.5 Foreign exchange risk** (Continued)

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

	RMB	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	Total
<b>As at 30 June 2021</b>					
<b>Assets</b>					
Cash and balances with central banks	739,159	29,115	28,866	13,180	810,320
Due from and placements with banks and other financial institutions	373,982	301,988	16,013	20,387	712,370
Derivative financial assets	29,361	4,996	485	742	35,584
Financial investments at FVPL	502,662	55,001	1,685	16,489	575,837
Loans and advances to customers	5,671,979	297,554	159,732	79,028	6,208,293
Financial investments at FVOCI	353,205	283,948	34,679	54,715	726,547
Financial investments at amortised cost	2,022,982	15,409	124	11,767	2,050,282
Other assets	152,216	130,960	7,323	4,228	294,727
<b>Total assets</b>	<b>9,845,546</b>	<b>1,118,971</b>	<b>248,907</b>	<b>200,536</b>	<b>11,413,960</b>
<b>Liabilities</b>					
Due to and placements from banks and other financial institutions	(1,408,466)	(380,904)	(11,247)	(37,489)	(1,838,106)
Financial liabilities at FVPL	(9,160)	(1,238)	(1,271)	(8,863)	(20,532)
Derivative financial liabilities	(25,487)	(7,679)	(218)	(318)	(33,702)
Due to customers	(6,309,631)	(370,878)	(292,898)	(43,245)	(7,016,652)
Other liabilities	(1,338,514)	(182,278)	(19,619)	(28,642)	(1,569,053)
<b>Total liabilities</b>	<b>(9,091,258)</b>	<b>(942,977)</b>	<b>(325,253)</b>	<b>(118,557)</b>	<b>(10,478,045)</b>
<b>Net position</b>	<b>754,288</b>	<b>175,994</b>	<b>(76,346)</b>	<b>81,979</b>	<b>935,915</b>
<b>Credit related commitments and financial guarantees</b>	<b>1,661,561</b>	<b>142,826</b>	<b>21,079</b>	<b>25,314</b>	<b>1,850,780</b>

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
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### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.2 Market risk (Continued)

##### 3.2.5 Foreign exchange risk (Continued)

	RMB	USD (RMB Equivalent)	HKD (RMB Equivalent)	Others (RMB Equivalent)	Total
<b>As at 31 December 2020</b>					
<b>Assets</b>					
Cash and balances with central banks	729,631	31,298	35,151	21,481	817,561
Due from and placements with banks and other financial institutions	218,074	319,227	16,750	17,079	571,130
Derivative financial assets	46,761	4,082	2,669	700	54,212
Financial investments at FVPL	407,126	41,616	2,484	31,362	482,588
Loans and advances to customers	5,248,201	240,514	149,366	82,487	5,720,568
Financial investments at FVOCI	329,481	305,772	49,133	50,834	735,220
Financial investments at amortised cost	2,000,225	15,357	50	3,897	2,019,529
Other assets	153,647	130,805	8,453	3,903	296,808
<b>Total assets</b>	<b>9,133,146</b>	<b>1,088,671</b>	<b>264,056</b>	<b>211,743</b>	<b>10,697,616</b>
<b>Liabilities</b>					
Due to and placements from banks and other financial institutions	(1,421,873)	(299,201)	(7,899)	(58,518)	(1,787,491)
Financial liabilities at FVPL	(7,703)	(1,251)	(6,419)	(13,906)	(29,279)
Derivative financial liabilities	(41,556)	(10,217)	(2,360)	(1,809)	(55,942)
Due to customers	(5,894,179)	(378,083)	(301,781)	(33,287)	(6,607,330)
Other liabilities	(1,101,641)	(188,070)	(23,211)	(26,024)	(1,338,946)
<b>Total liabilities</b>	<b>(8,466,952)</b>	<b>(876,822)</b>	<b>(341,670)</b>	<b>(133,544)</b>	<b>(9,818,988)</b>
<b>Net position</b>	<b>666,194</b>	<b>211,849</b>	<b>(77,614)</b>	<b>78,199</b>	<b>878,628</b>
<b>Credit related commitments and financial guarantees</b>	<b>1,534,447</b>	<b>106,293</b>	<b>20,787</b>	<b>15,185</b>	<b>1,676,712</b>

##### 3.2.6 Other price risk

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

### 3.3 Liquidity risk

#### 3.3.1 Overview

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

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

**3 FINANCIAL RISK MANAGEMENT** (Continued)**3.3 Liquidity risk** (Continued)**3.3.2 Liquidity risk management process**

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

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

**3.3.3 Non-derivative financial instruments cash flows**

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

	Overdue	Undated	On Demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
<b>As at 30 June 2021</b>									
<b>Liabilities</b>									
Due to and placements from banks and other financial institutions	-	-	(659,598)	(312,619)	(279,448)	(526,390)	(56,000)	(9,583)	(1,843,638)
Financial liabilities at FVPL	-	(6,778)	(2,418)	(1,675)	(3,006)	(6,557)	(135)	-	(20,569)
Due to customers	-	-	(2,916,533)	(861,132)	(589,674)	(1,033,486)	(1,705,717)	(26)	(7,106,568)
Certificates of deposit issued	-	-	-	(71,634)	(162,149)	(538,897)	(27,387)	-	(800,067)
Debt securities issued	-	-	-	(4,759)	(4,272)	(82,776)	(352,391)	(166,160)	(610,358)
Other financial liabilities	-	-	(47,876)	(13,004)	(13,359)	(1,897)	(24,422)	(61,557)	(162,115)
<b>Total liabilities (contractual maturity dates)</b>	-	(6,778)	(3,626,425)	(1,264,823)	(1,051,908)	(2,190,003)	(2,166,052)	(237,326)	(10,543,315)
<b>Assets</b>									
Cash and balances with central banks	-	676,071	133,948	-	301	-	-	-	810,320
Due from and placements with banks and other financial institutions	-	-	134,473	263,851	85,895	191,164	43,366	7,588	726,337
Financial investments at FVPL	330	407,313	2,391	7,859	19,462	41,640	55,660	62,524	597,179
Loans and advances to customers	21,360	-	-	557,390	389,683	1,523,384	1,911,295	4,678,824	9,081,936
Financial investments at FVOCI	51	19,670	-	35,865	39,074	145,161	360,071	191,814	791,706
Financial investments at amortised cost	1,965	-	-	55,676	51,986	213,130	1,218,518	866,338	2,407,613
Other financial assets	4,067	-	44,826	-	-	-	-	-	48,893
<b>Assets held for managing liquidity risk (contractual maturity dates)</b>	<b>27,773</b>	<b>1,103,054</b>	<b>315,638</b>	<b>920,641</b>	<b>586,401</b>	<b>2,114,479</b>	<b>3,588,910</b>	<b>5,807,088</b>	<b>14,463,984</b>
<b>Net position</b>	<b>27,773</b>	<b>1,096,276</b>	<b>(3,310,787)</b>	<b>(344,182)</b>	<b>(465,507)</b>	<b>(75,524)</b>	<b>1,422,858</b>	<b>5,569,762</b>	<b>3,920,669</b>

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For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Liquidity risk (Continued)

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

	Overdue	Undated	On Demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
<b>As at 31 December 2020</b>									
<b>Liabilities</b>									
Due to and placements from banks and other financial institutions	-	-	(664,483)	(249,435)	(272,305)	(555,383)	(51,554)	(13,537)	(1,806,697)
Financial liabilities at FVPL	-	-	(2,199)	(6,323)	(5,778)	(15,352)	(137)	-	(29,789)
Due to customers	-	-	(2,826,645)	(720,090)	(564,855)	(961,376)	(1,633,891)	(2)	(6,706,859)
Certificates of deposit issued	-	-	-	(88,752)	(209,113)	(315,930)	(27,036)	(42)	(640,873)
Debt securities issued	-	-	-	(2,459)	(7,700)	(65,629)	(327,846)	(165,290)	(568,924)
Other financial liabilities	-	-	(50,017)	(173)	(783)	(1,675)	(20,363)	(55,710)	(128,721)
<b>Total liabilities (contractual maturity dates)</b>	-	-	<b>(3,543,344)</b>	<b>(1,067,232)</b>	<b>(1,060,534)</b>	<b>(1,915,345)</b>	<b>(2,060,827)</b>	<b>(234,581)</b>	<b>(9,881,863)</b>
<b>Assets</b>									
Cash and balances with central banks	-	641,025	176,216	-	320	-	-	-	817,561
Due from and placements with banks and other financial institutions	-	-	111,953	175,013	92,064	158,106	39,227	7,165	583,528
Financial investments at FVPL	314	316,982	2,100	9,963	13,373	39,918	49,113	65,737	497,500
Loans and advances to customers	44,408	-	-	503,713	357,214	1,451,002	1,677,966	4,134,699	8,169,002
Financial investments at FVOCI	72	11,347	-	29,004	47,520	136,836	368,919	204,359	798,057
Financial investments at amortised cost	270	-	-	41,759	52,029	315,772	1,148,818	799,669	2,358,317
Other financial assets	4,432	-	42,005	-	-	-	-	-	46,437
<b>Assets held for managing liquidity risk (contractual maturity dates)</b>	<b>49,496</b>	<b>969,354</b>	<b>332,274</b>	<b>759,452</b>	<b>562,520</b>	<b>2,101,634</b>	<b>3,284,043</b>	<b>5,211,629</b>	<b>13,270,402</b>
<b>Net position</b>	<b>49,496</b>	<b>969,354</b>	<b>(3,211,070)</b>	<b>(307,780)</b>	<b>(498,014)</b>	<b>186,289</b>	<b>1,223,216</b>	<b>4,977,048</b>	<b>3,388,539</b>

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

##### 3.3.4 Derivative financial instruments cash flows

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

###### (a) Derivative settled on a net basis

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

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

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
<b>As at 30 June 2021</b>						
<b>Assets</b>						
Derivative financial instruments						
– Foreign exchange and commodity contracts	37	43	181	-	-	261
– Interest rate contracts and others	220	535	2,370	5,082	494	8,701
<b>Total</b>	<b>257</b>	<b>578</b>	<b>2,551</b>	<b>5,082</b>	<b>494</b>	<b>8,962</b>
<b>Liabilities</b>						
Derivative financial instruments						
– Foreign exchange and commodity contracts	-	(3)	(21)	-	-	(24)
– Interest rate contracts and others	(254)	(466)	(3,096)	(7,081)	(677)	(11,574)
<b>Total</b>	<b>(254)</b>	<b>(469)</b>	<b>(3,117)</b>	<b>(7,081)</b>	<b>(677)</b>	<b>(11,598)</b>

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For the six months ended 30 June 2021

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

**3 FINANCIAL RISK MANAGEMENT** (Continued)**3.3 Liquidity risk** (Continued)**3.3.4 Derivative financial instruments cash flows** (Continued)(a) *Derivative settled on a net basis* (Continued)

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
<b>As at 31 December 2020</b>						
<b>Assets</b>						
Derivative financial instruments						
– Foreign exchange and commodity contracts	3	2	54	–	–	59
– Interest rate contracts and others	215	590	2,730	5,990	247	9,772
<b>Total</b>	<b>218</b>	<b>592</b>	<b>2,784</b>	<b>5,990</b>	<b>247</b>	<b>9,831</b>
<b>Liabilities</b>						
Derivative financial instruments						
– Foreign exchange and commodity contracts	(44)	(51)	(29)	–	–	(124)
– Interest rate contracts and others	(291)	(751)	(3,825)	(10,349)	(1,173)	(16,389)
<b>Total</b>	<b>(335)</b>	<b>(802)</b>	<b>(3,854)</b>	<b>(10,349)</b>	<b>(1,173)</b>	<b>(16,513)</b>

(b) *Derivative settled on a gross basis*

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

	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
<b>As at 30 June 2021</b>						
Derivative financial instruments settled on a gross basis						
– Cash outflow	(805,630)	(678,058)	(1,150,054)	(70,952)	(9,615)	(2,714,309)
– Cash inflow	805,775	679,745	1,151,429	74,275	9,276	2,720,500
<b>Total</b>	<b>145</b>	<b>1,687</b>	<b>1,375</b>	<b>3,323</b>	<b>(339)</b>	<b>6,191</b>
<b>As at 31 December 2020</b>						
Derivative financial instruments settled on a gross basis						
– Cash outflow	(775,033)	(567,895)	(979,175)	(86,979)	(5,464)	(2,414,546)
– Cash inflow	776,108	567,520	981,843	88,209	7,732	2,421,412
<b>Total</b>	<b>1,075</b>	<b>(375)</b>	<b>2,668</b>	<b>1,230</b>	<b>2,268</b>	<b>6,866</b>



## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
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### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.3 Liquidity risk *(Continued)*

##### 3.3.5 Maturity analysis

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

	On demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Overdue	Undated	Total
<b>As at 30 June 2021</b>									
<b>Assets</b>									
Cash and balances with central banks	133,948	-	301	-	-	-	-	676,071	810,320
Due from and placements with banks and other financial institutions	134,473	263,090	84,679	185,894	36,703	7,531	-	-	712,370
Derivative financial assets	-	6,562	8,678	10,825	8,229	1,290	-	-	35,584
Financial investments at FVPL	2,391	7,694	18,827	38,825	45,632	54,825	330	407,313	575,837
Loans and advances to customers	-	536,129	347,848	1,358,168	1,247,869	2,717,929	350	-	6,208,293
Financial investments at FVOCI	-	35,595	38,266	134,790	325,598	172,577	51	19,670	726,547
Financial investments at amortised cost	-	55,224	48,853	173,486	1,028,889	741,865	1,965	-	2,050,282
Other assets	66,260	-	23	1,957	31,319	2,572	4,067	188,529	294,727
<b>Total assets</b>	<b>337,072</b>	<b>904,294</b>	<b>547,475</b>	<b>1,903,945</b>	<b>2,724,239</b>	<b>3,698,589</b>	<b>6,763</b>	<b>1,291,583</b>	<b>11,413,960</b>
<b>Liabilities</b>									
Due to and placements from banks and other financial institutions	(659,598)	(312,343)	(278,972)	(523,351)	(54,326)	(9,516)	-	-	(1,838,106)
Financial liabilities at FVPL	(2,418)	(1,672)	(2,999)	(6,533)	(132)	-	-	(6,778)	(20,532)
Derivative financial liabilities	-	(6,137)	(6,741)	(9,756)	(8,642)	(2,426)	-	-	(33,702)
Due to customers	(2,916,505)	(857,752)	(585,713)	(1,013,946)	(1,642,710)	(26)	-	-	(7,016,652)
Other liabilities	(57,288)	(90,635)	(194,803)	(615,748)	(402,446)	(208,133)	-	-	(1,569,053)
<b>Total liabilities</b>	<b>(3,635,809)</b>	<b>(1,268,539)</b>	<b>(1,069,228)</b>	<b>(2,169,334)</b>	<b>(2,108,256)</b>	<b>(220,101)</b>	<b>-</b>	<b>(6,778)</b>	<b>(10,478,045)</b>
<b>Net amount on liquidity gap</b>	<b>(3,298,737)</b>	<b>(364,245)</b>	<b>(521,753)</b>	<b>(265,389)</b>	<b>615,983</b>	<b>3,478,488</b>	<b>6,763</b>	<b>1,284,805</b>	<b>935,915</b>

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 3 FINANCIAL RISK MANAGEMENT (Continued)

## 3.3 Liquidity risk (Continued)

## 3.3.5 Maturity analysis (Continued)

	On demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Overdue	Undated	Total
<b>As at 31 December 2020</b>									
<b>Assets</b>									
Cash and balances with central banks	176,216	-	320	-	-	-	-	641,025	817,561
Due from and placements with banks and other financial institutions	111,953	174,623	91,078	153,121	33,242	7,113	-	-	571,130
Derivative financial assets	-	9,718	11,570	22,283	9,068	1,573	-	-	54,212
Financial investments at FVPL	2,100	9,722	12,857	37,651	44,167	58,795	314	316,982	482,588
Loans and advances to customers	-	484,371	319,698	1,305,770	1,103,053	2,476,035	31,641	-	5,720,568
Financial investments at FVOCI	-	28,930	46,507	126,501	339,517	182,346	72	11,347	735,220
Financial investments at amortised cost	-	41,210	49,086	278,043	972,565	678,355	270	-	2,019,529
Other assets	61,973	286	19	15,410	16,448	4,047	4,432	194,193	296,808
<b>Total assets</b>	<b>352,242</b>	<b>748,860</b>	<b>531,135</b>	<b>1,938,779</b>	<b>2,518,060</b>	<b>3,408,264</b>	<b>36,729</b>	<b>1,163,547</b>	<b>10,697,616</b>
<b>Liabilities</b>									
Due to and placements from banks and other financial institutions	(664,483)	(247,467)	(268,704)	(544,824)	(48,745)	(13,268)	-	-	(1,787,491)
Financial liabilities at FVPL	(2,199)	(6,291)	(5,722)	(14,933)	(134)	-	-	-	(29,279)
Derivative financial liabilities	-	(8,357)	(10,798)	(20,858)	(12,210)	(3,719)	-	-	(55,942)
Due to customers	(2,826,643)	(716,981)	(560,281)	(942,581)	(1,560,842)	(2)	-	-	(6,607,330)
Other liabilities	(68,467)	(94,306)	(235,723)	(374,652)	(367,189)	(198,609)	-	-	(1,338,946)
<b>Total liabilities</b>	<b>(3,561,792)</b>	<b>(1,073,402)</b>	<b>(1,081,228)</b>	<b>(1,897,848)</b>	<b>(1,989,120)</b>	<b>(215,598)</b>	<b>-</b>	<b>-</b>	<b>(9,818,988)</b>
<b>Net amount on liquidity gap</b>	<b>(3,209,550)</b>	<b>(324,542)</b>	<b>(550,093)</b>	<b>40,931</b>	<b>528,940</b>	<b>3,192,666</b>	<b>36,729</b>	<b>1,163,547</b>	<b>878,628</b>

## 3.3.6 Off-balance sheet items

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

	Up to 1 year	1 – 5 years	Over 5 years	Total
<b>As at 30 June 2021</b>				
Loan commitments and other credit related commitments	920,039	24,965	18,206	963,210
Guarantees, acceptances and letters of credit	747,939	138,640	991	887,570
<b>Total</b>	<b>1,667,978</b>	<b>163,605</b>	<b>19,197</b>	<b>1,850,780</b>
<b>As at 31 December 2020</b>				
Loan commitments and other credit related commitments	813,687	26,668	20,520	860,875
Guarantees, acceptances and letters of credit	682,540	126,206	7,091	815,837
<b>Total</b>	<b>1,496,227</b>	<b>152,874</b>	<b>27,611</b>	<b>1,676,712</b>

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.4 Fair value of financial assets and liabilities

##### **(a) Determination of fair value and valuation techniques**

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

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

- (1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- (2) Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- (3) Level 3 inputs are unobservable inputs for the asset or liability.

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

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

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

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

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

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

**3 FINANCIAL RISK MANAGEMENT** (Continued)

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

**(b) Financial instruments not measured at fair value**

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

	As at 30 June 2021		As at 31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Financial investments at amortised cost	2,050,282	2,068,928	2,019,529	2,031,222
<b>Financial liabilities</b>				
Debt securities issued	(531,275)	(544,607)	(484,382)	(485,175)

*Fair value hierarchy of financial instruments not measured at fair value*

As at 30 June 2021	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial investments at amortised cost	3,163	1,976,813	88,952	2,068,928
<b>Financial liabilities</b>				
Debt securities issued	–	(544,607)	–	(544,607)
<b>As at 31 December 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Financial investments at amortised cost	2,530	1,920,866	107,826	2,031,222
<b>Financial liabilities</b>				
Debt securities issued	–	(485,175)	–	(485,175)

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

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

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

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

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

As at 30 June 2021	Level 1	Level 2	Level 3	Total
<b>At fair value through profit or loss</b>				
Debt securities				
– Governments and central banks	2,953	3,562	–	6,515
– Public sector entities	–	1,397	–	1,397
– Banks and other financial institutions	8,869	83,628	97	92,594
– Corporate entities	3,870	48,624	3,028	55,522
Fund investments and other asset management products	38	330,777	13,840	344,655
Equity securities and others	3,996	2,979	48,108	55,083
Precious metal contracts	–	20,071	–	20,071
Derivative financial instruments				
– Foreign exchange and commodity contracts	–	26,678	–	26,678
– Interest rate contracts and others	–	7,927	979	8,906
	19,726	525,643	66,052	611,421
<b>At fair value through other comprehensive income</b>				
Debt Investments at FVOCI				
– Governments and central banks	45,523	273,805	110	319,438
– Public sector entities	2,729	2,215	–	4,944
– Banks and other financial institutions	149,142	149,927	14	299,083
– Corporate entities	56,987	26,285	140	83,412
Investments in equity instruments designated at FVOCI	8,633	2,571	8,466	19,670
Loans and advances to customers at FVOCI	–	213,255	20	213,275
	263,014	668,058	8,750	939,822
<b>Total assets</b>	<b>282,740</b>	<b>1,193,701</b>	<b>74,802</b>	<b>1,551,243</b>
<b>Financial liabilities at FVPL</b>				
– Certificates of deposits issued	–	(1,644)	–	(1,644)
– Financial liabilities related to precious metal contracts	–	(11,282)	–	(11,282)
– Short position of securities held for trading	–	(131)	–	(131)
– Notes issued	–	(700)	–	(700)
– Others	–	(6,775)	–	(6,775)
Derivative financial instruments				
– Foreign exchange and commodity contracts	–	(22,974)	–	(22,974)
– Interest rate contracts and others	–	(10,728)	–	(10,728)
Debt securities issued	–	(10,322)	–	(10,322)
<b>Total liabilities</b>	<b>–</b>	<b>(64,556)</b>	<b>–</b>	<b>(64,556)</b>

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 3 FINANCIAL RISK MANAGEMENT (Continued)

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

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

As at 31 December 2020	Level 1	Level 2	Level 3	Total
<b>At fair value through profit or loss</b>				
Debt securities				
– Governments and central banks	3,191	3,343	–	6,534
– Public sector entities	–	1,585	–	1,585
– Banks and other financial institutions	7,673	91,904	94	99,671
– Corporate entities	2,312	39,642	3,290	45,244
Fund investments and other asset management products	370	238,963	12,765	252,098
Equity securities and others	6,270	3,233	47,978	57,481
Precious metal contracts	–	19,975	–	19,975
Derivative financial instruments				
– Foreign exchange and commodity contracts	–	44,435	–	44,435
– Interest rate contracts and others	–	8,880	897	9,777
	19,816	451,960	65,024	536,800
<b>At fair value through other comprehensive income</b>				
Debt Investments at FVOCI				
– Governments and central banks	72,209	268,514	–	340,723
– Public sector entities	1,273	2,103	–	3,376
– Banks and other financial institutions	123,223	181,467	–	304,690
– Corporate entities	49,033	25,687	364	75,084
Investments in equity instruments designated at FVOCI	1,798	1,842	7,707	11,347
Loans and advances to customers at FVOCI	–	210,397	95	210,492
	247,536	690,010	8,166	945,712
<b>Total assets</b>	267,352	1,141,970	73,190	1,482,512
<b>Financial liabilities at FVPL</b>				
– Certificates of deposits issued	–	(7,868)	–	(7,868)
– Financial liabilities related to precious metal contracts	–	(16,104)	–	(16,104)
– Notes issued	–	(417)	–	(417)
– Others	–	(4,890)	–	(4,890)
Derivative financial instruments				
– Foreign exchange and commodity contracts	–	(40,914)	–	(40,914)
– Interest rate contracts and others	–	(15,028)	–	(15,028)
Debt securities issued	–	(13,373)	–	(13,373)
<b>Total liabilities</b>	–	(98,594)	–	(98,594)

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

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

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

###### Reconciliation of Level 3 items

	Financial assets at FVPL	Financial assets at FVOCI
Balance at 1 January 2021	65,024	8,166
Total gains or losses		
– Net gains/(losses) arising from trading activities	1,724	39
– Other comprehensive income	–	17
Additions	2,624	787
Disposals and settlement	(2,949)	(259)
Transfer to other levels	(371)	–
Balance at 30 June 2021	66,052	8,750
Total gains/(losses) generated by financial assets and liabilities held by the Group as at 30 June 2021		
– Realised gains	1,826	39
– Unrealised losses	(102)	17

  

	Financial assets at FVPL	Financial assets at FVOCI
Balance at 1 January 2020	63,696	7,520
Total gains or losses		
– Net gains/(losses) arising from trading activities	1,291	(40)
– Other comprehensive income	–	(1,696)
Additions	11,587	2,932
Disposals and settlement	(11,550)	(550)
Balance at 31 December 2020	65,024	8,166
Total gains/(losses) generated by financial assets and liabilities held by the Group as at 31 December 2020		
– Realised gains	2,218	2
– Unrealised losses	(975)	(1,738)

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

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.5 Offsetting financial assets and financial liabilities

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

As at 30 June 2021, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements is not material to the Group.

#### 3.6 Capital management

The “capital” in capital management is a broader concept than “shareholders’ equity” on the statement of financial position. The Group’s objectives in capital management are:

- To comply with the capital requirements set by the regulators of the markets where the Group operates;
- To ensure the Group’s ability to maintain a stable operation so as to continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Group management adopts administrative measures issued by the CBIRC, which was developed based on guideline issued by the Basel Committee, in monitoring its capital adequacy ratio and the usage of regulatory capital on a quarterly basis. The quarterly monitored information is then submitted to the CBIRC.

The Administrative Measures for the Capital of Commercial Banks (Provisional) specified the regulatory requirements for minimum capital, capital conservation buffer, additional capital surcharge for systemically important banks, countercyclical buffer and Pillar II capital as follows:

- Minimum regulatory requirements for core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio are 5%, 6% and 8%, respectively;
- Capital conservation buffer requires additional 2.5% on core tier-1 capital adequacy ratio;
- Additional capital surcharge for systemically important banks requires additional 1% on core tier-1 capital adequacy ratio;
- Should the regulators require countercyclical buffer under particular circumstances or regulators impose additional Pillar II capital requirements for specific banks, these requirements shall be met within the specified time limits.

The Group’s capital as monitored by its Planning and Finance Department consists of the following:

- Core tier-1 capital, including ordinary shares, eligible portion of capital surplus, statutory reserve, statutory general reserve, retained earnings, eligible portion of non-controlling interests and translation reserve on foreign operations;
- Additional tier-1 capital, including Additional tier-1 capital instruments issued and related premium and eligible portion of non-controlling interests;
- Tier-2 capital, including tier-2 capital instruments issued and related premium, excess loan loss provisions and eligible portion of non-controlling interests.



## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.6 Capital management *(Continued)*

The Group's deductible items from core tier-1 capital include: Goodwill, other intangible assets (except land use rights), investments in core tier-1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation.

In April 2014, the CBIRC officially approved the implementation of the advanced approach of capital management adopted by the Group. In this approach, the Group elected to use elementary internal rating based ("IRB") approach for corporate risk exposure, IRB approach for retail risk exposure, internal model approach for market risk and standardised approach for operational risk exposure which is compliant with regulatory requirements. For risk exposures not covered by the advanced approaches, the corresponding portion shall be calculated by adopting non-advanced approaches. The capital ratios calculated based on Administrative Measures for the Capital of Commercial Banks (Provisional) are as follows:

Items	As at 30 June 2021	As at 31 December 2020
Core tier-1 capital adequacy ratio (%)	10.59	10.87
Tier-1 capital adequacy ratio (%)	13.11	12.88
Capital adequacy ratio (%)	15.29	15.25
Core tier-1 capital	748,648	732,863
Core tier-1 capital deductions	(5,569)	(5,252)
Net core tier-1 capital	743,079	727,611
Additional tier-1 capital	176,295	134,610
Net tier-1 capital	919,374	862,221
Tier-2 capital	153,530	159,025
Net capital	1,072,904	1,021,246
Risk-weighted assets	7,015,362	6,695,462

### 4 NET INTEREST INCOME

	Six months ended 30 June	
	2021	2020
Interest income		
Loans and advances to customers	129,626	124,636
Financial investments	43,155	46,272
Due from and placements with banks and other financial institutions	5,788	9,822
Balances with central banks	5,383	5,499
	183,952	186,229
Interest expense		
Due to customers	(69,536)	(71,996)
Due to and placements from banks and other financial institutions	(19,154)	(26,058)
Certificates of deposit issued	(8,787)	(7,425)
Debt securities issued	(7,989)	(6,901)
	(105,466)	(112,380)
Net interest income	78,486	73,849
Including:		
Interest income on impaired financial assets	663	767

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 5 FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2021	2020
Bank cards	9,750	10,303
Wealth management business	5,830	4,828
Custody and other fiduciary business	3,972	4,121
Agency services	3,575	2,594
Investment banking	1,945	2,030
Guarantee and commitment	1,358	1,381
Settlement services	713	825
Others	156	133
	27,299	26,215

	Six months ended 30 June	
	2021	2020
Fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading or designated at FVPL	1,218	1,005
Fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	1,501	1,597

## 6 FEE AND COMMISSION EXPENSE

	Six months ended 30 June	
	2021	2020
Bank card business	1,240	1,177
Settlement and agency services	868	550
Others	225	211
	2,333	1,938

	Six months ended 30 June	
	2021	2020
Fee expense, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading or designated at FVPL	-	-

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

### 7 NET GAINS ARISING FROM TRADING ACTIVITIES

	Six months ended 30 June	
	2021	2020
Financial instruments at FVPL	8,445	7,283
Foreign exchange	1,446	1,555
Interest rate instruments and others	278	(1,485)
	<b>10,169</b>	<b>7,353</b>

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

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

Net gains arising from trading activities for the six months ended 30 June 2021 included a gain of 38 million (for the six months ended 30 June 2020: a loss of RMB296 million) in relation to changes in the fair value of financial liabilities designated at fair value through profit or loss.

### 8 INSURANCE BUSINESS INCOME

	Six months ended 30 June	
	2021	2020
Premiums earned	11,489	11,402
Less: Premiums ceded	(467)	(466)
	<b>11,022</b>	<b>10,936</b>

### 9 OTHER OPERATING INCOME

	Six months ended 30 June	
	2021	2020
Leasing income	6,279	6,687
Income from sales of precious metal merchandise	903	825
Revaluation of investment properties	(96)	(15)
Net gain on the disposal of fixed and foreclosed assets	302	211
Other miscellaneous income	1,134	1,246
	<b>8,522</b>	<b>8,954</b>

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

### 10 CREDIT IMPAIRMENT LOSSES

	Six months ended 30 June	
	2021	2020
Due from and placements with banks and other financial institutions	322	136
Loans and advances to customers at amortised cost	30,703	30,329
Loans and advances to customers at FVOCI	256	566
Credit related commitments and financial guarantees	2,779	2,024
Financial investments at amortised cost	(528)	(490)
Debt investments at FVOCI	(76)	320
Others	(374)	448
	<b>33,082</b>	<b>33,333</b>

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 11 OTHER ASSETS IMPAIRMENT LOSSES

	Six months ended 30 June	
	2021	2020
Impairment losses on operating lease assets	248	163
Impairment losses on foreclosed assets	170	(4)
	418	159

## 12 INSURANCE BUSINESS EXPENSE

	Six months ended 30 June	
	2021	2020
Change in insurance reserves	10,167	8,999
Less: Change in insurance reserves recovered from reinsurers	963	(368)
Surrenders	586	2,033
Others	(791)	358
	10,925	11,022

## 13 OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2021	2020
Staff costs and benefits (Note 14)	14,160	12,676
General operating and administrative expenses	17,400	18,276
Depreciation and amortisation	3,977	3,908
Costs of operating lease business	4,569	4,676
Tax and surcharges	1,474	1,349
Provision for outstanding litigations	(54)	(63)
Others	1,512	1,665
	43,038	42,487

## 14 STAFF COSTS AND BENEFITS

	Six months ended 30 June	
	2021	2020
Salaries, bonuses, allowances and subsidies	9,321	9,124
Post-employment benefit (a)	1,867	1,069
Other social security and benefit costs	2,972	2,483
	14,160	12,676

## (a) Post-employment benefit

**Defined contribution plans**

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

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

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
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### 14 STAFF COSTS AND BENEFITS (Continued)

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

##### **Defined contribution plans (Continued)**

The amount recognised in profit or loss is as follows:

	Six months ended 30 June	
	2021	2020
Expenses incurred for retirement benefit plans and unemployment insurance	1,140	601
Expenses incurred for annuity plan	718	459
Total	1,858	1,060

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

	As at	As at
	30 June 2021	31 December 2020
Expenses incurred for retirement benefit plans and unemployment insurance	64	69
Expenses incurred for annuity plan	42	73
Total	106	142

##### **Defined benefit plans**

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

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

	As at	As at
	30 June 2021	31 December 2020
Statement of financial position		
– Obligations for pension benefits	393	467

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

	Six months ended 30 June	
	2021	2020
Components of defined benefit costs recognised in profit or loss	9	9
Components of defined benefit costs recognised in other comprehensive income	(58)	34
Total	(49)	43

Past service cost and interest expense are recognised in other operating expenses in the income statement. The average duration of the supplementary retirement benefits plan at 30 June 2021 is 12.76 years (31 December 2020: 13.20 years).

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 14 STAFF COSTS AND BENEFITS (Continued)

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

**Defined benefit plans** (Continued)

The Group expects to make a contribution of RMB40 million (2020: RMB40 million) to the defined benefit plan during the next financial year.

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

The principal actuarial assumptions regarding interest risk and inflation risk used by the Group are discount rate and inflation rate, which were 3.39% (31 December 2020: 3.51%) and 0.97% (31 December 2020: 2.87%) respectively as at 30 June 2021. In the meantime, assumptions regarding future mortality rate are set based on published statistics by CBRIC. As at 30 June 2021, an average longevity of a pensioner after retirement at age 60 for male is 23.13 years (31 December 2020: 23.13 years) while a pensioner after retirement at age 55 for female is 33.13 years (31 December 2020: 33.13 years).

## 15 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

	Six months ended 30 June	
	2021	2020
Remuneration	6	7

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

For the six months ended 30 June 2021, RMB0.32 million was accrued for independent non-executive directors' emolument (six months ended 30 June 2020, RMB0.40 million).

## 16 INCOME TAX

	Six months ended 30 June	
	2021	2020
Current income tax		
– Mainland China enterprise income tax	4,067	3,968
– Hong Kong profits tax	340	475
– Income tax arising in Macao, Taiwan and other countries or regions	259	193
Subtotal	4,666	4,636
Deferred income tax (Note 26)	(951)	(1,675)
Total	3,715	2,961

The provision for enterprise income tax in Mainland China is calculated based on the statutory rate of 25% (2020: 25%) of the assessable income of the Bank and each of the subsidiary established in Mainland China. Taxation arising in other jurisdictions (including Hong Kong) is calculated at the rates prevailing in the relevant jurisdictions, the shortfall arising from the differential in tax rates of overseas branches as compared with the Mainland China tax rate shall be reported and paid by head office.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

### 16 INCOME TAX (Continued)

The actual taxation on the Group differs from the theoretical amount calculated using the Group's profit before tax at the tax rate of 25% (2020: 25%). The major reconciliation items are as follows:

	Six months ended 30 June	
	2021	2020
Profit before tax	46,588	39,958
Tax calculated at statutory rate of 25%	11,647	9,990
Effects of different tax rates prevailing in Hong Kong, Macao, Taiwan and other countries or regions	(127)	(94)
Effects of non-deductible expenses (1)	1,795	1,944
Effects of non-taxable income (2)	(9,489)	(8,449)
Adjustments for income tax of prior years	(111)	(430)
Income tax	3,715	2,961

(1) Non-deductible expenses primarily represent non-deductible write-offs.

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

### 17 BASIC AND DILUTED EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
Net profit attributable to shareholders of the Bank	42,019	36,505
Less: Dividends paid to preference shareholders	(1,755)	(2,714)
Net profit attributable to ordinary shareholders of the Bank	40,264	33,791
Weighted average number of ordinary shares in issue (expressed in millions) at the end of the period	74,263	74,263
Basic and diluted earnings per share (expressed in RMB per share)	0.54	0.46

For the purpose of calculating basic earnings per share, cash dividend on non-cumulative preference shares declared for the period was deducted from the amounts attributable to shareholders of the Bank. The Bank has RMB1,755 million cash dividend on preference shares during the six months ended 30 June 2021. The conversion feature of preference shares may lead to the possible existence of contingently issuable ordinary shares. The triggering events of conversion did not occur for the six months ended 30 June 2021, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

### 18 CASH AND BALANCES WITH CENTRAL BANKS

	As at 30 June 2021	As at 31 December 2020
Cash	13,602	15,353
Mandatory reserve deposits	670,058	634,239
Excess reserve deposits	120,346	160,863
Fiscal deposits and others	6,013	6,786
Accrued interest	301	320
	810,320	817,561

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

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 18 CASH AND BALANCES WITH CENTRAL BANKS (Continued)

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

	As at 30 June 2021	As at 31 December 2020
	%	%
Domestic mandatory reserve rate for deposits denominated in RMB	11.00	11.00
Domestic mandatory reserve rate for deposits denominated in foreign currencies	7.00	5.00

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

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

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

## 19 DUE FROM AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2021	As at 31 December 2020
Due from banks and other financial institutions		
– Banks and other financial institutions operating in Mainland China	143,980	90,965
– Banks and other financial institutions operating outside Mainland China	35,996	68,274
Accrued interest	257	196
Less: Allowance for impairment losses	(307)	(265)
Financial assets purchased under resale agreements		
Securities		
– Governments	45,181	6,332
– Policy banks	66,641	3,657
– Financial institutions	16,672	27,905
– Public sector entities	36	–
Bills	4,487	3,670
Accrued interest	39	26
Less: Allowance for impairment losses	(111)	(34)
Placements with and loans to banks		
– Banks operating in Mainland China	120,747	113,890
– Banks operating outside Mainland China	91,760	95,886
Placements with and loans to other financial institutions		
– Placements with and loans to other financial institutions in Mainland China	140,502	118,172
– Placements with and loans to other financial institutions outside Mainland China	44,345	40,515
Accrued interest	3,286	2,890
Less: Allowance for impairment losses	(1,141)	(949)
	712,370	571,130



## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
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### 20 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2021	As at 31 December 2020
Government bonds		
– Listed in Hong Kong	1,704	2,370
– Listed outside Hong Kong (a)	4,135	3,043
– Unlisted	676	1,121
Other debt securities		
– Listed in Hong Kong	31,594	23,853
– Listed outside Hong Kong (a)	112,384	109,422
– Unlisted – corporate entities	3,183	4,445
– Unlisted – banks	2,352	8,780
Equity securities and others		
– Listed in Hong Kong	1,602	1,419
– Listed outside Hong Kong	5,373	7,956
– Unlisted	48,108	48,106
Fund investments and other asset management products		
– Listed outside Hong Kong	39	474
– Unlisted	344,616	251,624
Precious metal contracts	20,071	19,975
<b>Total</b>	<b>575,837</b>	<b>482,588</b>

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

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

	As at 30 June 2021	As at 31 December 2020
– Banks and other financial institutions	92,594	99,671
– Corporate entities	55,522	45,244
– Governments and central banks	6,515	6,534
– Public sector entities	1,397	1,585
	<b>156,028</b>	<b>153,034</b>

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

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 21 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

As at 30 June 2021	Contractual/Notional	Fair values	
	Amount	Assets	Liabilities
Foreign exchange and commodity contracts	2,714,863	26,678	(22,974)
Interest rate contracts and others	3,381,739	8,906	(10,728)
Total amount of derivative financial instruments recognised	6,096,602	35,584	(33,702)

  

As at 31 December 2020	Contractual/Notional	Fair values	
	Amount	Assets	Liabilities
Foreign exchange and commodity contracts	2,435,423	44,435	(40,914)
Interest rate contracts and others	3,101,818	9,777	(15,028)
Total amount of derivative financial instruments recognised	5,537,241	54,212	(55,942)

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

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

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

### 21 DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Notional amounts of derivative financial instruments by original currency:

	As at 30 June 2021	As at 31 December 2020
RMB	4,115,029	3,772,066
USD	1,587,003	1,387,805
HKD	250,994	247,659
Others	143,576	129,711
<b>Total</b>	<b>6,096,602</b>	<b>5,537,241</b>

### Hedge accounting

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

As at 30 June 2021	Contractual/Notional Amount	Fair values	
		Assets	Liabilities
Derivative financial instruments designated as hedging instruments in fair value hedges	144,744	996	(2,737)
Derivative financial instruments designated as hedging instruments in cash flow hedges	62,418	518	(884)
<b>Total</b>	<b>207,162</b>	<b>1,514</b>	<b>(3,621)</b>

As at 31 December 2020	Contractual/Notional Amount	Fair values	
		Assets	Liabilities
Derivative financial instruments designated as hedging instruments in fair value hedges	139,555	184	(4,689)
Derivative financial instruments designated as hedging instruments in cash flow hedges	58,382	268	(1,901)
<b>Total</b>	<b>197,937</b>	<b>452</b>	<b>(6,590)</b>

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 21 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

## Hedge accounting (Continued)

**(a) Fair value hedge**

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

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

	Six months ended 30 June	
	2021	2020
Net gains/(losses) from fair value hedges:		
Hedging instruments	2,320	(5,913)
Hedged items attributable to the hedged risk	(2,408)	5,799
Total	(88)	(114)

**(b) Cash flow hedge**

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

For the six months ended 30 June 2021, the Group recognised a profit of RMB1,271million (for the six months ended 30 June 2020:a loss of RMB829 million) from effective portion of cash flow hedge in other comprehensive income. The Group reclassifies a loss of RMB986 million from other comprehensive income to profit or loss(for the six months ended 30 June 2020: a profit of 5 million). Gains or losses arising from ineffective portion of cash flow hedge were immaterial. There were no transactions for which cash flow hedge accounting had to be ceased as a result of the highly probable cash flows no longer being expected to occur.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

### 22 LOANS AND ADVANCES TO CUSTOMERS

#### 22.1 Loans and advances to customers

	As at 30 June 2021	As at 31 December 2020
Loans and advances to customers		
– Carried at amortised cost	6,133,428	5,637,932
– Carried at FVOCI	213,275	210,492
Less: Allowance for impairment losses	(150,273)	(139,274)
Accrued interest	13,209	12,980
Less: Allowance for impairment losses of accrued interest	(1,346)	(1,562)
	<b>6,208,293</b>	<b>5,720,568</b>

#### 22.2 Loans and advances to customers analysed by security type

	As at 30 June 2021	As at 31 December 2020
Unsecured loans	1,990,191	1,812,785
Guaranteed loans	1,060,509	990,248
Collateralised and other secured loans	3,296,003	3,045,391
<i>Including: Loans secured by collateral</i>	<b>2,356,648</b>	<b>2,191,847</b>
<i>    Pledged loans</i>	<b>939,355</b>	<b>853,544</b>
Total	<b>6,346,703</b>	<b>5,848,424</b>

#### 22.3 Movements of ECL allowance

Movements of ECL allowance – Corporate loan at amortised cost:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>As at 1 January 2021</b>	27,418	29,034	47,973	104,425
Addition/(Reversal), net	5,959	(40)	(2,690)	3,229
Transfer in	–	214	–	214
Written-offs and disposals	–	–	(15,487)	(15,487)
Transfers:	(710)	(5,008)	5,718	–
<i>Transfer between Stage 1 and Stage 2, net</i>	(665)	665	–	–
<i>Transfer between Stage 1 and Stage 3, net</i>	(45)	–	45	–
<i>Transfer between Stage 2 and Stage 3, net</i>	–	(5,673)	5,673	–
Remeasurement	4,831	5,064	12,604	22,499
Recoveries of loans written-off in previous years	–	–	2,545	2,545
Unwind of discount	–	–	(558)	(558)
Exchange differences	(32)	(9)	1	(40)
<b>As at 30 June 2021</b>	<b>37,466</b>	<b>29,255</b>	<b>50,106</b>	<b>116,827</b>

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

## 22.3 Movements of ECL allowance (Continued)

Movements of ECL allowance – Corporate loan at amortised cost (Continued):

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>As at 1 January 2020</b>	23,125	39,960	42,085	105,170
Addition/(Reversal), net	2,477	(7,358)	(7,717)	(12,598)
Transfer in	–	686	–	686
Written-offs and disposals	–	–	(33,214)	(33,214)
Transfers:	(838)	(15,668)	16,506	–
<i>Transfer between Stage 1 and Stage 2, net</i>	(762)	762	–	–
<i>Transfer between Stage 1 and Stage 3, net</i>	(76)	–	76	–
<i>Transfer between Stage 2 and Stage 3, net</i>	–	(16,430)	16,430	–
Remeasurement	2,805	11,452	28,208	42,465
Recoveries of loans written-off in previous years	–	–	3,340	3,340
Unwind of discount	–	–	(1,138)	(1,138)
Exchange differences	(151)	(38)	(97)	(286)
<b>As at 31 December 2020</b>	27,418	29,034	47,973	104,425

Movements of ECL allowance – Personal loan at amortised cost:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>As at 1 January 2021</b>	16,008	3,836	15,005	34,849
Addition/(Reversal), net	783	(94)	(1,031)	(342)
Written-offs and disposals	–	–	(7,438)	(7,438)
Transfers:	354	(1,539)	1,185	–
<i>Transfer between Stage 1 and Stage 2, net</i>	516	(516)	–	–
<i>Transfer between Stage 1 and Stage 3, net</i>	(162)	–	162	–
<i>Transfer between Stage 2 and Stage 3, net</i>	–	(1,023)	1,023	–
Remeasurement	(1,353)	1,275	5,609	5,531
Recoveries of loans written-off in previous years	–	–	950	950
Unwind of discount	–	–	(102)	(102)
Exchange differences	1	41	(44)	(2)
<b>As at 30 June 2021</b>	15,793	3,519	14,134	33,446

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
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### 22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### 22.3 Movements of ECL allowance (Continued)

Movements of ECL allowance – Personal loan at amortised cost (Continued):

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>As at 1 January 2020</b>	8,394	3,193	15,962	27,549
Addition/(Reversal), net	2,001	(100)	(1,102)	799
Written-offs and disposals	–	–	(20,580)	(20,580)
Transfers:	270	(1,078)	808	–
<i>Transfer between Stage 1 and Stage 2, net</i>	378	(378)	–	–
<i>Transfer between Stage 1 and Stage 3, net</i>	(108)	–	108	–
<i>Transfer between Stage 2 and Stage 3, net</i>	–	(700)	700	–
Remeasurement	5,349	1,823	18,443	25,615
Recoveries of loans written-off in previous years	–	–	1,712	1,712
Unwind of discount	–	–	(231)	(231)
Exchange differences	(6)	(2)	(7)	(15)
<b>As at 31 December 2020</b>	16,008	3,836	15,005	34,849

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

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>As at 1 January 2021</b>	878	47	362	1,287
Addition/(Reversal), net	160	(21)	(29)	110
Written-offs and disposals	–	–	(368)	(368)
Transfers:	(5)	4	1	–
<i>Transfer between Stage 1 and Stage 2, net</i>	(4)	4	–	–
<i>Transfer between Stage 1 and Stage 3, net</i>	(1)	–	1	–
<i>Transfer between Stage 2 and Stage 3, net</i>	–	–	–	–
Remeasurement	68	(9)	87	146
Unwind of discount	–	–	(3)	(3)
Exchange differences	(22)	2	1	(19)
<b>As at 30 June 2021</b>	1,079	23	51	1,153

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

## 22.3 Movements of ECL allowance (Continued)

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

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>As at 1 January 2020</b>	839	205	289	1,333
Addition/(Reversal), net	(10)	(121)	(32)	(163)
Written-offs and disposals	–	–	(34)	(34)
Transfers:	(114)	(42)	156	–
<i>Transfer between Stage 1 and Stage 2, net</i>	(75)	75	–	–
<i>Transfer between Stage 1 and Stage 3, net</i>	(39)	–	39	–
<i>Transfer between Stage 2 and Stage 3, net</i>	–	(117)	117	–
Remeasurement	163	5	(17)	151
<b>As at 31 December 2020</b>	878	47	362	1,287

## 22.4 Overdue loans analysed by security type

	As at 30 June 2021				Total
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	
Unsecured loans	7,900	9,154	5,246	263	22,563
Guaranteed loans	4,813	10,282	8,634	3,062	26,791
Collateralised and other secured loans	13,210	13,189	13,681	4,806	44,886
<i>Including: Loans secured by collateral</i>	<i>7,964</i>	<i>10,607</i>	<i>11,448</i>	<i>4,163</i>	<i>34,182</i>
<i>Pledged loans</i>	<i>5,246</i>	<i>2,582</i>	<i>2,233</i>	<i>643</i>	<i>10,704</i>
Total	25,923	32,625	27,561	8,131	94,240



## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
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### 22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### 22.4 Overdue loans analysed by security type (Continued)

	As at 31 December 2020				Total
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	
Unsecured loans	8,850	13,686	694	217	23,447
Guaranteed loans	5,867	8,904	12,222	1,415	28,408
Collateralised and other secured loans	10,763	11,555	13,000	3,030	38,348
<i>Including: Loans secured by collateral</i>	<i>8,640</i>	<i>9,825</i>	<i>10,661</i>	<i>2,856</i>	<i>31,982</i>
<i>    Pledged loans</i>	<i>2,123</i>	<i>1,730</i>	<i>2,339</i>	<i>174</i>	<i>6,366</i>
Total	25,480	34,145	25,916	4,662	90,203

### 23 FINANCIAL INVESTMENTS

	As at 30 June 2021	As at 31 December 2020
Financial investments at amortised cost		
– Listed in Hong Kong	8,707	7,743
– Listed outside Hong Kong	1,909,276	1,864,919
– Unlisted	107,067	121,740
Accrued interest	27,753	28,177
Less: Allowance for impairment losses	(2,521)	(3,050)
Total	2,050,282	2,019,529
Financial investments at fair value through other comprehensive income		
Debt investments at FVOCI		
– Listed in Hong Kong	169,658	161,286
– Listed outside Hong Kong	447,175	435,675
– Unlisted	83,231	120,306
Accrued interest	6,813	6,606
Subtotal	706,877	723,873
Equity investments at FVOCI		
– Listed in Hong Kong	6,924	158
– Listed outside Hong Kong	4,281	3,473
– Unlisted	8,465	7,716
Subtotal	19,670	11,347
Total	726,547	735,220

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

For the six months ended 30 June 2021, the Group's cash dividends received from equity investments at FVOCI was RMB477 million (for the six months ended 30 June 2020: RMB19 million).

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 23 FINANCIAL INVESTMENTS (Continued)

Debt securities analysed by issuer are as follows:

	As at 30 June 2021	As at 31 December 2020
Bond investments at amortised cost		
– Governments and central banks	1,805,050	1,710,428
– Banks and other financial institutions	104,712	148,404
– Corporate entities	29,207	29,983
– Public sector entities	21,683	21,979
<b>Total</b>	<b>1,960,652</b>	<b>1,910,794</b>
Debt investments at FVOCI		
– Governments and central banks	319,438	340,723
– Banks and other financial institutions	299,083	304,690
– Corporate entities	83,412	75,084
– Public sector entities	4,944	3,376
<b>Total</b>	<b>706,877</b>	<b>723,873</b>

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

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>As at 1 January 2021</b>	<b>1,844</b>	<b>682</b>	<b>524</b>	<b>3,050</b>
Addition/(Reversal), net	(243)	(206)	–	(449)
Transfer out	–	–	–	–
Written-offs	–	–	–	–
Recovery after written-offs	–	–	–	–
Transfers:	296	(437)	141	–
<i>Transfer between Stage 1 and Stage 2, net</i>	296	(296)	–	–
<i>Transfer between Stage 1 and Stage 3, net</i>	–	–	–	–
<i>Transfer between Stage 2 and Stage 3, net</i>	–	(141)	141	–
Remeasurement	(256)	2	175	(79)
Exchange differences	(1)	–	–	(1)
<b>As at 30 June 2021</b>	<b>1,640</b>	<b>41</b>	<b>840</b>	<b>2,521</b>

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
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### 23 FINANCIAL INVESTMENTS (Continued)

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

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>As at 1 January 2020</b>	2,455	178	630	3,263
Addition/(Reversal), net	(602)	–	(26)	(628)
Transfer out	–	–	(83)	(83)
Written-offs	–	–	–	–
Recovery after written-offs	–	–	–	–
Transfers:	(191)	191	–	–
<i>Transfer between Stage 1 and Stage 2, net</i>	(191)	191	–	–
<i>Transfer between Stage 1 and Stage 3, net</i>	–	–	–	–
<i>Transfer between Stage 2 and Stage 3, net</i>	–	–	–	–
Remeasurement	183	313	3	499
Exchange differences	(1)	–	–	(1)
<b>As at 31 December 2020</b>	1,844	682	524	3,050

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

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>As at 1 January 2021</b>	670	11	563	1,244
Addition/(Reversal), net	(44)	(11)	–	(55)
Transfer out	–	–	–	–
Written-offs	–	–	–	–
Recovery after written-offs	–	–	–	–
Transfers:	(1)	1	–	–
<i>Transfer between Stage 1 and Stage 2, net</i>	(1)	1	–	–
<i>Transfer between Stage 1 and Stage 3, net</i>	–	–	–	–
<i>Transfer between Stage 2 and Stage 3, net</i>	–	–	–	–
Remeasurement	(48)	–	27	(21)
Exchange differences	(17)	–	(9)	(26)
<b>As at 30 June 2021</b>	560	1	581	1,142

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 23 FINANCIAL INVESTMENTS (Continued)

The movements in allowance for impairment losses of debt investments at FVOCI are summarised as follows (Continued):

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
<b>As at 1 January 2020</b>	660	–	393	1,053
Addition/(Reversal), net	84	–	–	84
Transfer out	–	–	(27)	(27)
Written-offs	–	–	–	–
Recovery after written-offs	–	–	–	–
Transfers:	(28)	3	25	–
<i>Transfer between Stage 1 and Stage 2, net</i>	(3)	3	–	–
<i>Transfer between Stage 1 and Stage 3, net</i>	(25)	–	25	–
<i>Transfer between Stage 2 and Stage 3, net</i>	–	–	–	–
Remeasurement	31	8	193	232
Exchange differences	(77)	–	(21)	(98)
<b>As at 31 December 2020</b>	670	11	563	1,244

## 24 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	As at 30 June 2021	As at 31 December 2020
Investments in associates		
Investment cost	4,062	3,312
Share of net profit of associates for the period/year	1,437	1,328
Share of other equity changes of associates for the period/year	88	77
Dividend income	(197)	(147)
Subtotal	5,390	4,570
Investments in joint ventures	115	111
Total	5,505	4,681

The Group's investments in associates mainly include the investments in Jiangsu Changshu Rural Commercial Bank Co., Ltd. and Bank of Tibet Co., Ltd.

Jiangsu Changshu Rural Commercial Bank Co., Ltd. was incorporated in Changshu City, Jiangsu Province on 3 December 2001. The registered capital of the entity is RMB2,741 million, and the principal activities of the entity are banking activities. The Group held 9.01% of equity interest in this associate as at 30 June 2021 (31 December 2020: 9.01%).

There are 14 directors at the Board of Directors of Jiangsu Changshu Rural Commercial Bank Co., Ltd., of which 3 directors were nominated by the Group. Accordingly, the Group is able to exert significant influence on such company, so such company is accounted for as an associate.

Bank of Tibet Co., Ltd. was incorporated in Tibet Autonomous Region, PRC on 30 December 2011. The registered capital of the entity is RMB3,320 million, and the principal activities of the entity are banking activities. The Group held 10.60% of equity interest in this associate as at 30 June 2021 (31 December 2020: 10.60%).

There are 11 directors at the Board of Directors of Bank of Tibet Co., Ltd., of which 3 directors were nominated by the Group. Accordingly, the Group is able to exert significant influence on such company, so such company is accounted for as an associate.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

### 25 PROPERTY AND EQUIPMENT

	Buildings	Construction in progress	Equipment And Transportation equipment	Aircraft and vessels	Property improvement	Total
<b>Cost</b>						
As at 1 January 2021	62,743	3,369	26,655	136,705	9,654	239,126
Additions	8	326	477	7,047	17	7,875
Disposals	(301)	-	(912)	(6,303)	(100)	(7,616)
Construction in progress transfer in/(out)	958	(991)	-	-	33	-
Transfer in from investment properties	366	-	-	-	-	366
Other transfers out	-	(25)	-	-	-	(25)
<b>As at 30 June 2021</b>	<b>63,774</b>	<b>2,679</b>	<b>26,220</b>	<b>137,449</b>	<b>9,604</b>	<b>239,726</b>
<b>Accumulated depreciation</b>						
As at 1 January 2021	(20,459)	-	(20,679)	(21,241)	(6,485)	(68,864)
Charge for the period	(998)	-	(1,081)	(3,340)	(361)	(5,780)
Disposals	158	-	881	1,705	65	2,809
<b>As at 30 June 2021</b>	<b>(21,299)</b>	<b>-</b>	<b>(20,879)</b>	<b>(22,876)</b>	<b>(6,781)</b>	<b>(71,835)</b>
<b>Allowance for impairment losses</b>						
As at 1 January 2021	-	(16)	-	(775)	-	(791)
Provision for impairment	-	-	-	(248)	-	(248)
Decrease	-	-	-	202	-	202
<b>As at 30 June 2021</b>	<b>-</b>	<b>(16)</b>	<b>-</b>	<b>(821)</b>	<b>-</b>	<b>(837)</b>
<b>Net book value</b>						
<b>As at 30 June 2021</b>	<b>42,475</b>	<b>2,663</b>	<b>5,341</b>	<b>113,752</b>	<b>2,823</b>	<b>167,054</b>

As at 30 June 2021, the net book value of the aircrafts and vessels used as collateral for borrowings was RMB52,954 million (31 December 2020: RMB58,496 million).

As at 30 June 2021, the property and equipment with re-registration procedure not completed amounted to RMB198 million (31 December 2020: RMB198 million). However, this registration process does not affect the rights of the Bank to these assets.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

25 PROPERTY AND EQUIPMENT *(Continued)*

	Buildings	Construction in progress	Equipment And Transportation equipment	Aircraft and vessels	Property improvement	Total
<b>Cost</b>						
As at 1 January 2020	61,764	2,625	26,034	133,756	9,378	233,557
Additions	70	1,870	2,822	18,424	98	23,284
Disposals	(293)	–	(2,201)	(15,475)	(156)	(18,125)
Construction in progress transfer in/(out)	616	(950)	–	–	334	–
Transfer in from investment properties	589	–	–	–	–	589
Transfer into investment properties	(3)	–	–	–	–	(3)
Other transfers out	–	(176)	–	–	–	(176)
<b>As at 31 December 2020</b>	<b>62,743</b>	<b>3,369</b>	<b>26,655</b>	<b>136,705</b>	<b>9,654</b>	<b>239,126</b>
<b>Accumulated depreciation</b>						
As at 1 January 2020	(18,678)	–	(20,644)	(16,876)	(5,824)	(62,022)
Charge for the year	(1,982)	–	(2,027)	(6,882)	(783)	(11,674)
Disposals	200	–	1,992	2,517	122	4,831
Transfer into investment properties	1	–	–	–	–	1
<b>As at 31 December 2020</b>	<b>(20,459)</b>	<b>–</b>	<b>(20,679)</b>	<b>(21,241)</b>	<b>(6,485)</b>	<b>(68,864)</b>
<b>Allowance for impairment losses</b>						
As at 1 January 2020	–	(16)	–	(340)	–	(356)
Provision for impairment	–	–	–	(485)	–	(485)
Decrease	–	–	–	50	–	50
<b>As at 31 December 2020</b>	<b>–</b>	<b>(16)</b>	<b>–</b>	<b>(775)</b>	<b>–</b>	<b>(791)</b>
<b>Net book value</b>						
<b>As at 31 December 2020</b>	<b>42,284</b>	<b>3,353</b>	<b>5,976</b>	<b>114,689</b>	<b>3,169</b>	<b>169,471</b>

## 26 DEFERRED INCOME TAX

Deferred income taxes for transactions in PRC are calculated on all temporary differences using an effective tax rate of 25% for the six months ended 30 June 2021 (for the year ended 31 December 2020: 25%). Deferred income taxes for transactions in Hong Kong are calculated on all temporary differences using an effective tax rate of 16.5% (for the year ended 31 December 2020: 16.5%).

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

### 26 DEFERRED INCOME TAX (Continued)

Deferred income tax assets and liabilities are attributable to the following items:

	As at 30 June 2021		As at 31 December 2020	
	Deductible/ (Taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (Taxable) temporary differences	Deferred income tax assets/ (liabilities)
<b>Deferred income tax liabilities</b>				
Changes in fair value of financial assets at FVOCI	(4,540)	(1,135)	(6,272)	(1,568)
Changes in fair value of financial assets and liabilities at FVPL	–	–	(3,724)	(931)
Changes in fair value of derivative instruments	(35,584)	(8,841)	(54,212)	(13,648)
Changes in fair value of investment properties	(2,740)	(685)	(2,836)	(709)
Others	(3,964)	(991)	(3,014)	(754)
	<b>(46,828)</b>	<b>(11,652)</b>	<b>(70,058)</b>	<b>(17,610)</b>
<b>Deferred income tax assets</b>				
Allowance for impairment of assets	103,388	25,847	101,480	25,370
Provisions	10,076	2,519	8,672	2,168
Changes in fair value of financial assets and liabilities at FVPL	364	91	–	–
Changes in fair value of financial assets at FVOCI	3,844	961	4,292	1,073
Changes in fair value of derivative instruments	33,702	8,561	55,942	13,740
Others	5,203	1,301	7,885	1,964
	<b>156,577</b>	<b>39,280</b>	<b>178,271</b>	<b>44,315</b>
Net deferred income tax assets	<b>109,749</b>	<b>27,628</b>	<b>108,213</b>	<b>26,705</b>

The above net deferred income tax assets are disclosed separately on the statements of financial position based on different taxation authorities and entities:

	As at 30 June 2021	As at 31 December 2020
Deferred income tax assets	29,119	27,991
Deferred income tax liabilities	(1,491)	(1,286)

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 26 DEFERRED INCOME TAX (Continued)

	As at 30 June 2021	As at 31 December 2020
Net opening balance	26,705	23,147
Including: Deferred income tax assets	44,315	33,452
Deferred income tax liabilities	(17,610)	(10,305)
Net change in deferred income tax recognised in income tax expense in the current/previous year	951	2,599
Net changes in deferred income tax recognised in other comprehensive income in the current/previous year	(28)	959
Net ending balance	27,628	26,705
Including: Deferred income tax assets	39,280	44,315
Deferred income tax liabilities	(11,652)	(17,610)

## 27 OTHER ASSETS

	As at 30 June 2021	As at 31 December 2020
Accounts receivable and temporary payments	47,643	44,950
Less: Allowance for impairment losses (a)	(3,205)	(2,764)
Advance payments	13,336	11,865
Investment properties (b)	6,879	7,353
Right-of-use assets(c)	6,753	6,669
Interest receivable <sup>(1)</sup>	3,992	3,784
Land use rights and others	2,158	2,057
Intangible assets (d)	1,492	1,550
Long-term deferred expenses	503	599
Foreclosed assets	960	967
Goodwill (e)	402	401
Refundable deposits	463	466
Unsettled assets	31	33
Precious metal	5,441	10,631
Others	6,201	6,104
	93,049	94,665

Note 1: The interest receivable account only reflects the interest for relevant financial instruments which is due but not received on balance sheet date.



## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
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### 27 OTHER ASSETS (Continued)

#### (a) Allowance for impairment losses

	As at 1 January 2021	Amounts accrued	Reversal	Written-offs	Transfers (in)/out	Recoveries after written-offs	Exchange differences	As at 30 June 2021
Other receivables and prepayments	(2,764)	(1,320)	635	680	(356)	(80)	-	(3,205)
Total	(2,764)	(1,320)	635	680	(356)	(80)	-	(3,205)

	As at 1 January 2020	Amounts accrued	Reversal	Written-offs	Transfers (in)/out	Recoveries after written-offs	Exchange differences	As at 31 December 2020
Other receivables and prepayments	(2,717)	(1,972)	1,117	929	-	(107)	(14)	(2,764)
Total	(2,717)	(1,972)	1,117	929	-	(107)	(14)	(2,764)

#### (b) Investment properties

	As at 1 January 2021	Decreases of the period	Losses on property revaluation	Exchange differences	As at 30 June 2021
Investment properties	7,353	(366)	(96)	(12)	6,879

	As at 1 January 2020	Decreases of the year	Gains on property revaluation	Exchange differences	As at 31 December 2020
Investment properties	7,894	(577)	180	(144)	7,353

The Group's investment properties are located in active real estate markets. The external appraisers make reasonable estimation of fair value using market prices of the similar properties.

As at 30 June 2021, fair value hierarchies of the investment properties of the Group are as follows:

	Level 1	Level 2	Level 3	As at 30 June 2021
Commercial property units located in Hong Kong	-	-	779	779
Commercial property units located outside Hong Kong	-	-	6,100	6,100

The valuation of investment properties was performed by independent qualified professional valuers not connected to the Group. Valuation methodologies include "Rental Income Approach" and "Direct Comparison Approach". The inputs to these models mainly include growth rate of rental, capitalisation rate and unit price.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
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## 27 OTHER ASSETS (Continued)

## (c) Right-of-use assets

	As at 30 June 2021	As at 31 December 2020
<b>Cost</b>		
Opening balance	13,693	13,513
Additions	1,394	3,030
Decreases	(1,234)	(2,850)
<b>As at the end of the period/year</b>	<b>13,853</b>	13,693
<b>Accumulated depreciation:</b>		
Opening balance	(7,024)	(6,992)
Additions	(1,200)	(2,445)
Decreases	1,124	2,413
<b>As at the end of the period/year</b>	<b>(7,100)</b>	(7,024)
<b>Net book value</b>	<b>6,753</b>	6,669
<b>Lease liabilities</b>	<b>6,639</b>	6,532

As at 30 June 2021, committed by leases but not yet commenced amount to RMB157 million (as at 31 December 2020: RMB136 million).

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

## (d) Intangible assets

	Software
<b>Cost</b>	
As at 1 January 2021	3,888
Additions	121
Disposals	(2)
<b>As at 30 June 2021</b>	<b>4,007</b>
<b>Accumulated amortisation</b>	
As at 1 January 2021	(2,338)
Amortisation expense	(179)
Disposals	2
<b>As at 30 June 2021</b>	<b>(2,515)</b>
<b>Net book value</b>	<b>1,492</b>
	Software
<b>Cost</b>	
As at 1 January 2020	3,386
Additions	522
Disposals	(20)
<b>As at 31 December 2020</b>	<b>3,888</b>
<b>Accumulated amortisation</b>	
As at 1 January 2020	(2,018)
Amortisation expense	(326)
Disposals	6
<b>As at 31 December 2020</b>	<b>(2,338)</b>
<b>Net book value</b>	<b>1,550</b>

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 27 OTHER ASSETS (Continued)

#### (e) Goodwill

	As at 1 January 2021	Addition during the period	Decrease during the period	Exchange differences	As at 30 June 2021
Bank of Communications International Trust Co., Ltd.	200	–	–	–	200
BoCommLife Insurance Company Limited	122	–	–	–	122
BANCO Bocom BBM S.A.	79	–	–	1	80
Total	401	–	–	1	402

	As at 1 January 2020	Addition during the year	Decrease during the year	Exchange differences	As at 31 December 2020
Bank of Communications International Trust Co., Ltd.	200	–	–	–	200
BoCommLife Insurance Company Limited	122	–	–	–	122
BANCO Bocom BBM S.A.	108	–	–	(29)	79
Total	430	–	–	(29)	401

### 28 DUE TO AND PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 30 June 2021	As at 31 December 2020
Borrowing from central banks	437,922	472,460
Accrued interest	6,865	6,285
Due to banks		
– Banks operating in Mainland China	204,758	200,025
– Banks operating outside Mainland China	19,425	28,084
Due to other financial institutions		
– Other financial institutions operating in Mainland China	686,873	664,299
– Other financial institutions operating outside Mainland China	11,722	9,548
Accrued interest	3,414	3,002
Placements from banks		
– Banks operating in Mainland China	256,711	164,583
– Banks operating outside Mainland China	136,736	153,341
Placements from other financial institutions		
– Other financial institutions operating in Mainland China	1,200	2,500
– Other financial institutions operating outside Mainland China	8,360	9,124
Accrued interest	772	1,019
Financial assets sold under repurchase agreements		
Securities		
– Governments	28,342	9,706
– Policy banks	5,020	3,283
– Financial institutions	15,340	25,515
– Corporates	12,371	9,312
Bills	2,242	25,363
Accrued interest	33	42
Total	1,838,106	1,787,491

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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## 29 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2021	As at 31 December 2020
Short position of securities held for trading	131	–
Certificates of deposit issued	1,644	7,868
Financial liabilities related to precious metal contracts	11,282	16,104
Notes issued	700	417
Others	6,775	4,890
<b>Total</b>	<b>20,532</b>	<b>29,279</b>

Except for certificates of deposit issued by branch in Hong Kong, notes issued by BoCom International Holdings Company Limited, and shares of consolidated structured entities held by other parties rather than the Group which are designated at fair value through profit or loss, financial liabilities at fair value through profit or loss are financial liabilities held for trading.

*Financial liabilities designated at fair value through profit or loss*

	As at 30 June 2021	As at 31 December 2020
Difference between carrying amount and maturity amount		
Fair values	9,119	13,175
Amount payable at maturity	9,033	12,962
	<b>86</b>	<b>213</b>

For the six months ended 30 June 2021 and the year ended 31 December 2020, there were no significant changes in the fair value of the Group's financial liabilities designated at fair value through profit or loss that were attributable to the changes in credit risk.

## 30 DUE TO CUSTOMERS

	As at 30 June 2021	As at 31 December 2020
Corporate demand deposits	2,088,099	2,005,934
Corporate time deposits	2,464,371	2,335,590
Personal demand deposits	824,774	812,534
Personal time deposits	1,558,707	1,379,697
Other deposits	2,433	5,499
Due to customers	6,938,384	6,539,254
Accrued interest	78,268	68,076
<b>Total</b>	<b>7,016,652</b>	<b>6,607,330</b>
Including:		
Deposits pledged as collateral	227,459	229,546

## 31 CERTIFICATES OF DEPOSITS ISSUED

Certificates of deposits were issued by the Bank's domestic branches, branches in Macau, Hong Kong, New York, Tokyo, Singapore, Seoul, Sydney, London and Luxembourg, Bank of Communications (Luxemburg) Limited, Bank of Communications (Hong Kong) Limited and BANCO Bocom BBM S.A., which were measured at amortised cost.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 32 DEBT SECURITIES ISSUED

		As at 30 June 2021	As at 31 December 2020
Carried at amortised cost:			
Subordinated bonds			
The Bank	32.1	25,950	25,950
Subsidiaries	32.1	3,000	–
Tier-2 capital bonds			
The Bank	32.2	113,795	113,945
Subsidiaries	32.2	1,995	1,995
Bonds			
The Bank	32.3	286,812	251,580
Subsidiaries	32.3	90,349	85,767
Accrued interest		9,374	5,145
<b>Subtotal</b>		<b>531,275</b>	<b>484,382</b>
Carried at fair value:			
Bonds			
The Bank	32.3	10,322	13,373
<b>Total</b>		<b>541,597</b>	<b>497,755</b>

Note: Debt securities issued are designated as fair value through profit or loss upon initiation as the Hong Kong branch of the Bank considers such designation could eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise result from measuring the corresponding derivative assets or recognising the gains or losses on them on different basis. Accordingly, the debts are designated as fair value through profit or loss with changes in fair values charged to profit and loss account. For the six months ended 30 June 2021 and the year ended 31 December 2020, there were no significant changes that were attributable to the Group's changes in credit risks.

#### 32.1 Subordinated bonds

Detailed information of subordinated bonds is disclosed as follows:

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Note	Ending balance	Opening balance
11 BoComm 01	RMB	Mainland China	5.75	26,000	2011/10/21	15 years	(a)	25,950	25,950
<b>Subtotal</b>								25,950	25,950
Subsidiary									
21 Insurance 01	RMB	Mainland China	4.30	3,000	2021/03/25	10 years	(b)	3,000	–
<b>Subtotal</b>								3,000	–
<b>Total</b>								28,950	25,950

- (a) The Group has an option to redeem 11 BoComm 01 on 24 October 2021. The bonds bear a fixed coupon rate of 5.75%.
- (b) BoCommLife Insurance Company Limited has an option to redeem 21 Insurance 01 at the par value partially or as a whole on the last day of the fifth interest-bearing year, provided that the permission of the PBOC and the CBIRC is acquired in advance and the BoCommLife Insurance Company Limited's solvency ratio is not less than 100% if the redemption is exercised.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 32 DEBT SECURITIES ISSUED (Continued)

## 32.2 Tier-2 capital bonds

Detailed information of tier-2 capital bonds is disclosed as follows:

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Note	Ending balance	Opening balance
The Bank									
14 BoComm 01-Euro	EUR	Hong Kong China	3.625	500	2014/10/03	12 years	(a)	3,826	3,984
17 BoComm	RMB	Mainland China	4.50	30,000	2017/04/11	10 years	(b)	29,976	29,973
19 BoComm 01	RMB	Mainland China	4.10	30,000	2019/08/14	10 years	(c)	29,998	29,993
19 BoComm 02	RMB	Mainland China	4.49	10,000	2019/08/14	15 years	(d)	9,999	9,999
20 BoComm	RMB	Mainland China	3.24	40,000	2020/05/19	10 years	(e)	39,996	39,996
Subtotal								113,795	113,945
Subsidiaries									
18 Leasing 02	RMB	Mainland China	5.15	2,000	2018/09/18	10 years	(f)	1,995	1,995
Subtotal								1,995	1,995
Total								115,790	115,940

- (a) The Group has an option to redeem 14 BoComm 01-Euro as a whole on 3 October 2021. If the issuer does not exercise the redemption right by 3 October 2021, the interest rate will be readjusted based on the median of 5-year Euro swap rate plus 300 basis points initial rate differential.
- (b) The Group has an option to redeem 17 BoComm at the par value partially or as a whole on 13 April 2022, the first day upon the end of the fifth interest-bearing year, provided that the CBIRC's permission is acquired in advance and the Group's capital structure fulfills the CBIRC requirements on capital if the redemption is exercised.
- (c) The Group has an option to redeem 19 BoComm 01 at the par value partially or as a whole on 16 August 2024, the last day of the interest-bearing year with early redemption option embedded, provided that the CBIRC's permission is acquired in advance and the Group's capital structure fulfills the CBIRC requirements on capital if the redemption is exercised.
- (d) The Group has an option to redeem 19 BoComm 02 at the par value partially or as a whole on 16 August 2029, the last day of the interest-bearing year with early redemption option embedded, provided that the CBIRC's permission is acquired in advance and the Group's capital structure fulfills the CBIRC requirements on capital if the redemption is exercised.
- (e) The Group has an option to redeem 20 BoComm at the par value partially or as a whole on 21 May 2025, the last day of the interest-bearing year with early redemption option embedded, provided that the CBIRC's permission is acquired in advance and the Group's capital structure fulfills the CBIRC requirements on capital if the redemption is exercised.
- (f) Bank of Communications Financial Leasing Co., Ltd. has an option to redeem 18 Leasing 02 at the par value partially or as a whole on 20 September 2023, the first day upon the end of the fifth interest-bearing year, provided that the CBIRC's permission is acquired in advance and Bank of Communications Financial Leasing Co., Ltd.'s capital structure fulfills the CBIRC requirements on capital if the redemption is exercised.

These tier-2 capital bonds have the write-down feature, which allows the Group or Bank of Communications Financial Leasing Co., Ltd to write down the entire principals of the bonds when regulatory triggering events as stipulated in the offering documents occur and any accumulated unpaid interest would become not payable. These bonds are regarded as tier-2 capital without any guarantees provided and the proceeds of the debts cannot be used for compensating daily operating loss of the Group or Bank of Communications Financial Leasing Co., Ltd.

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

## 32 DEBT SECURITIES ISSUED (Continued)

### 32.3 Bonds

Detailed information of bonds held at amortised cost is as follows:

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Ending balance	Opening balance
<b>The Bank</b>								
16 BoComm Green Financial bond 02	RMB	Mainland China	3.25	20,000	2016/11/18	5 years	20,000	20,000
18 Bocomm Micro Small Enterprises Bond	RMB	Mainland China	3.79	10,000	2018/11/28	3 years	10,000	10,000
19 Bocomm 01	RMB	Mainland China	3.35	50,000	2019/11/25	3 years	50,000	50,000
19 Bocomm 02	RMB	Mainland China	3.35	40,000	2019/12/11	3 years	40,000	40,000
20 Bocomm 01	RMB	Mainland China	3.18	50,000	2020/08/05	3 years	50,000	50,000
20 Bocomm 02	RMB	Mainland China	3.50	40,000	2020/11/11	3 years	40,000	40,000
21 Bocomm Micro Small Enterprises Bond	RMB	Mainland China	3.40	40,000	2021/04/06	3 years	40,000	-
14 Formosa Bond C	RMB	Taiwan China	4.15	500	2014/06/23	7 years	-	500
17 medium-term notes 02	USD	Hong Kong China	3MLibor+0.88	300	2017/05/15	5 years	1,938	1,957
17 medium-term notes 04	USD	Hong Kong China	3MLibor+0.90	600	2017/12/04	5 years	3,877	3,915
18 medium-term notes 01	USD	Hong Kong China	3MLibor+0.75	600	2018/05/17	3 years	-	3,915
18 medium-term notes 02	USD	Hong Kong China	3MLibor+0.85	700	2018/05/17	5 years	4,523	4,567
20 Hong Kong medium-term notes 01	HKD	Hong Kong China	2.25	2,800	2020/01/22	2 years	2,329	2,357
20 Hong Kong medium-term notes 02	USD	Hong Kong China	3MLibor+0.58	1,300	2020/01/22	3 years	8,399	8,482
20 Hong Kong medium-term notes 04	USD	Hong Kong China	3MLibor+0.75	100	2020/06/05	3 years	645	651
20 Hong Kong medium-term notes 05	USD	Hong Kong China	3MLibor+0.80	650	2020/07/20	3 years	4,200	4,241
20 Hong Kong medium-term notes 06	USD	Hong Kong China	3MLibor+0.90	400	2020/07/20	5 years	2,584	2,610
20 Hong Kong medium-term notes 07	USD	Hong Kong China	1.20	800	2020/09/10	5 years	5,151	5,199
20 Hong Kong medium-term notes 08	USD	Hong Kong China	3MLibor+0.80	350	2020/09/10	3 years	2,261	2,284
P14JHTP1C	RMB	Taiwan China	3.90	700	2014/12/04	7 years	704	702
P14JHTP1D	RMB	Taiwan China	4.00	200	2014/12/04	10 years	201	200
<b>Sub-total</b>							<b>286,812</b>	<b>251,580</b>
<b>Subsidiaries</b>								
13 Azure Orbit	USD	Hong Kong China	3.75	500	2013/03/06	10 years	3,227	3,260
5 Year USD bond	USD	Hong Kong China	2.625	600	2016/03/15	5 years	-	3,914
3 Year USD bond	USD	Hong Kong China	3.50	300	2018/01/25	3 years	-	1,957
5 Year USD bond	USD	Hong Kong China	3.75	950	2018/01/25	5 years	6,119	6,179
10 Year USD bond	USD	Hong Kong China	4.00	250	2018/01/25	10 years	1,599	1,614
19 Brazil bonds	BRL	Brazil	110%SELIC	200	2019/01/30	5 years	49	48
16 Leasing 03	RMB	Mainland China	3.25	500	2016/09/07	5 years	500	449
18 Leasing 01	RMB	Mainland China	4.53	4,000	2018/07/05	3 years	4,000	3,998
18 Leasing 02	RMB	Mainland China	4.14	4,000	2018/10/22	3 years	3,999	3,997
19 Leasing 01	RMB	Mainland China	3.68	5,000	2019/05/20	3 years	4,996	4,994
19 Leasing 02	RMB	Mainland China	3.65	5,000	2019/07/08	3 years	4,996	4,994
19 Leasing 03	RMB	Mainland China	3.49	3,500	2019/10/22	3 years	3,496	3,495
20 Leasing 01	RMB	Mainland China	3.65	3,000	2020/11/05	3 years	2,995	2,915
21 Leasing 01	RMB	Mainland China	3.62	4,000	2021/03/01	3 years	3,992	-
21 Leasing 02	RMB	Mainland China	3.45	3,000	2021/04/22	3 years	2,623	-
Azure Nova	USD	Hong Kong China	2.625	1,000	2016/10/25	5 years	6,449	6,514
Azure Nova	USD	Hong Kong China	3.50	1,050	2017/03/21	5 years	6,776	6,843
Azure Nova	USD	Hong Kong China	4.25	250	2017/03/21	10 years	1,610	1,626
19 USD medium-term notes 01	USD	Hong Kong China	4.00	800	2019/01/22	3 years	3,725	3,726
19 USD medium-term notes 02	USD	Hong Kong China	4.375	700	2019/01/22	5 years	2,789	2,713
19 USD medium-term notes 03	USD	Hong Kong China	3MLibor+1.20	120	2019/04/12	3 years	775	783
19 USD medium-term notes 04	USD	Hong Kong China	3MLibor+1.175	400	2019/09/05	5 years	1,201	1,319
19 USD medium-term notes 05	USD	Hong Kong China	2.625	200	2019/09/05	5 years	728	767
19 USD medium-term notes 06	USD	Hong Kong China	3MLibor+1.05	180	2019/10/25	3 years	1,162	1,174
19 USD medium-term notes 07	USD	Hong Kong China	3MLibor+1.075	600	2019/12/10	5 years	1,594	1,773
20 USD medium-term notes 01	USD	Hong Kong China	3MLibor+0.95	500	2020/03/02	5 years	1,812	2,021
20 USD medium-term notes 02	USD	Hong Kong China	3MLibor+0.83	300	2020/03/02	3 years	1,526	1,602
20 USD medium-term notes 03	USD	Hong Kong China	1.750	350	2020/07/08	3 years	1,484	1,650
20 USD medium-term notes 04	USD	Hong Kong China	3MLibor+1.70	450	2020/07/08	5 years	1,383	1,457
21 USD medium-term notes 01	USD	Hong Kong China	1.125	500	2021/06/16	3 years	1,875	-
21 Bocomm International 01	USD	Hong Kong China	1.75	500	2021/06/22	5 years	2,881	-
20 Financial Investing 01	RMB	Mainland China	2.70	3,000	2020/03/11	3 years	2,998	2,997
20 Financial Investing 02	RMB	Mainland China	2.80	7,000	2020/03/11	5 years	6,990	6,988
<b>Sub-total</b>							<b>90,349</b>	<b>85,767</b>
<b>Total</b>							<b>377,161</b>	<b>337,347</b>

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 32 DEBT SECURITIES ISSUED (Continued)

## 32.3 Bonds (Continued)

Detailed information of bonds held at fair value is as follows:

	Currency	Issue place	Coupon rate %	Par value (CCY)	Issue date	Maturity	Fair value at the end of the period	Fair value at the beginning of the period
14 Hong Kong bond	HKD	Hong Kong China	4.00	500	2014/02/14	7 years	-	428
19 Hong Kong RMB medium-term notes	RMB	Hong Kong China	3.40	2,500	2019/03/21	2 years	-	2,526
19 Hong Kong medium-term notes	HKD	Hong Kong China	2.85	3,500	2019/03/21	5 years	3,100	3,157
19 Hong Kong USD medium-term notes	USD	Hong Kong China	3MLibor+0.78	800	2019/03/21	3 years	5,186	5,226
20 Hong Kong medium-term notes 03	RMB	Hong Kong China	3.15	2,000	2020/01/22	2 years	2,036	2,036
Total							10,322	13,373

## 33 OTHER LIABILITIES

	As at 30 June 2021	As at 31 December 2020
Insurance liabilities	68,767	58,842
Clearing and settlement	23,404	31,482
Temporary receipts	20,459	23,212
Staff compensation payable	6,640	11,591
Deposits received for finance lease	6,871	6,893
Lease liabilities	6,639	6,532
Provision for outstanding litigations (a)	620	1,032
Expected credit impairment allowance of credit related commitments and financial guarantees (b)	10,327	10,500
VAT and other taxes payable	5,299	4,208
Special purpose funding	2,338	2,571
Dividends payable	25,758	124
Others	52,975	44,835
Total	230,097	201,822

## (a) Movements in the provision for outstanding litigations

	As at 1 January 2021	Amounts accrued during the period	Amounts settled during the period	Amounts reversed during the period	Exchange differences	As at 30 June 2021
Provision for outstanding litigations	1,032	47	(358)	(101)	-	620

  

	As at 1 January 2020	Amounts accrued during the year	Amounts settled during the year	Amounts reversed during the year	Exchange differences	As at 31 December 2020
Provision for outstanding litigations	1,029	120	(29)	(88)	-	1,032



## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

### 33 OTHER LIABILITIES (Continued)

(b) Movements in the expected credit impairment allowance of credit related commitments and financial guarantees

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	6,858	3,642	–	10,500
Addition/(Reversal), net	850	421	–	1,271
Transfer out	–	(2,947)	–	(2,947)
Transfers:	(43)	43	–	–
<i>Transfer between Stage 1 and Stage 2, net</i>	(43)	43	–	–
Remeasurement	1,233	275	–	1,508
Exchange differences	(3)	(2)	–	(5)
<b>As at 30 June 2021</b>	<b>8,895</b>	<b>1,432</b>	<b>–</b>	<b>10,327</b>

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2020	5,358	974	–	6,332
Addition/(Reversal), net	1,443	2,261	–	3,704
Transfer out	(35)	(651)	–	(686)
Transfers:	(928)	928	–	–
<i>Transfer between Stage 1 and Stage 2, net</i>	(928)	928	–	–
Remeasurement	1,037	133	–	1,170
Exchange differences	(17)	(3)	–	(20)
<b>As at 31 December 2020</b>	<b>6,858</b>	<b>3,642</b>	<b>–</b>	<b>10,500</b>

### 34 SHARE CAPITAL AND CAPITAL SURPLUS

	Number of shares (in millions)	Ordinary shares of RMB1 each	Capital surplus
As at 1 January 2021	74,263	74,263	111,428
As at 30 June 2021	74,263	74,263	111,428

	Number of shares (in millions)	Ordinary shares of RMB1 each	Capital surplus
As at 1 January 2020	74,263	74,263	113,663
As at 31 December 2020	74,263	74,263	111,428

As at 30 June 2021 and 31 December 2020, the number of A shares of the Group was 39,251 million, and the number of H shares of the Group was 35,012 million, both with par value of RMB1 per share.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 34 SHARE CAPITAL AND CAPITAL SURPLUS (Continued)

As at 30 June 2021 and 31 December 2020, the Group's capital surplus is listed as follows:

	As at 1 January 2021	Additions	Reductions	As at 30 June 2021
Share premium	110,770	-	-	110,770
Other capital reserve	658	-	-	658
<b>Total</b>	<b>111,428</b>	<b>-</b>	<b>-</b>	<b>111,428</b>

  

	As at 1 January 2020	Additions	Reductions	As at 31 December 2020
Share premium	113,005	-	(2,235)	110,770
Other capital reserve	658	-	-	658
<b>Total</b>	<b>113,663</b>	<b>-</b>	<b>(2,235)</b>	<b>111,428</b>

## 35 OTHER EQUITY INSTRUMENTS

## 35.1 Preference shares

## 35.1.1 Preference shares outstanding at the end of the period

Issue date	Accounting classification	Dividend rate %	Issue price	Amount in shares	In original currency (in millions)	In RMB (in millions)	Maturity	Conversion condition	Conversion	
Domestic preference shares										
Preference shares in RMB	2 September 2016	Equity	3.90	RMB100/ share	450,000,000	45,000	45,000	No maturity date	Mandatory	No conversion during the period
Total						45,000				
Less: Issuance fees						(48)				
Carrying amount						44,952				

## 35.1.2 Movements of preference shares issued

	As at 1 January 2021	Movements		As at 30 June 2021
		Additions	Decreases	
Domestic preference shares				
Amount (shares)	450,000,000	-	-	450,000,000
In RMB(millions)	44,952	-	-	44,952

## 35 OTHER EQUITY INSTRUMENTS *(Continued)*

### 35.1 Preference shares *(Continued)*

#### **35.1.3 Main clauses**

##### *Domestic preference shares*

##### (a) Dividend

The domestic preference shares will accrue dividends on their issue price at the relevant dividend rate below:

- (1) From and including the issue date to but excluding the first reset date, at the rate of 3.90% per annum; and
- (2) The dividend rate will be re-priced every five years thereafter with reference to the arithmetic average value (rounding off to 0.01%) of five-year Chinese treasury bonds yield at the date which is 20 transaction days before the reset date (excluding the date) plus a fixed premium of 1.37%. As authorised by the shareholders' annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on domestic preference shares.

The dividend for domestic preference shares is non-cumulative. Where the Bank determines to cancel the dividend for domestic preference shares in whole or in part, the omitted dividend will not be carried forward and claimed in the future period. After receiving dividends at the agreed dividend rate, domestic preference shareholders of the Bank will not participate in the distribution of residual profits with ordinary shareholders. Domestic preference shares issued by the Bank have the same dividend distribution order as the offshore preference shares.

##### (b) Conditions to distribution of dividends

The Bank could pay dividends while the Bank still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratio meets regulatory requirements. Domestic preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends.

Subject to a resolution to be passed at a shareholders' general meeting of the Bank on each such occasion, the Bank may elect to cancel (in whole or in part) any preference share dividend. The Bank shall not distribute any dividends to its ordinary shareholders before it declares such dividends to preference shareholders for the relevant periods.

##### (c) Mandatory conversion trigger events

Upon occurrence of the triggering events as stipulated by the offering documents and subject to regulatory approval, domestic preference shares shall be mandatorily converted into ordinary A Shares of the Bank, partially or entirely. The initial mandatory conversion price is RMB6.25 per share. To balance the interest between preference shareholders and ordinary shareholders, the mandatory conversion price of the preference shares will be cumulatively adjusted in sequence where certain events occur including issuances of bonus shares, capitalisation of reserves, new issuances of ordinary shares at a price lower than the market price (excluding equity increased due to exercise of convertible financing instruments that can be converted into ordinary shares) and rights issues, subject to terms and formulas provided for in the offering documents. Appropriation of dividends to ordinary shareholders is not trigger event for price adjustment.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 35 OTHER EQUITY INSTRUMENTS (Continued)

## 35.1 Preference shares (Continued)

## 35.1.3 Main clauses (Continued)

## Domestic preference shares (Continued)

## (d) Order of distribution and liquidation method

On winding-up of the Bank, distribution to domestic preference shareholders is made after all debts of the Bank (including subordinated debts) and obligations that are issued or guaranteed by the Bank and specifically stated to be distributed prior to the domestic preference shares; all domestic preference shareholders are ranked at the same in the distribution sequence without priority among them and have the same repayment sequence rights as holders of obligations with equivalent rights. In addition, distribution is made to domestic preference shareholders prior to ordinary shareholders.

On winding-up of the Bank, any remaining assets of the Bank shall, after the distributions in accordance with the terms and conditions of the domestic preference shares have been made, be applied to the claims of the domestic preference shareholders equally in all respects with the claims of holders of any parity obligations (which term, for the avoidance of doubt, includes the domestic preference shares and any other preference shares of the Bank issued from time to time to investors outside the PRC) and in priority to the claims of the holders of ordinary shares.

The distribution amount obtained by the domestic preference shareholders shall be the total par value of the issued and outstanding preference shares plus dividends declared but not paid in the current period; if the distribution amount is insufficient, domestic and offshore preference shareholders will share the distribution amount on a proportional basis.

## (e) Redemption

The domestic preference shares are perpetual and have no maturity date. The Bank may, subject to obtaining the CBIRC approval and in compliance with the redemption preconditions, redeem all or some of the domestic preference shares on 2 September 2021 and on any preference share dividend payment date thereafter. The redemption period ends at the date when shares are fully converted or redeemed.

## 35.2 Perpetual bonds

## 35.2.1 Perpetual bonds outstanding at the end of the period

	Issue date	Accounting classification	Original interest rate %	Issue price	Amount in shares	In original currency (in millions)	In RMB (in millions)	Maturity
Perpetual bonds in RMB(1)	20 September 2019	Equity	4.20	RMB100/bond	400,000,000	40,000	40,000	No fixed maturity date
Perpetual bonds in RMB(2)	25 September 2020	Equity	4.59	RMB100/bond	300,000,000	30,000	30,000	No fixed maturity date
Perpetual bonds in RMB(2)	10 June 2021	Equity	4.06	RMB100/bond	415,000,000	41,500	41,500	No fixed maturity date
Perpetual bonds in USD(3)	18 November 2020	Equity	3.80	USD 200,000/bond	14,000	2,800	18,366	No fixed maturity date
					Total		129,866	
					Less: Issuance fees		(28)	
					Carrying amount		129,838	

### 35 OTHER EQUITY INSTRUMENTS *(Continued)*

#### 35.2 Perpetual bonds *(Continued)*

##### **35.2.2 Main clauses**

- (1) With the approvals by relevant regulatory authorities, the Bank issued RMB40.0 billion undated capital bonds in China's National Inter-Bank Bond Market on 18 September 2019, and the issuance was completed on 20 September 2019. The denomination of the bonds is RMB100 each and coupon rate of 4.20%. The bonds adopt a coupon rate adjusted on a stage-by-stage basis and a coupon rate adjustment period for every five years during which interests will be paid at the agreed coupon rate.

The perpetual bonds will continue to be outstanding so long as the Bank's business continues to operate. The bonds have set forth terms regarding the Bank's redemption with pre-conditions, by which the Bank is entitled to redeem the bonds after five years since the issue date in whole or in part on the annual interest payment date (including the interest payment date of the fifth year after the issue date). If, after the issuance, the perpetual bonds no longer qualify as additional tier-1 capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the whole but not part of the perpetual bonds.

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

Upon the occurrence of Additional tier-1 capital trigger event, namely, the Bank's core tier-1 capital adequacy ratio having fallen to 5.125% (or below), the Bank has the right, subject to the approval of the CBIRC but without the need for the consent of the bondholders, to write down whole or part of the aggregate amount of the perpetual bonds then issued and outstanding, in order to restore the core tier-1 capital adequacy ratio to above 5.125%. Upon the occurrence of a Non-Viability Triggering Event, the Bank has the right to write down all the above perpetual bond issued and existing at that time in accordance with the total par value without the consent of the bondholders.

The distributions on the perpetual bonds are non-cumulative, and 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. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the bonds, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares.

Investors have no right to redeem their subscription from the Bank. The net proceeds from the Bank's issuance of the above bonds, after deducting offering related expenses, will be used to replenish the Additional tier-1 capital of the Bank.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 35 OTHER EQUITY INSTRUMENTS *(Continued)*

### 35.2 Perpetual bonds *(Continued)*

#### **35.2.2 Main clauses** *(Continued)*

- (2) With the approvals by relevant regulatory authorities, the Bank issued RMB30.0 billion undated capital bonds in China's National Inter-Bank Bond Market on 23 September 2020, and the issuance was completed on 25 September 2020. The denomination of the Bonds is RMB100 each and coupon rate of 4.59%. The Bonds adopt a coupon rate adjusted on a stage-by-stage basis and a coupon rate adjustment period for every five years during which interests will be paid at the agreed coupon rate.

With the approvals by relevant regulatory authorities, the Bank issued RMB41.5 billion undated capital bonds in China's National Inter-Bank Bond Market on 8 June 2021, and the issuance was completed on 10 June 2021. The denomination of the Bonds is RMB100 each and coupon rate of 4.06%. The Bonds adopt a coupon rate adjusted on a stage-by-stage basis and a coupon rate adjustment period for every five years during which interests will be paid at the agreed coupon rate.

The perpetual bonds will continue to be outstanding so long as the Bank's business continues to operate. The bonds have set forth terms regarding the Bank's redemption with pre-conditions, by which the Bank is entitled to redeem the bonds after five years since the issue date in whole or in part on the annual interest payment date (including the interest payment date of the fifth year after the issue date). If, after the issuance, the perpetual bonds no longer qualify as additional tier-1 capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the whole but not part of the perpetual bonds.

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

Upon the occurrence of a Non-Viability Triggering Event, the Bank has the right to write down/write off in whole or in part, without the need for the consent of the holders of the bonds, the principal amount of the bonds.

The distributions on the perpetual bonds are non-cumulative, and 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. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the bonds, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares.

Investors have no right to redeem their subscription from the Bank. The net proceeds from the Bank's issuance of the above bonds, after deducting offering related expenses, will be used to replenish the additional tier-1 capital of the Bank.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

### 35 OTHER EQUITY INSTRUMENTS (Continued)

#### 35.2 Perpetual bonds (Continued)

##### 35.2.2 Main clauses (Continued)

- (3) With the approvals by relevant regulatory authorities, the Bank has completed the issuance of the USD2.8 billion undated capital bonds in the offshore market on 18 November 2020. The coupon rate of the bonds is 3.80%. The bonds adopt a coupon rate adjusted on a stage-by-stage basis and a coupon rate adjustment period for every five years during which interests will be paid at the agreed coupon rate.

The perpetual bonds will continue to be outstanding so long as the Bank's business continues to operate. The bonds have set forth terms regarding the Bank's redemption with pre-conditions. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the bank is entitled to redeem the bonds after five years since the issue date in whole or in part on the annual interest payment date (including the interest payment date of the fifth year after the issue date). If, after the issuance, the perpetual bonds no longer qualify as additional tier-1 capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the whole but not part of the perpetual bonds.

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

Upon the occurrence of a Non-Viability Triggering Event, the Bank has the right to write down/write off in whole or in part, without the need for the consent of the holders of the bonds. Once the principal amount of the Bonds (in whole or in part) has been written-off, such relevant written-off portion of the bonds will not be restored or become payable again in any circumstances (including where the relevant Non-Viability Triggering Event ceases to continue), and any accrued but unpaid distribution in respect of such relevant written-off portion of the bonds shall cease to be payable. In addition, there will be no compensation in any form to remedy the loss of the bondholders.

The distributions on the perpetual bonds are non-cumulative, and 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. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the bonds, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares.

Investors have no right to redeem their subscription from the Bank. The net proceeds from the Bank's issuance of the above bonds, after deducting offering related expenses, will be used to replenish the additional tier-1 capital of the Bank.

#### 35.3 Interests attributable to holders of other equity instruments

	As at 30 June 2021	As at 31 December 2020
Total equity attributable to equity holders of the parent company	923,608	866,607
Equity attributable to ordinary shareholders of the parent company	748,818	733,315
Equity attributable to preference shareholders of the parent company	44,952	44,952
Equity attributable to perpetual bond holders of the parent company	129,838	88,340
Total equity attributable to non-controlling interests	12,307	12,021
Equity attributable to non-controlling interests of ordinary shares	9,086	8,763
Equity attributable to non-controlling interests of Non-cumulative Subordinated Additional Tier-1 Capital Securities (Note 38)	3,221	3,258

Dividends paid to preference shareholders and interest paid to perpetual bond holders for the six months ended 30 June 2021 are disclosed in Note 37.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 36 OTHER RESERVES AND RETAINED EARNINGS

Pursuant to the relevant PRC regulations, the appropriation of profits to the statutory general reserve, the discretionary reserve and the distribution of dividends in each year are based on the recommendations of the directors and are subject to the resolutions to be passed at the General Meeting of Shareholders.

Pursuant to relevant PRC regulations, the Bank appropriated 10% of its net profit for the year under CAS to the statutory surplus reserve until the reserve balance reaches 50% of the Bank's registered capital. The statutory surplus reserve can be used to compensate losses or to increase share capital upon approval. The Bank appropriate RMB6,897 million to the statutory surplus upon approval from the 2020 Annual General Meeting of Shareholders held on 29 June 2021.

	As at 1 January 2021	Appropriate	Decrease	As at 30 June 2021
Statutory reserve	72,431	7,100	–	79,531
Discretionary reserve	139,930	–	–	139,930
Total	212,361	7,100	–	219,461

Pursuant to relevant PRC banking regulations, since 1 July 2012, the Bank made statutory general reserve from net profit through profit appropriation according to Administrative Measures for the Provisioning of Financial Enterprises (Cai Jin [2012] No. 20). The proportion is determined based on several factors including the Bank's overall exposure to risk, normally no lower than 1.5% of the ending balance of risk assets. The statutory general reserve is an integral part of shareholders' equity but not subject to dividend distribution. The Bank's subsidiaries and overseas branches, if required by local regulation requirements, also need to make such general reserve. The 2020 Annual General Meeting of Shareholders, held on 29 June 2021, considered and adopted the 2020 profit distribution scheme, which stipulates as follows:

	As at 1 January 2021	Appropriate	Decrease	As at 30 June 2021
Statutory general reserve	123,163	6,715	–	129,878

The Bank appropriated RMB6,432 million to the statutory general reserve upon approval from the 2020 Annual General Meeting of Shareholders held on 29 June 2021, of which the overseas branches of the Bank have appropriated RMB11 million to statutory general reserve according to the requirement of local regulatory authorities in the year ended 31 December 2020.

## Retained earnings

The movements of retained earnings are set out below:

As at 1 January 2021	214,448
Profit for the period	42,019
Appropriation to statutory reserve	(7,100)
Appropriation to general reserve	(6,715)
Dividends payable to ordinary shareholders	(23,541)
Dividends payable to preference shareholders	(1,755)
Others	1
As at 30 June 2021	217,357
As at 1 January 2020	177,141
Profit for the year	78,274
Appropriation to statutory reserve	(7,534)
Appropriation to general reserve	(5,596)
Appropriation to discretionary reserve	(77)
Dividends payable to ordinary shareholders	(23,393)
Dividends payable to preference shareholders	(2,714)
Interest to perpetual bond holders of the Bank	(1,680)
Others	27
As at 31 December 2020	214,448



## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
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### 37 DIVIDENDS

	Six months ended 30 June	
	2021	2020
Dividends to ordinary shareholders of the Bank	23,541	23,393
Dividends to preference shareholders of the Bank	1,755	2,714

Under PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

- (1) Making up cumulative losses from prior years, if any;
- (2) Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank as determined under the relevant PRC accounting standards;
- (3) Allocations to statutory general reserve;
- (4) Allocations to the discretionary reserve upon approval by the Annual General Meeting of Shareholders. These funds form part of the shareholders' equity.

The cash dividends are recognised in the consolidated statement of financial position upon approval by the shareholders at Annual General Meeting.

Pursuant to the approval by the Board meeting on 29 April 2021, the Bank will appropriate domestic preference dividends on 7 September 2021 with a dividend yield of 3.9% (the actual dividend yield obtained by the preference shareholders), with total amount of RMB1,755 million.

Pursuant to the approval by the Annual General Meeting of Shareholders on 29 June 2021, the Bank appropriated RMB6,432 million to the statutory general reserve. It was also resolved that a cash dividend of RMB0.317 (before tax) for each ordinary share, with total amount of RMB23,541 million, calculated based on 74,263 million shares outstanding (the par value per share is RMB1) as at 31 December 2020, will be distributed to ordinary shareholders.

### 38 NON-CONTROLLING INTERESTS

Non-controlling interests of the Group include equity attributable to non-controlling interests of ordinary shares and equity attributable to non-controlling interests of other equity instruments. As at 30 June 2021, equity attributable to other equity instruments holders was RMB3,221 million. Other equity instruments were non-cumulative subordinated additional tier-1 capital securities issued by Bank of Communications (Hong Kong) Limited on 3 March 2020.

Issue Date	3 March 2020
Face Value	USD500 million
First Call Date	3 March 2025
Distribution Rate	(i) from the issue date to the first call date, 3.725% per annum (ii) for every five calendar years after the first call date, the then-prevailing five-year US Treasury Rate plus 2.525% per annum
Frequency of distribution payments	Semi-annually

Bank of Communications (Hong Kong) Limited may determine the policies of distribution payments and whether to redeem the bonds. Therefore, the Group recognised the bonds as equity instruments.

Pursuant to the terms and conditions of the Non-Cumulative Subordinated Additional Tier-1 Capital Securities, Bank of Communications (Hong Kong) Limited has paid a total distribution of RMB61 million during the six months ended 30 June 2021.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 39 CREDIT RELATED COMMITMENTS AND FINANCIAL GUARANTEES, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

## Credit related commitments and financial guarantees

The following tables provide the contractual amounts of the Group's credit related commitments and financial guarantees which the Group has committed to its customers:

	As at 30 June 2021	As at 31 December 2020
Letters of guarantee	353,592	333,610
Letters of credit commitments	193,956	163,151
Acceptance bills	340,022	319,076
Credit card commitments	902,668	800,441
Loan commitments		
– Under 1 year	5,737	5,111
– 1 year and above	54,805	55,323
	<b>1,850,780</b>	<b>1,676,712</b>

## Capital expenditure commitments

	As at 30 June 2021	As at 31 December 2020
Contracted but not provided for	52,214	62,224

## Operating lease commitments

The Group acts as lessor in operating leases principally through aircraft and vessels leasing undertaken by its subsidiaries. The future minimum lease receivables on certain aircraft and vessel under irrevocable operating leases are as follows:

	As at 30 June 2021	As at 31 December 2020
Within 1 year (inclusive)	12,941	13,074
Beyond 1 year but no more than 2 years (inclusive)	12,454	12,622
Beyond 2 years but no more than 3 years (inclusive)	12,081	12,220
Beyond 3 years but no more than 5 years (inclusive)	21,316	22,062
More than 5 years	33,877	36,562
	<b>92,669</b>	<b>96,540</b>

## Commitments on security underwriting and bond acceptance

The Group is entrusted by Ministry of Finance to underwrite certain Certificated Bonds and Savings Bonds. The investors of Certificated Bonds and Savings Bonds have early redemption right while the Group has the obligation to buy back those Certificated Bonds and Savings Bonds. The redemption price is the principal value of the Certificated Bonds or Savings Bonds plus unpaid interest till redemption date. As at 30 June 2021, the principal value of the certain Certificated Bonds and Savings Bonds that the Group had the obligation to buy back amounted to RMB80,433 million (31 December 2020: RMB81,548 million). The Ministry of Finance will not provide funding for the early redemption of these Certificated Bonds and Savings Bonds on a back-to-back basis but will pay interest and principal at maturity. The Group expects the amount of redemption before the maturity dates of these bonds through the Group will not be material.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
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### 39 CREDIT RELATED COMMITMENTS AND FINANCIAL GUARANTEES, OTHER COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

#### Commitments on security underwriting and bond acceptance (Continued)

The original maturities of these bonds vary from 1 to 5 years.

As at 30 June 2021, the Group had no announced but unfulfilled irrevocable commitment on security underwriting (31 December 2020: Nil).

#### Legal proceedings

The Group has been involved as defendants in certain lawsuits arising from its normal business operations. Management of the Group believes, based on legal advice, the final result of these lawsuits will not have a material impact on the financial position or operations of the Group. Provision for litigation losses as advised by in-house or external legal professionals is disclosed in Note 33. The total outstanding claims against the Group (as defendant) by a number of third parties at the end of the year are summarised as follows:

	As at 30 June 2021	As at 31 December 2020
Outstanding litigations	3,075	3,876
Provision for outstanding litigation (Note 33)	620	1,032

### 40 COLLATERALS

#### (1) Assets pledged

The Group uses part of its assets as collaterals for interbank repurchase arrangements and other liabilities-related business. All of these arrangements mature within 12 months from the date they take effect. The carrying amount of these collaterals and the balance of operations related are listed below:

	Pledged assets		Associated liabilities	
	As at 30 June 2021	As at 31 December 2020	As at 30 June 2021	As at 31 December 2020
Investment securities	507,720	520,254	440,442	456,210
Bills	6,434	28,854	6,434	28,854
Total	514,154	549,108	446,876	485,064

Financial assets sold under repurchase agreements included certain transactions under which the title of the pledged securities has been transferred to counterparties. These transactions have been disclosed in Note 45 transfers of financial assets.

In addition, loans and advances to customers pledged as collateral for placements from banks by the Group as at 30 June 2021 amounted to RMB7,572 million in total (31 December 2020: RMB6,401 million).

#### (2) Collateral accepted

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 had received securities with a fair value of RMB3,604 million on such terms(31 December 2020:Nil). As at 30 June 2021 and 31 December 2020, the Group did not sell or re-pledge any collaterals received.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 41 OTHER COMPREHENSIVE INCOME

	Six months ended 30 June 2021		
	Before tax amount	Tax effect	Net of tax amount
Other comprehensive income			
Loans and advances to customers – carried at FVOCI	234	(59)	175
<i>Amount recognised in equity</i>	426	(107)	319
<i>Amount reclassified to profit or loss</i>	(192)	48	(144)
Debt investments at FVOCI	(85)	104	19
<i>Amount recognised in equity</i>	170	41	211
<i>Amount reclassified to profit or loss</i>	(255)	63	(192)
Effective portion of gains or losses on hedging instruments in cash flow hedges	285	(53)	232
<i>Amount recognised in equity</i>	1,271	(299)	972
<i>Amount reclassified to profit or loss</i>	(986)	246	(740)
Translation difference on foreign operations	(1,344)	–	(1,344)
Changes in fair value of equity investments designated at FVOCI	(435)	(20)	(455)
Changes in fair value attributable to changes in the credit risk of financial liabilities designated at FVPL	(36)	–	(36)
Actuarial gains on pension benefits	58	–	58
Others	12	–	12
Other comprehensive income for the period	(1,311)	(28)	(1,339)

	Six months ended 30 June 2020		
	Before tax amount	Tax effect	Net of tax amount
Other comprehensive income			
Loans and advances to customers – carried at FVOCI	67	(16)	51
<i>Amount recognised in equity</i>	331	(82)	249
<i>Amount reclassified to profit or loss</i>	(264)	66	(198)
Debt investments at FVOCI	(1,259)	70	(1,189)
<i>Amount recognised in equity</i>	158	(285)	(127)
<i>Amount reclassified to profit or loss</i>	(1,417)	355	(1,062)
Effective portion of gains or losses on hedging instruments in cash flow hedges	(824)	169	(655)
<i>Amount recognised in equity</i>	(829)	170	(659)
<i>Amount reclassified to profit or loss</i>	5	(1)	4
Translation difference on foreign operations	1,093	–	1,093
Changes in fair value of equity investments designated at FVOCI	(484)	113	(371)
Changes in fair value attributable to changes in the credit risk of financial liabilities designated at FVPL	44	–	44
Actuarial gains on pension benefits	(34)	–	(34)
Others	57	(3)	54
Other comprehensive income for the period	(1,340)	333	(1,007)

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

### 42 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

#### Analysis of the balance of cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise the following balances with maturities of less than or equal to 90 days from date of purchase and used for the purpose of meeting short-term cash commitments:

	As at 30 June 2021	As at 30 June 2020
Cash and balances with central banks	131,543	162,440
Due from and placements with banks and other financial institutions	147,086	85,873
	<b>278,629</b>	248,313

### 43 CONSOLIDATED STRUCTURED ENTITIES

Structured entities consolidated by the Group include certain trust investment plans, funds, and securitisation products issued, managed and invested by the Group. The Group controls these entities because the Group has power over, is exposed to, or has right to variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns. As at 30 June 2021, the consolidated structured entities amounted to RMB145,051 million (As at 31 December 2020, the consolidated structured entities amounted to RMB36,716 million).

### 44 UNCONSOLIDATED STRUCTURED ENTITIES

The Group has been involved in other structured entities through investments in structured entities or acting as sponsors of structured entities that provide specialised investment opportunities to investors. These structured entities generally finance the purchase of assets by issuing units of the products. The Group does not control these structured entities and therefore, these structured entities are not consolidated.

As at 30 June 2021, those structured entities sponsored by the Group consist primarily of funds, trusts, asset management products, limited partnerships, wealth management products with principals not guaranteed by the Group and securitisation products. The Group earns commission income by providing management services to the investors of these structured entities. In addition, the Group is also involved in certain structured entities sponsored by the Group or third parties through direct investments. These investments are recognised as financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, and financial investments at amortised cost.

As at 30 June 2021, the balance of the non-principal guaranteed wealth management products set up by the Group amounted to RMB1,221,762 million (As at 31 December 2020: RMB1,211,959 million), the balance of funds issued by the Group amounted to RMB423,852 million and the balance of trusts and asset management plans and others sponsored by the Group amounted to RMB778,442 million (As at 31 December 2020: the balance of funds issued by the Group amounted to RMB339,871 million and the balance of trusts and asset management plans and others sponsored by the Group amounted to RMB843,540 million).

For the six months ended 30 June 2021, the Group's commission income from providing services to the investors of the structured entities managed by the Group was RMB4,318 million (For the six months ended 30 June 2020: RMB3,107 million), and no interest income from placements and repurchase transactions with those unconsolidated wealth management products (For the six months ended 30 June 2020: RMB1 million).

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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## 44 UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

As at 30 June 2021 and 31 December 2020, the carrying amount of interests in unconsolidated structured entities held by the Group through investment was set out as follows:

As at 30 June 2021

	Carrying amount				Type of income
	Financial investments at FVPL	Financial investments at FVOCI	Financial investments at amortised cost	Maximum exposure to loss	
Funds	225,204	-	-	225,204	Net gains arising from trading activities
Trusts and asset management products	5,508	-	84,436	89,944	Net interest income, net gains arising from trading activities
Limited partnerships	2,850	619	-	3,469	Net gains arising from trading activities, net gains arising from financial investments
Securitisation products	-	-	81	81	Net interest income
<b>Total</b>	<b>233,562</b>	<b>619</b>	<b>84,517</b>	<b>318,698</b>	

The information of total size of the unconsolidated structured entities listed above is not readily available from the public domain.

As at 31 December 2020

	Carrying amount				Type of income
	Financial investments at FVPL	Financial investments at FVOCI	Financial investments at amortised cost	Maximum exposure to loss	
Funds	243,980	-	-	243,980	Net gains arising from trading activities
Trusts and asset management products	3,956	-	101,599	105,555	Net interest income, net gains arising from trading activities
Limited partnerships	2,729	619	-	3,348	Net gains arising from trading activities, net gains arising from financial investments
Securitisation products	-	-	134	134	Net interest income
<b>Total</b>	<b>250,665</b>	<b>619</b>	<b>101,733</b>	<b>353,017</b>	

The information of total size of the unconsolidated structured entities listed above is not readily available from the public domain.

## 45 TRANSFERS OF FINANCIAL ASSETS

## 45.1 Financial assets sold under repurchase agreements

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities, which the Group does not have the ability to use during the term of the arrangements, are not derecognised from the financial statements but regarded as “collateral” for the secured lending. In addition, the Group recognises a financial liability for cash received.

As at 30 June 2021 and 31 December 2020, the Group entered into repurchase agreements with certain counterparties. The proceeds from selling such securities are presented as “financial assets sold under repurchase agreements” (Note 28).

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
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### 45 TRANSFERS OF FINANCIAL ASSETS (Continued)

#### 45.1 Financial assets sold under repurchase agreements (Continued)

The following table provides a summary of carrying amounts related to the transferred financial assets that are not derecognised and the associated liabilities:

	Collaterals		Associated liabilities	
	As at 30 June 2021	As at 31 December 2020	As at 30 June 2021	As at 31 December 2020
Investment securities	3,327	2,020	3,256	1,806

#### 45.2 Securities lending transactions

Transferred financial assets that do not qualify for de-recognition mainly include debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities lent under agreements to repurchase in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 30 June 2021, the carrying value of debt securities lent to counterparties was RMB12,890 million (31 December 2020: RMB12,640 million).

#### 45.3 Asset securitisation

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to special purpose trusts which issue asset-backed securities to investors.

The Group may retain interests in the form of subordinated tranches which may give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the consolidated statement of financial position to the extent of the Group's continuing involvement, while the rest are derecognised. The extent of the Group's continuing involvement is the extent of risk the Group faces due to changes in the value of the transferred assets.

As at 30 June 2021, loans with an original value of RMB57,364 million and carrying amount of RMB46,030 million (31 December 2020: RMB53,492 million and carrying amount of RMB41,600 million) have been securitised by the Group. For the six months ended 30 June 2021, the Group transferred financial assets amounted to RMB14,144 million through assets backed securitization transactions, and all have met the requirement of derecognition (For the year ended 31 December 2020, the Group transferred financial assets amounted to RMB15,272 million through assets backed securitization transactions, all have met the requirement of derecognition).

As at 30 June 2021, the Group retained their continued involvement in securitised credit assets by holding subordinated securities. The value of the assets that the Group continued to recognise was RMB4,455 million (31 December 2020: RMB4,275 million).

#### 45.4 Package disposal of non-performing loans and advances to customers

The Group disposes non-performing loans and advances to customers through transferring to third parties in the normal course of business. For the six months ended 30 June 2021, the Group had transferred non-performing loans and advances to customers with a gross carrying amount of RMB8,718 million (For the six months ended 30 June 2020: RMB5,770 million) and collected cash totalling RMB5,543 million (For the six months ended 30 June 2020: RMB2,792 million) from the transfer. The difference between the gross carrying amount and the cash collected had been written off. The Group derecognised the non-performing loans and advances to customers from the Group's financial statements at the time of disposal.

## 46 RELATED PARTY TRANSACTIONS

### (a) Transactions with Ministry of Finance

As at 30 June 2021, Ministry of Finance held 17,732 million (31 December 2020: 17,732 million) ordinary shares of Bank of Communications Co., Ltd. which represented 23.88% (31 December 2020: 23.88%) of the total share capital.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 46 RELATED PARTY TRANSACTIONS (Continued)

## (a) Transactions with Ministry of Finance (Continued)

The Ministry of Finance is a Chinese government ministry, primarily responsible for managing state fiscal revenue and expenditures, and establishing and enforcing taxation policies. The Group enters into banking transactions with Ministry of Finance under normal commercial terms and at market rates. These transactions mainly include the purchase and redemption of financial investments issued by Ministry of Finance.

Details of transaction volumes and outstanding balances are summarised below:

	As at 30 June 2021	As at 31 December 2020
Bonds issued by Ministry of Finance	887,963	801,187
	Six months ended 30 June	
	2021	2020
Interest income	12,445	10,612
Net gains arising from trading activities	47	92

The interest rates of the transactions between the Group and Ministry of Finance are summarised below:

	Six months ended 30 June	
	2021	2020
	%	%
Bonds issued by Ministry of Finance	0.13~5.06	0.13~5.32

## (b) Transactions with the National Council for Social Security Fund

As at 30 June 2021, the National Council for Social Security Fund held 12,160 million (31 December 2020: 12,160 million) ordinary shares of Bank of Communications Co., Ltd. which represented 16.37% (31 December 2020: 16.37%) of the total share capital. The Group enters into transactions with the National Council for Social Security Fund in the normal course of business and they mainly include deposits which are carried out under normal commercial terms and paid at market rates.

Details of transaction volumes and outstanding balances are summarised below:

	As at 30 June 2021	As at 31 December 2020
Due to customers	88,531	87,356
	Six months ended 30 June	
	2021	2020
Interest expense	(1,836)	(1,758)

The interest rates of the transactions between the Group and the National Council for Social Security Fund are summarised below:

	Six months ended 30 June	
	2021	2020
	%	%
Due to customers	4.13~5.20	3.85~5.30



## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
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### 46 RELATED PARTY TRANSACTIONS (Continued)

#### (c) Transactions with the Hongkong and Shanghai Banking Corporation Limited (“HSBC”) Group and its joint ventures

As at 30 June 2021, HSBC held 13,886 million (31 December 2020: 13,886 million) ordinary shares of the Bank of Communications Co., Ltd. which represented 18.70% (31 December 2020: 18.70%) of the total share capital. Transactions between the Group and HSBC are carried out under normal commercial terms and paid at market rates.

Details of transaction volumes and outstanding balances are summarised below:

	As at 30 June 2021	As at 31 December 2020
<b>On-balance sheet items</b>		
Due from and placements with banks and other financial institutions	6,330	11,328
Derivative financial assets	1,474	2,370
Financial investments at FVPL	2,075	2,709
Financial investments at amortised cost	420	432
Financial investments at FVOCI	3,947	3,354
Due to and placements from banks and other financial institutions	14,202	8,261
Financial liabilities at FVPL	1,651	212
Derivative financial liabilities	1,820	2,963
<b>Off-balance sheet items</b>		
Notional principal of derivative financial instruments	227,029	192,032

	Six months ended 30 June	
	2021	2020
Interest income	65	123
Interest expense	(55)	(118)
Fee and commission income	1	27
Fee and commission expense	(2)	(6)
Net gains/(losses) from trading activities	1,214	(1,482)

The interest rates of the transactions between the Group and HSBC are summarised below:

	Six months ended 30 June	
	2021 %	2020 %
Due from and placements with banks and other financial institutions	0.0001~3.35	0.01~3.42
Financial investments at FVPL	0.98~6.00	1.49~6.00
Financial investments at amortised cost	3.26~4.74	3.26~4.74
Financial investments at FVOCI	(0.04)~4.95	1.26~4.95
Due to and placements from banks and other financial institutions	(0.40)~3.15	(0.24)~4.12
Financial liabilities at FVPL	0.46~0.64	0.50~0.70

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 46 RELATED PARTY TRANSACTIONS (Continued)

## (d) Transactions with state-owned entities in PRC

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the government through its authorities, affiliates or other organisations (collectively the “state-owned entities”). During the period, the Group entered into extensive banking transactions with these state-owned entities including, but not limited to, the provision of credit and guarantees, deposits, foreign exchange, derivatives transactions, agency business, underwriting and distribution of bonds issued by the government as well as trading and redemption of securities issued by the government.

Management considers that transactions with state-owned entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and these state-owned entities are ultimately controlled or owned by the government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities.

## (e) Transactions with subsidiaries

Transactions between the Bank and its subsidiaries are carried out under normal commercial terms and paid at market rates. These transactions are eliminated on consolidation.

Details of transaction volumes and outstanding balances are summarised below:

<b>The Bank</b>	<b>As at 30 June 2021</b>	<b>As at 31 December 2020</b>
Due from and placements with banks and other financial institutions	132,804	141,231
Loans and advances to customers	558	521
Financial investments at FVPL	259	891
Financial investments at amortised cost	1,566	1,240
Financial investments at FVOCI	11,724	8,986
Derivative financial assets	1,084	1,736
Other assets	1,122	808
Due to and placements from banks and other financial institutions	18,625	16,236
Derivative financial liabilities	998	429
Due to customers	9,292	14,873
Debt securities issued	52	51
Other liabilities	110	97

<b>The Bank</b>	<b>Six months ended 30 June</b>	
<b>The Bank</b>	<b>2021</b>	<b>2020</b>
Sale of financial investments at FVPL to subsidiaries	-	75

<b>The Bank</b>	<b>Six months ended 30 June</b>	
<b>The Bank</b>	<b>2021</b>	<b>2020</b>
Interest income	1,041	1,117
Interest expense	(112)	(199)
Fee and commission income	909	696
Fee and commission expense	(56)	(95)
Other operating income	294	284
Other operating expense	(21)	(82)
Net gains/(losses) arising from trading activities	817	(189)

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

### 46 RELATED PARTY TRANSACTIONS (Continued)

#### (e) Transactions with subsidiaries (Continued)

The interest rates of the transactions between the Bank and its subsidiaries are summarised below:

The Bank	Six months ended 30 June	
	2021 %	2020 %
Due from and placements with banks and other financial institutions	0.01~6.40	0.01~3.91
Financial investments at FVPL	1.75~1.89	1.97~4.38
Financial investments at amortised cost	1.08~6.00	1.29~4.70
Financial investments at FVOCI	0.96~4.38	1.14~4.38
Loans and advances to customers	1.29~3.00	1.61~3.97
Due to and placements from banks and other financial institutions	0.01~2.95	0.01~4.24
Due to customers	0.04~3.00	0.70~4.18
Debt securities issued	5.75	5.75

#### (f) Transactions with directors, supervisors and senior management

Transactions with directors, supervisors, senior management, their close relatives and entities that are controlled, jointly controlled or significantly influenced by either such directors, supervisors and senior management or their close relatives mainly include loans and deposits and are carried out under normal commercial terms and paid at market rates.

Details of transaction volumes and outstanding balances are summarised below:

	As at 30 June 2021	As at 31 December 2020
Due to customers	6	6
Loans and advances to customers	1	1

Compensations of directors and senior management are disclosed in Note 15.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 46 RELATED PARTY TRANSACTIONS (Continued)

## (g) Transactions with associates and joint ventures

Transactions between the Group and its associates and joint ventures are carried out under normal commercial terms and paid at market rates.

Details of transaction volumes and outstanding balances are summarised below:

	As at 30 June 2021	As at 31 December 2020
<b>On-balance sheet items</b>		
Due from and placements with banks and other financial institutions	–	100
Derivative financial assets	14	7
Loans and advances to customers	6,248	4,767
Due to and placements from banks and other financial institutions	309	44
Derivative financial liabilities	15	16
Due to customers	26	–
<b>Off-balance sheet items</b>		
Notional principal of derivative financial instruments	5,793	2,094
Credit related commitments(Guarantees, acceptances and letters of credit)	10,596	10,337
	<b>Six months ended 30 June</b>	
	2021	2020
Interest income	107	85
Interest expense	(3)	–
Net gains/(losses) from trading activities	9	(4)

The interest rates of the transactions between the Group and its associates and joint ventures are summarised below:

	<b>Six months ended 30 June</b>	
	2021	2020
	%	%
Due from and placements with banks and other financial institutions	0.30~3.19	0.30~1.81
Loans and advances to customers	3.30~4.90	3.48~4.90
Due to and placements from banks and other financial institutions	0.0001~0.35	0.01~0.35
Due to customers	0.75~1.89	0.30~1.35

## (h) Transactions with other related parties

Details of transaction volumes and outstanding balances are summarised below:

	As at 30 June 2021	As at 31 December 2020
Loans and advances to customers	969	744
Financial investments at amortised cost	–	204
Due to and placements from banks and other financial institutions	68	92
Due to customers	65,808	42,313

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

### 46 RELATED PARTY TRANSACTIONS (Continued)

#### (h) Transactions with other related parties (Continued)

	Six months ended 30 June	
	2021	2020
Interest income	12	22
Interest expense	(1,180)	(1,093)

The interest rates of the transactions between the Group and other related parties are summarised below:

	Six months ended 30 June	
	2021	2020
	%	%
Loans and advances to customers	0.30~4.79	0.30~5.06
Financial investments at amortised cost	3.78	3.19~3.78
Due to and placements from banks and other financial institutions	0.35	0.30~5.40
Due to customers	0.30~4.18	0.30~4.18

### 47 SEGMENTAL ANALYSIS

The Group's Board of Directors and senior management reviews the Group's operation by the particular economic areas in which the Group's branches and subsidiaries provide products or services. The Group's geographical operating segments are decided based upon location of the assets, as the Group's branches and subsidiaries mainly serve local customers.

The reportable geographical operating segments derive their revenue primarily from commercial banking services and investing activities, including deposits, loans, bills, trade financing, money market placements and takings, and securities investments, etc.

The Group's geographical operating segments include provincial and directly managed branches and subsidiaries (if any) in relevant regions, as follows:

- (1) Yangtze River Delta: including Shanghai (excluding Head Office), Jiangsu Province, Zhejiang Province, and Anhui Province;
- (2) Pearl River Delta: including Fujian Province and Guangdong Province;
- (3) Bohai Rim Economic Zone: including Beijing, Tianjin, Hebei Province, and Shandong Province;
- (4) Central China: including Shanxi Province, Jiangxi Province, Henan Province, Hubei Province, Hunan Province, Hainan Province, and Guangxi Zhuang Autonomous Region;
- (5) Western China: including Chongqing, Sichuan Province, Guizhou Province, Yunnan Province, Shanxi Province, Gansu Province, Qinghai Province, Inner Mongolia Autonomous Region, Ningxia Autonomous Region, and Xinjiang Uyghur Autonomous Region;
- (6) Northeastern China: including Liaoning Province, Jilin Province and Heilongjiang Province;
- (7) Overseas: including Hong Kong, New York, Tokyo, Singapore, Seoul, Frankfurt, Macau, Ho Chi Minh City, San Francisco, Sydney, Taipei, London, Luxembourg, Brisbane, Paris, Rome, Brazil, Melbourne, Toronto, Prague, Johannesburg;
- (8) Head Office, including the Pacific Credit Card Centre.

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 47 SEGMENTAL ANALYSIS (Continued)

The revenue from external parties is reported to the Board of Directors and the senior management in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

As the Group's major revenue is derived from interest, and the Board of Directors and the senior management relies primarily on net interest income to assess the performance of segments, the interest income and expenses for all reportable segments are presented on a net basis.

The Group's Board of Directors and senior management reviews the segment performance on the basis of profit before tax. Funds are ordinarily allocated between segments. Costs of these funds are charged at the Group's cost of capital and disclosed in inter-segment net interest income. There are no other material items of income or expenses between the segments.

## Geographical operating segment information

	Six months ended 30 June 2021								Total
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic Zone	Central China	Western China	North Eastern China	Overseas	Head Office	
External interest income	36,034	16,439	17,864	23,338	15,755	4,975	9,258	60,289	183,952
External interest expense	(23,886)	(10,339)	(17,559)	(12,317)	(7,692)	(4,585)	(3,917)	(25,171)	(105,466)
Inter-segment net interest income/(expense)	10,576	3,059	10,883	3,396	935	2,481	75	(31,405)	-
Net interest income	22,724	9,159	11,188	14,417	8,998	2,871	5,416	3,713	78,486
Fee and commission income	8,056	1,901	3,056	3,122	1,651	630	1,487	7,396	27,299
Fee and commission expense	(1,530)	(20)	(35)	(50)	(13)	(9)	(120)	(556)	(2,333)
Net fee and commission income	6,526	1,881	3,021	3,072	1,638	621	1,367	6,840	24,966
Net gains arising from trading activities	2,188	289	172	322	40	13	6	7,139	10,169
Net gains/(losses) arising from financial investments	457	-	27	-	-	11	326	(49)	772
Insurance business income	10,998	-	-	-	-	-	24	-	11,022
Share of profits of associates and joint ventures	-	-	-	-	-	-	12	102	114
Other operating income	7,216	186	380	288	261	95	14	82	8,522
<b>Total operating income - net</b>	<b>50,109</b>	<b>11,515</b>	<b>14,788</b>	<b>18,099</b>	<b>10,937</b>	<b>3,611</b>	<b>7,165</b>	<b>17,827</b>	<b>134,051</b>
Credit impairment losses	(4,105)	(4,029)	(7,902)	(3,725)	(4,382)	(3,157)	(291)	(5,491)	(33,082)
Other assets impairment losses	(270)	-	(1)	2	(39)	(110)	-	-	(418)
Insurance business expense	(10,922)	-	-	-	-	-	(3)	-	(10,925)
Other operating expense	(12,824)	(3,371)	(4,562)	(4,764)	(3,245)	(1,838)	(2,210)	(10,224)	(43,038)
<b>Profit before tax</b>	<b>21,988</b>	<b>4,115</b>	<b>2,323</b>	<b>9,612</b>	<b>3,271</b>	<b>(1,494)</b>	<b>4,661</b>	<b>2,112</b>	<b>46,588</b>
Income tax									(3,715)
<b>Net profit for the period</b>									<b>42,873</b>
Depreciation and amortisation	(897)	(451)	(558)	(548)	(465)	(243)	(243)	(572)	(3,977)
Capital expenditure	(7,092)	(51)	(100)	(230)	(158)	(42)	(140)	(358)	(8,171)

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

## 47 SEGMENTAL ANALYSIS (Continued)

### Geographical operating segment information (Continued)

	Six months ended 30 June 2020								
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Total
External interest income	35,092	14,220	17,200	21,284	14,010	4,283	14,702	65,438	186,229
External interest expense	(24,586)	(9,815)	(17,440)	(11,930)	(7,769)	(4,581)	(10,494)	(25,765)	(112,380)
Inter-segment net interest income/(expense)	11,273	3,233	10,088	3,761	1,305	2,558	(93)	(32,125)	-
<b>Net interest income</b>	<b>21,779</b>	<b>7,638</b>	<b>9,848</b>	<b>13,115</b>	<b>7,546</b>	<b>2,260</b>	<b>4,115</b>	<b>7,548</b>	<b>73,849</b>
Fee and commission income	6,635	1,791	2,601	2,690	1,520	581	1,771	8,626	26,215
Fee and commission expense	(1,045)	(16)	(34)	(20)	(7)	(9)	(141)	(666)	(1,938)
<b>Net fee and commission income</b>	<b>5,590</b>	<b>1,775</b>	<b>2,567</b>	<b>2,670</b>	<b>1,513</b>	<b>572</b>	<b>1,630</b>	<b>7,960</b>	<b>24,277</b>
Net gains/(losses) arising from trading activities	1,144	128	171	196	47	17	(110)	5,760	7,353
Net gains/(losses) arising from financial investments	512	-	-	-	-	-	1,017	(24)	1,505
Insurance business income	10,898	-	-	-	-	-	38	-	10,936
Share of profits of associates and joint ventures	-	-	-	-	-	-	2	83	85
Other operating income	6,964	217	505	236	261	85	596	90	8,954
<b>Total operating income - net</b>	<b>46,887</b>	<b>9,758</b>	<b>13,091</b>	<b>16,217</b>	<b>9,367</b>	<b>2,934</b>	<b>7,288</b>	<b>21,417</b>	<b>126,959</b>
Credit impairment losses	(7,691)	(2,474)	(4,918)	(3,715)	(181)	(1,139)	(568)	(12,647)	(33,333)
Other assets impairment losses	(164)	-	1	-	-	-	4	-	(159)
Insurance business expense	(11,006)	-	-	-	-	-	(16)	-	(11,022)
Other operating expense	(12,585)	(3,361)	(4,432)	(4,914)	(3,120)	(1,872)	(2,358)	(9,845)	(42,487)
<b>Profit before tax</b>	<b>15,441</b>	<b>3,923</b>	<b>3,742</b>	<b>7,588</b>	<b>6,066</b>	<b>(77)</b>	<b>4,350</b>	<b>(1,075)</b>	<b>39,958</b>
Income tax	-	-	-	-	-	-	-	-	(2,961)
<b>Net profit for the period</b>									<b>36,997</b>
Depreciation and amortisation	(829)	(437)	(547)	(541)	(470)	(243)	(302)	(539)	(3,908)
Capital expenditure	(13,515)	(295)	(86)	(101)	(136)	(47)	(60)	(221)	(14,461)

Given the adjustment to the standards of dividing segments and evaluation guidelines of income allocation within segment, the comparative figures were stated under existing standards.

	As at 30 June 2021									
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Eliminations	Total
Segment assets	2,795,905	1,026,051	1,608,059	1,276,579	855,889	386,394	1,094,045	4,395,387	(2,053,468)	11,384,841
Including:										
Investments in associates and joint ventures	4	-	-	6	-	-	151	5,344	-	5,505
Unallocated assets										29,119
<b>Total assets</b>										<b>11,413,960</b>
Segment liabilities	(2,590,061)	(1,019,695)	(1,597,418)	(1,251,985)	(849,877)	(389,656)	(1,042,043)	(3,789,287)	2,053,468	(10,476,554)
Unallocated liabilities										(1,491)
<b>Total liabilities</b>										<b>(10,478,045)</b>

	As at 31 December 2020									
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Eliminations	Total
Segment assets	2,641,386	920,887	1,543,501	1,194,919	822,759	384,627	1,114,676	4,187,998	(2,141,128)	10,669,625
Including:										
Investments in associates and joint ventures	4	-	-	6	-	-	203	4,468	-	4,681
Unallocated assets										27,991
<b>Total assets</b>										<b>10,697,616</b>
Segment liabilities	(2,437,106)	(908,645)	(1,524,423)	(1,162,723)	(808,702)	(385,778)	(1,057,224)	(3,674,229)	2,141,128	(9,817,702)
Unallocated liabilities										(1,286)
<b>Total liabilities</b>										<b>(9,818,988)</b>

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 47 SEGMENTAL ANALYSIS (Continued)

## Business information

The Group is engaged predominantly in banking and related financial activities. It comprises corporate banking, personal banking, treasury and other business. Corporate banking mainly comprises corporate loans, bills, trade financing, corporate deposits and remittance. Personal banking mainly comprises personal loans, personal deposits, credit cards and remittance. Treasury mainly comprises money market placements and takings, financial investment, and securities sold under repurchase agreements. The "Others Business" segment mainly comprises items which cannot be categorised in the above business segments.

The business information of the Group is summarised as follows:

	Six months ended 30 June 2021				Total
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	
External net interest income	34,366	24,920	19,170	30	78,486
Inter-segment net interest income/(expense)	7,803	9,365	(17,168)	-	-
Net interest income	42,169	34,285	2,002	30	78,486
Net fee and commission income	8,255	15,538	1,094	79	24,966
Net gains arising from trading activities	3,070	999	6,100	-	10,169
Net gains arising from financial investments	-	-	772	-	772
Share of profits of associates and joint ventures	-	-	-	114	114
Insurance business income	24	10,998	-	-	11,022
Other operating income	6,866	1,206	21	429	8,522
<b>Total operating income - net</b>	<b>60,384</b>	<b>63,026</b>	<b>9,989</b>	<b>652</b>	<b>134,051</b>
Credit impairment losses	(27,936)	(5,523)	377	-	(33,082)
Other assets impairment losses	(418)	-	-	-	(418)
Insurance business expense	(3)	(10,922)	-	-	(10,925)
Other operating expense					
- Depreciation and amortisation	(1,450)	(1,918)	(378)	(231)	(3,977)
- Others	(17,067)	(19,901)	(1,717)	(376)	(39,061)
<b>Profit before tax</b>	<b>13,510</b>	<b>24,762</b>	<b>8,271</b>	<b>45</b>	<b>46,588</b>
Income tax					(3,715)
<b>Net profit for the period</b>					<b>42,873</b>
Depreciation and amortisation	(1,450)	(1,918)	(378)	(231)	(3,977)
Capital expenditure	(2,979)	(3,941)	(777)	(474)	(8,171)



## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021  
(All amounts expressed in millions of RMB unless otherwise stated)

### 47 SEGMENTAL ANALYSIS (Continued)

#### Business information (Continued)

	Six months ended 30 June 2020				Total
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	
External net interest income	28,622	23,634	21,564	29	73,849
Inter-segment net interest income/(expense)	8,573	9,327	(17,900)	–	–
Net interest income	37,195	32,961	3,664	29	73,849
Net fee and commission income	8,489	14,859	850	79	24,277
Net gains arising from trading activities	1,596	980	4,750	27	7,353
Net gains arising from financial investments	–	–	1,505	–	1,505
Share of profits of associates and joint ventures	–	–	–	85	85
Insurance business income	38	10,898	–	–	10,936
Other operating income	7,171	1,198	50	535	8,954
<b>Total operating income – net</b>	<b>54,489</b>	<b>60,896</b>	<b>10,819</b>	<b>755</b>	<b>126,959</b>
Credit impairment losses	(19,688)	(13,683)	38	–	(33,333)
Other assets impairment losses	(163)	–	–	4	(159)
Insurance business expense	(16)	(11,006)	–	–	(11,022)
Other operating expense					
– Depreciation and amortisation	(1,430)	(2,250)	(176)	(52)	(3,908)
– Others	(16,858)	(19,555)	(1,678)	(488)	(38,579)
<b>Profit before tax</b>	<b>16,334</b>	<b>14,402</b>	<b>9,003</b>	<b>219</b>	<b>39,958</b>
Income tax					(2,961)
<b>Net profit for the period</b>					<b>36,997</b>
Depreciation and amortisation	(1,430)	(2,250)	(176)	(52)	(3,908)
Capital expenditure	(5,289)	(8,327)	(651)	(194)	(14,461)

## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2021

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

## 47 SEGMENTAL ANALYSIS (Continued)

## Business information (Continued)

	As at 30 June 2021				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
Segment assets	4,456,590	2,211,505	4,654,307	62,439	11,384,841
Including:					
<i>Investments in associates and joint ventures</i>	-	-	-	5,505	5,505
Unallocated assets					29,119
<b>Total assets</b>					<b>11,413,960</b>
Segment liabilities	(4,924,055)	(2,511,670)	(2,960,317)	(77,186)	(10,473,228)
Unallocated liabilities					(4,817)
<b>Total liabilities</b>					<b>(10,478,045)</b>
	As at 31 December 2020				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
Segment assets	4,192,292	2,067,778	4,346,218	63,337	10,669,625
Including:					
<i>Investments in associates and joint ventures</i>	-	-	-	4,681	4,681
Unallocated assets					27,991
<b>Total assets</b>					<b>10,697,616</b>
Segment liabilities	(4,832,353)	(2,312,508)	(2,598,865)	(70,190)	(9,813,916)
Unallocated liabilities					(5,072)
<b>Total liabilities</b>					<b>(9,818,988)</b>

There were no significant transactions with a single external customer that the Group mainly relied on.

The comparative information was prepared in accordance with the categorisation of the current period since the assessment rules of the income distribution between various business segments have been adjusted.

## 48 FINANCIAL STATEMENTS DURING COMPARATIVE PERIOD

Certain comparative figures have been adjusted to conform with changes in disclosures in current year.

## 49 NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

In July 2021, Bank of Communications (Hong Kong) Limited issued tier-2 capital bonds with the face value of USD1,000 million and coupon rate of 2.304% due 2031, Bank of Communications (Hong Kong) Limited has an option to redeem them at the end of 2026.

# UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

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

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## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

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

## 1 CURRENCY CONCENTRATIONS

	USD	HKD	Others	Total
<b>As at 30 June 2021</b>				
Spot assets	1,002,764	220,809	190,460	1,414,033
Spot liabilities	(935,001)	(325,014)	(118,223)	(1,378,238)
Forward purchases	1,182,486	245,066	96,442	1,523,994
Forward sales	(1,306,235)	(111,541)	(154,235)	(1,572,011)
Net option position	11,606	35	(7,240)	4,401
Net long/(short) position	(44,380)	29,355	7,204	(7,821)
Net structural position	116,266	30,937	10,819	158,022
<b>As at 31 December 2020</b>				
Spot assets	971,473	232,530	200,619	1,404,622
Spot liabilities	(866,247)	(339,250)	(131,716)	(1,337,213)
Forward purchases	1,130,911	298,686	81,772	1,511,369
Forward sales	(1,293,531)	(155,669)	(141,908)	(1,591,108)
Net option position	(1,878)	41	2,663	826
Net long/(short) position	(59,272)	36,338	11,430	(11,504)
Net structural position	117,569	30,147	11,065	158,781

The net options position is calculated using the approach set out by the CBIRC in the regulatory report. The net structural position of the Group includes the structural positions of the Group's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

- Investments in fixed assets and properties, net of depreciation charges;
- Capital and statutory reserve of overseas branches;
- Investments in overseas subsidiaries and related companies; and
- Loan capital

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

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

### 2 INTERNATIONAL CLAIMS

International claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group is principally engaged in business operations within Mainland China.

In respect of this unaudited supplementary financial information, Mainland China excludes Hong Kong Special Administrative Region of the PRC (“Hong Kong”), Macau Special Administrative Region of the PRC (“Macau”) and Taiwan.

International claims include loans and advances to customers, due from and placements with banks and other financial institutions, holdings of trade bills and certificates of deposits and investment securities.

International claims have been disclosed by country or region. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if risk exposure is transferred to other counterparty by risk resolving methods. Exposure to credit risk is also mitigated through methods of guarantees, collaterals and credit derivatives.

<b>As at 30 June 2021</b>	<b>Bank</b>	<b>Official sector</b>	<b>Non-bank private sector</b>	<b>Others</b>	<b>Total</b>
Asia Pacific	513,804	69,652	701,642	–	1,285,098
<i>Of which attributed to Hong Kong</i>	85,669	13,827	309,464	–	408,960
North and South America	39,136	11,058	67,638	–	117,832
Africa	759	590	–	–	1,349
Europe	41,851	3,377	29,351	–	74,579
	<b>595,550</b>	<b>84,677</b>	<b>798,631</b>	<b>–</b>	<b>1,478,858</b>

<b>As at 31 December 2020</b>	<b>Bank</b>	<b>Official sector</b>	<b>Non-bank private sector</b>	<b>Others</b>	<b>Total</b>
Asia Pacific	509,860	53,881	568,620	–	1,132,361
<i>Of which attributed to Hong Kong</i>	129,213	23,119	299,229	–	451,561
North and South America	41,818	28,597	70,286	–	140,701
Africa	575	613	–	–	1,188
Europe	42,235	2,727	31,132	–	76,094
	<b>594,488</b>	<b>85,818</b>	<b>670,038</b>	<b>–</b>	<b>1,350,344</b>

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

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

## 3 OVERDUE AND RESTRUCTURED ASSETS

## 3.1 Balance of overdue loans

	As at 30 June 2021	As at 31 December 2020
Loans and advances to customers which have been overdue for:		
– Less than 3 months	25,923	25,480
– 3 to 6 months	13,414	10,884
– 6 to 12 months	19,211	23,261
– Over 12 months	35,692	30,578
	<b>94,240</b>	<b>90,203</b>
Percentage (%):		
– Less than 3 months	0.41	0.44
– 3 to 6 months	0.21	0.19
– 6 to 12 months	0.30	0.40
– Over 12 months	0.56	0.51
	<b>1.48</b>	<b>1.54</b>

## 3.2 Overdue and restructured loans

	As at 30 June 2021	As at 31 December 2020
Total restructured loans and advances to customers	9,553	8,299
<i>Including: Restructured loans and advances to customers overdue above 3 months</i>	2,299	2,394
Percentage of restructured loans and advances to customers overdue above 3 months in total loans	0.04	0.04

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

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

### 4 SEGMENTAL INFORMATION OF LOANS

#### 4.1 Impaired loans and advances to customers by geographical area

	As at 30 June 2021		As at 31 December 2020	
	Impaired loans and advances to customers	Allowance for impairment losses	Impaired loans and advances to customers	Allowance for impairment losses
PRC domestic regions				
–Yangtze River Delta	22,841	(12,846)	20,932	(11,747)
–Pearl River Delta	8,315	(4,756)	7,332	(4,050)
–Bohai Rim Economic Zone	16,850	(12,085)	17,058	(12,068)
–Central China	18,797	(8,917)	18,005	(9,808)
–Western China	10,126	(6,709)	9,220	(6,105)
–North Eastern China	10,572	(7,663)	10,998	(7,891)
–Head Office	10,392	(10,052)	10,567	(10,466)
Subtotal	97,893	(63,028)	94,112	(62,135)
Hong Kong, Macau, Taiwan and overseas regions	3,539	(1,212)	3,586	(843)
Total	101,432	(64,240)	97,698	(62,978)

#### 4.2 Overdue loans and advances to customers by geographical area

	As at 30 June 2021		As at 31 December 2020	
	Overdue loans	Allowance for impairment losses	Overdue loans	Allowance for impairment losses
PRC domestic regions				
–Yangtze River Delta	18,272	(9,737)	16,505	(10,996)
–Pearl River Delta	7,614	(4,087)	6,167	(3,208)
–Bohai Rim Economic Zone	13,047	(9,141)	14,517	(10,140)
–Central China	13,450	(7,144)	13,622	(8,252)
–Western China	12,436	(4,944)	7,312	(4,748)
–North Eastern China	8,089	(5,619)	10,283	(7,194)
–Head Office	17,635	(12,263)	18,251	(13,048)
Subtotal	90,543	(52,935)	86,657	(57,586)
Hong Kong, Macau, Taiwan and overseas regions	3,697	(1,235)	3,546	(976)
Total	94,240	(54,170)	90,203	(58,562)
Fair value of collaterals	46,041	Not applicable	44,069	Not applicable

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

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

## 5 LOANS AND ADVANCES TO CUSTOMERS

## 5.1 The risk concentration analysis for loans and advances to customers by industry sectors (gross)

Hong Kong	As at 30 June 2021			As at 31 December 2020		
		%	Amount covered by collaterals		%	Amount covered by collaterals
Corporate loans						
Manufacturing						
– Petroleum and chemical	1,303	0.62	150	1,325	0.68	–
– Electronics	1,395	0.66	25	4,441	2.28	21
– Textile and clothing	296	0.14	13	312	0.16	6
– Other manufacturing	26,332	12.44	5,527	15,599	8.02	5,401
Production and supply of power, heat, gas and water	1,729	0.82	370	861	0.44	365
Construction	4,916	2.32	1,100	4,469	2.30	1,009
Transportation, storage and postal service	14,624	6.91	4,154	14,550	7.48	2,540
Information transmission, software and IT services	3,951	1.87	4	3,257	1.67	8
Wholesale and retail	13,061	6.17	2,957	15,912	8.18	3,657
Finance	4,063	1.92	557	5,339	2.74	594
Real estate	62,038	29.30	18,235	55,315	28.43	16,532
Leasing and commercial services	12,167	5.75	2,822	6,636	3.41	2,903
Others	23,126	10.91	5,526	29,347	15.09	5,640
Total corporate loans	169,001	79.83	41,440	157,363	80.88	38,676
Personal loans						
Mortgage	27,316	12.90	27,314	23,621	12.14	23,616
Credit cards	101	0.05	–	97	0.05	–
Others	15,281	7.22	13,055	13,492	6.93	12,745
Total personal loans	42,698	20.17	40,369	37,210	19.12	36,361
Gross amount of loans and advances to customers before impairment allowance	211,699	100.00	81,809	194,573	100.00	75,037
Outside Hong Kong	6,135,004			5,653,851		

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

The risk concentration analysis for loans and advances to customers by industry sectors is based on the Group's internal classification system.

The ratio of collateral and pledge loans to the total loans of the Group was 52% as at 30 June 2021 (31 December 2020: 52%).



## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

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

### 5 LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

#### 5.2 Allowance on loans and advances to customers by type of loan

	As at 30 June 2021		As at 31 December 2020	
	Impaired loans	Allowance for impairment losses	Impaired loans	Allowance for impairment losses
Corporates	83,283	(50,106)	78,925	(47,973)
Individuals	18,149	(14,134)	18,773	(15,005)
	101,432	(64,240)	97,698	(62,978)
Fair value of collaterals	48,086	Not applicable	46,359	Not applicable

Collaterals held against such loans mainly include cash deposits and mortgages over properties.

The amount of new provisions charged to statement of profit or loss, and the amount of loans and advances written off during the years are disclosed below:

	Six months ended 30 June 2021			Six months ended 30 June 2020		
	New provisions	Loans and advances written off as uncollectible	Recoveries of loans and advances written off in previous years	New provisions	Loans and advances written off as uncollectible	Recoveries of loans and advances written off in previous years
Corporates	25,984	(15,855)	2,545	18,305	(13,820)	1,476
Individuals	5,189	(7,438)	950	12,829	(9,967)	660
	31,173	(23,293)	3,495	31,134	(23,787)	2,136

# SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO

Appendices 1 to 4 are disclosed in accordance with the *Regulations on the Information Disclosure of Capital Composition of Commercial Banks* issued by the CBIRC.

## APPENDIX 1: GROUP'S CAPITAL BREAKDOWN

(in millions of RMB)

Items	30 June 2021	31 December 2020	Code
Core Tier-1 Capital:			
1 Share capital	74,263	74,263	r
2 Retained earnings	564,036	547,516	
2a Surplus reserve	219,333	212,276	y
2b General reserve for risk assets	129,757	123,080	z
2c Retained earnings	214,946	212,160	aa
3 Accumulated other comprehensive income and disclosed reserve	108,508	109,466	
3a Capital surplus	111,454	111,462	u
3b Others	(2,946)	(1,996)	v
4 Amount recognised in core tier-1 capital during transition period (Only applicable to non-stock companies; for joint-stock companies, to be completed with "0")	0	0	
5 Non-controlling interests recognised in core tier-1 capital	1,841	1,618	ab
6 Core tier-1 capital before regulatory adjustments	748,648	732,863	
Core Tier-1 Capital: Regulatory adjustments			
7 Prudent valuation adjustment	0	0	
8 Goodwill (net of deferred tax liabilities)	280	279	m-p
9 Other intangible assets (excluding land use rights) (net of deferred tax liabilities)	1,936	1,851	l-q
10 Net deferred tax assets arising from the carried forward losses and be realised upon future profits	0	0	k
11 Cash flow hedge reserves	(301)	(532)	x
12 Gap of loan allowance	0	0	
13 Gains from sales of asset securitisation	0	0	
14 Unrealised profit/loss arising from the changes in fair value liability due to credit risk	0	0	
15 Net defined-benefit pension assets (excluding deferred tax liabilities)	0	0	
16 Direct or indirect holding of the Bank's ordinary shares	0	0	
17 Cross holdings in core tier-1 capital based on agreements with interbank institutions or with other financial institutions	0	0	
18 Deductible amount from the core tier-1 capital of non-significant minority capital investments in financial institutions outside the scope of regulatory consolidation	0	0	
19 Deductible amount from the core tier-1 capital of significant minority capital investments in financial institutions outside the scope of regulatory consolidation	0	0	
20 Mortgage servicing rights	0	0	
21 Net deferred tax assets depending on the Bank's future profits	0	0	
22 Deduction of the undeductible amount of the core tier-1 capital of significant minority capital investments in financial institutions outside the scope of regulatory consolidation and other net deferred tax assets depending on the Bank's future profits which exceed the 15% of the core tier-1 capital	0	0	

**SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO,  
LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)**

**APPENDIX 1: GROUP'S CAPITAL BREAKDOWN** *(CONTINUED)*

(in millions of RMB)

Items	30 June 2021	31 December 2020	Code
23 Including: Deductions of significant minority capital investments in financial institutions	0	0	
24 Including: Deductions of Mortgage servicing rights	0	0	
25 Including: Deductions of other deferred tax assets based on the Bank's future profits	0	0	
26a Investments in core tier-1 capital of financial institutions being controlled but outside the scope of regulatory consolidation	3,654	3,654	f
26b Gaps of core tier-1 capital of financial institutions being controlled but outside the scope of regulatory consolidation	0	0	
26c Other deductions from core tier-1 Capital	0	0	
27 Other tier-1 capital and tier-2 capital to cover deductions	0	0	
28 Total regulatory adjustments to core tier-1 capital	5,569	5,252	
29 Core tier-1 capital	743,079	727,611	
Other Tier-1 Capital:			
30 Directly issued qualifying other tier-1 instruments plus stock surplus	174,790	133,292	
31 Including: Classified as equity	174,790	133,292	t
32 Including: Classified as liabilities	0	0	
33 Instruments not recognised in other tier-1 capital after the transition period	0	0	
34 Non-controlling interests recognised in other tier-1 capital	1,505	1,318	ac
35 Including: Portions not recognised in other tier-1 capital after the transition period	0	0	
36 Other tier-1 capital before regulatory adjustments	176,295	134,610	
Other Tier-1 Capital: Regulatory adjustments			
37 Direct or indirect investments in other tier-1 capital instruments of the Bank	0	0	
38 Cross holdings in other tier-1 instruments based on agreements with interbank institutions or with other financial institutions	0	0	
39 Non-significant investments in the other tier-1 capital of financial institutions outside the scope of regulatory consolidation	0	0	
40 Significant investments in the other tier-1 capital of financial institutions outside the scope of regulatory consolidation	0	0	
41a Investments in other tier-1 capital of financial institutions being controlled but outside the scope of regulatory consolidation	0	0	
41b Gap of other tier-1 capital of financial institutions being controlled but outside the scope of regulatory consolidation	0	0	
41c Other deductions from other tier-1 capital	0	0	
42 – Undeducted gaps that should be deducted from tier-2 capital	0	0	
43 Total regulatory adjustments to other tier-1 capital	0	0	

## SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

## APPENDIX 1: GROUP'S CAPITAL BREAKDOWN (CONTINUED)

(in millions of RMB)

Items	30 June 2021	31 December 2020	Code
44 Other tier-1 capital	176,295	134,610	
45 Tier-1 capital (core tier-1 capital + other tier-1 capital)	919,374	862,221	
Tier-2 Capital:			
46 Tier-2 instruments plus their premiums	120,495	127,345	n
47 Portions not recognised in tier-2 capital after the transition period	0	0	
48 Minority interest recognised in tier-2 capital	2,294	2,204	ad
49 Including: Portions not recognised after the transition period	0	0	
50 Excess loan loss provisions recognized in tier-2 capital	30,741	29,476	
51 Tier-2 capital before regulatory adjustments	153,530	159,025	
Tier-2 Capital: Regulatory adjustments			
52 Directly or indirectly holding of the Bank's tier-2 capital	0	0	
53 Interbank or with other financial institutions cross-holdings in tier-2 instruments	0	0	
54 The portion of tier-2 capital that should be deducted from the small capital investment of financial institutions outside the scope of regulatory consolidation	0	0	
55 Tier-2 capital in large minority capital investment of financial institutions outside the scope of regulatory consolidation	0	0	
56a Investments in tier-2 capital of financial institutions being controlled but outside the scope of regulatory consolidation	0	0	
56b Gaps of tier-2 capital of financial institutions being controlled but outside the scope of regulatory consolidation	0	0	
56c Other deductions from tier-2 capital	0	0	
57 Total regulatory adjustments to tier-2 capital	0	0	
58 Tier-2 capital	153,530	159,025	
59 Total capital (tier-1 capital + tier-2 capital)	1,072,904	1,021,246	
60 Total risk-weighted assets	7,015,362	6,695,462	
Capital adequacy ratio and reserve capital requirements			
61 Core tier-1 capital adequacy ratio (%)	10.59	10.87	
62 Tier-1 capital adequacy ratio (%)	13.11	12.88	
63 Capital adequacy ratio (%)	15.29	15.25	
64 Specific buffer requirements of regulators (%)	3.50	3.50	
65 Including: Capital conservation buffer requirements (%)	2.50	2.50	
66 Including: Countercyclical buffer requirements (%)	0.00	0.00	
67 Including: Additional buffer requirements of global systemically important banks (%)	1.00	1.00	
68 Core tier-1 capital available to meet buffers as a percentage of risk-weighted assets (%)	5.59	5.87	

**SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO,  
LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)**

**APPENDIX 1: GROUP'S CAPITAL BREAKDOWN** *(CONTINUED)*

(in millions of RMB)

Items	30 June 2021	31 December 2020	Code
Domestic minimum regulatory capital requirements			
69 Core tier-1 capital adequacy ratio (%)	5.00	5.00	
70 Tier-1 capital adequacy ratio (%)	6.00	6.00	
71 Capital adequacy ratio (%)	8.00	8.00	
Amounts below the threshold deductions			
72 The undeducted part of the small minority investments in Core tier-1 capital of financial institutions outside the scope of regulatory consolidation	31,972	37,454	b+c+d+e+g
73 The undeducted part of the large minority investments in the capital of financial institutions outside the scope of regulatory consolidation	1,583	1,452	a+h
74 Mortgage servicing rights (net of deferred tax liabilities)	0	0	
75 Other net deferred tax assets depending on the Bank's future profits (net of deferred tax liabilities)	27,597	26,742	j-k-o
Limit of excess loan loss provisions in Tier-2 Capital			
76 Loan loss provisions actually made in respect of exposures subject to risk-weighted approach	5,035	3,467	
77 Excess loan loss provisions eligible for inclusion in tier-2 capital under risk-weighted approach	1,743	2,200	
78 Loan loss provisions actually made in respect of exposures subject to internal rating-based approach	146,391	137,094	
79 Excess loan loss provisions eligible for inclusion in tier-2 capital under internal rating-based approach	28,998	27,276	
Capital instruments subject to phase-out arrangements			
80 Amount recognised in current-period core tier-1 capital due to transitional arrangements	0	0	
81 Amount not recognised in current period core tier-1 capital due to transitional arrangements	0	0	
82 Amount recognised in current-period other tier-1 capital due to transitional arrangements	0	0	
83 Amount not recognised in current period other tier-1 capital due to transitional arrangements	0	0	
84 Amount recognised in current-period tier-2 capital due to transitional arrangements	6,700	13,400	
85 Amount not recognised in current-period tier-2 capital due to transitional arrangements	19,300	12,600	

## SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

### APPENDIX 2: GROUP BALANCE SHEET (ACCOUNTING AND REGULATORY CONSOLIDATION)

(in millions of RMB)

	30 June 2021		31 December 2020		
	Balance sheet of the consolidation under CAS	Balance sheet of the consolidation under the regulation	Balance sheet of the consolidation under CAS	Balance sheet of the consolidation under the regulation	
<b>Assets:</b>					
1	Cash and balances with central banks	810,320	810,164	817,561	817,460
2	Deposits from banks and other financial institutions	179,926	175,329	159,170	152,436
3	Placements to banks and other financial institutions	399,499	399,570	370,404	370,482
4	Derivative financial assets	35,584	35,619	54,212	54,236
5	Financial assets purchased under reverse agreements	132,945	131,578	41,556	40,314
6	Loans and advances to customers	6,208,293	6,207,564	5,720,568	5,720,075
7	Financial assets at fair value through current profit or loss	575,837	544,144	482,588	457,403
8	Financial investments at amortized cost	2,050,282	2,024,649	2,019,529	1,996,132
9	Financial investments at fair value through other comprehensive income	726,547	698,780	735,220	717,876
10	Long term equity investments	5,505	12,167	4,681	11,358
11	Property and equipment	164,391	163,834	166,118	165,644
12	Land use rights	1,686	1,686	1,722	1,722
13	Deferred income tax assets	29,119	29,033	27,991	27,982
14	Goodwill	402	280	401	279
15	Intangible assets	1,964	1,936	1,885	1,851
16	Other Asset	91,660	92,559	94,009	92,083
17	<b>Total assets</b>	<b>11,413,960</b>	<b>11,328,892</b>	<b>10,697,615</b>	<b>10,627,333</b>
<b>Liabilities:</b>					
18	Borrowings from central banks	444,787	444,787	478,745	478,745
19	Deposits from banks and other financial institutions	926,192	927,209	904,958	903,374
20	Placements from banks and other financial institutions	403,779	403,540	330,567	330,298
21	Transactional financial liabilities	20,532	19,395	29,279	28,863
22	Financial assets sold under repurchase agreements	63,348	51,024	73,221	66,262
23	Due to customers	7,016,652	7,023,183	6,607,330	6,613,475
24	Derivative financial liabilities	33,702	33,705	55,942	55,934
25	Debt securities issued	541,597	539,262	497,755	498,223
26	Employee benefits payable	6,640	6,489	11,591	11,365
27	Taxes payable	8,625	8,563	7,994	7,977
28	Deferred tax liabilities	1,491	1,436	1,286	1,240
29	Provisions	10,947	10,947	11,532	11,532
30	Other liabilities	999,753	928,355	808,787	746,473
31	<b>Total liabilities</b>	<b>10,478,045</b>	<b>10,397,895</b>	<b>9,818,987</b>	<b>9,753,761</b>
<b>Equity:</b>					
32	Share capital	74,263	74,263	74,263	74,263
33	Other equity instruments	174,790	174,790	133,292	133,292
34	Capital surplus	111,428	111,454	111,428	111,462
35	Other comprehensive income	(3,569)	(2,946)	(2,348)	(1,996)
36	Surplus reserve	219,461	219,333	212,361	212,276
37	General risk reserve	129,878	129,757	123,163	123,080
38	Retained earnings	217,357	214,946	214,448	212,160
39	Minority interests	12,307	9,400	12,021	9,035
40	<b>Total equity</b>	<b>935,915</b>	<b>930,997</b>	<b>878,628</b>	<b>873,572</b>

**SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO,  
LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)**

**APPENDIX 3: BALANCE SHEET UNDER REGULATORY CONSOLIDATION**

(in millions of RMB)

	Balance sheet of the regulatory consolidation	Code
<b>Assets:</b>		
Cash and balances with central banks	810,164	
Due from banks and other financial institutions	175,329	
Loans to banks and other financial institutions	399,570	
Derivative financial assets	35,619	
Financial assets purchased under reverse agreements	131,578	
Loans and advances to customers	6,207,564	
Financial assets at fair value through profit or loss	544,144	
Including: Core tier-1 capital from significant investments in the capital of financial institutions outside the scope of regulatory consolidation	659	a
Including: Core tier-1 capital from non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	214	b
Including: Core tier-2 capital from non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	25,028	c
Financial investments at amortized cost	2,024,649	
Financial investment at fair value through other comprehensive income	698,780	
Including: Core tier-1 capital from non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	3,146	d
Including: Other tier-1 capital from non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	267	e
Long term equity investments	12,167	
Including: Investments in core tier-1 capital of financial institutions being controlled but outside the scope of regulatory consolidation	3,654	f
Including: Core tier-1 capital from non-significant investments in the capital of financial institutions outside the scope of regulatory consolidation	4,067	g
Including: Core tier-1 capital from significant investments in the capital of financial institutions outside the scope of regulatory consolidation	924	h
Property and equipment	163,834	
Land use rights	1,686	i
Deferred tax assets	29,033	j
Including: Deferred tax assets arising from operating losses which are expected to offset against future profits	0	k
Including: Other deferred tax assets depending on the Bank's future profits	29,033	
Intangible assets	1,936	l
Goodwill	280	m
Other assets	92,559	
<b>Total assets</b>	<b>11,328,892</b>	

## SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

## APPENDIX 3: BALANCE SHEET UNDER REGULATORY CONSOLIDATION

(CONTINUED)

	Balance sheet of the regulatory consolidation	Code
(in millions of RMB)		
<b>Liabilities:</b>		
Borrowings from central banks	444,787	
Deposits from banks and other financial institutions	927,209	
Placements from banks and other financial institutions	403,540	
Financial liabilities at fair value through profit or loss	19,395	
Financial assets sold under repurchase agreements	51,024	
Due to customers	7,023,183	
Derivative financial liabilities	33,705	
Debt securities issued	539,262	
Including: Recognised in tier-2 capital	120,495	n
Employee benefits payable	6,489	
Taxes payable	8,563	
Deferred tax liabilities	1,436	o
Including: Deferred tax liabilities relating to goodwill	0	p
Including: Deferred tax liabilities relating to other intangible assets	0	q
Provisions	10,947	
Other liabilities	928,355	
<b>Total liabilities</b>	<b>10,397,895</b>	
<b>Equity:</b>		
Share capital	74,263	
Including: Those to be included in core tier-1 capital	74,263	r
Including: Those to be included in other tier-1 capital	0	s
Other equity instruments	174,790	t
Capital surplus	111,454	u
Other comprehensive income	(2,946)	v
Including: Exchange reserve	(4,671)	w
Including: Effective portion of gains or losses on hedging instruments in cash flow hedge	(301)	x
Surplus reserve	219,333	y
General reserve for risk assets	129,757	z
Retained earnings	214,946	aa
Non-controlling interests	9,400	
Including: Those to be included in core tier-1 capital	1,841	ab
Including: Those to be included in other tier-1 Capital	1,505	ac
Including: Those to be included in tier-2 capital	2,294	ad
<b>Total equity</b>	<b>930,997</b>	



# SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

## APPENDIX 4: MAIN FEATURES OF QUALIFIED REGULATORY CAPITAL INSTRUMENTS

1	Issuer	Bank of Communications	Bank of Communications	Bank of Communications	Bank of Communications	Bank of Communications	Bank of Communications	Bank of Communications	Bank of Communications	Bank of Communications	Bank of Communications	Bank of Communications	Bank of Communications
2	Unique identifier	3328	601328	XS1115459528	360021	1728007	1928019	1928020	1928025	2028018	2028040	XS2238561281	2128022
3	Governing law(s)	China Hong Kong/Hong Kong Securities and Futures Ordinance	China/Securities Law of China	Non-contractual obligation of bonds, arising from or relating to bonds shall be governed by and construed in accordance with British laws, while provisions relating to subordinated position of bonds in the bonds terms are governed by and construed in accordance with Chinese laws.	China/Company Law of China, Securities Administrative Measures for the Capital of Commercial Banks (Trial Implementation), State Council Guidance on the Implementation of Pilot Scheme of Preference Shares, Measures for the Pilot Management of Preferred Shares, etc.	China/Company Law of China, Administrative Measures for the Capital of Commercial Banks (Trial Implementation) etc.	China/Company Law of China, Administrative Measures for the Capital of Commercial Banks (Trial Implementation) etc.	China/Company Law of China, Administrative Measures for the Capital of Commercial Banks (Trial Implementation) etc.	China/Company Law of China, Administrative Measures for the Capital of Commercial Banks (Trial Implementation) etc.	China/Company Law of China, Administrative Measures for the Capital of Commercial Banks (Trial Implementation) etc.	China/Company Law of China, Administrative Measures for the Capital of Commercial Banks (Trial Implementation) etc.	Non-contractual obligation of bonds, arising from or relating to bonds shall be governed by and construed in accordance with British laws, while provisions relating to subordinated position of bonds in the bonds terms are governed by and construed in accordance with Chinese laws.	China/Company Law of China, Administrative Measures for the Capital of Commercial Banks (Trial Implementation) etc.
<b>Regulatory treatment</b>													
4	Including: Transitional rules under the Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)	Core tier-1 capital	Core tier-1 capital	Tier-2 capital	Other tier-1 capital	Tier-2 capital	Tier-2 capital	Tier-2 capital	Other tier-1 capital	Tier-2 capital	Other tier-1 capital	Other tier-1 capital	Other tier-1 capital
5	Including: Post-transitional rules under the Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)	Core tier-1 capital	Core tier-1 capital	Tier-2 capital	Other tier-1 capital	Tier-2 capital	Tier-2 capital	Tier-2 capital	Other tier-1 capital	Tier-2 capital	Other tier-1 capital	Other tier-1 capital	Other tier-1 capital
6	Including: Eligible at Bank/Group level	Bank and Group Level	Bank and Group Level	Bank and Group Level	Bank and Group Level	Bank and Group Level	Bank and Group Level	Bank and Group Level	Bank and Group Level	Bank and Group Level	Bank and Group Level	Bank and Group Level	Bank and Group Level
7	Instrument type	Ordinary shares	Ordinary shares	Tier-2 capital bonds	Preference shares	Tier-2 capital bonds	Tier-2 capital bonds	Tier-2 capital bonds	Undated capital	Tier-2 capital bonds	Undated capital	Undated capital	Undated capital

## SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

### APPENDIX 4: MAIN FEATURES OF QUALIFIED REGULATORY CAPITAL INSTRUMENTS (CONTINUED)

8	Amount recognised in regulatory capital (In millions of RMB, as at the latest reporting date)	RMB89,498	RMB97,534	Equivalent to RMB3,824	RMB44,952	RMB29,978	RMB29,998	RMB9,999	RMB39,994	RMB39,996	RMB29,999	Equivalent to RMB18,347	RMB41,498
9	Par value of instrument (in millions of RMB)	RMB35,012	RMB39,251	EUR500	RMB45,000	RMB30,000	RMB30,000	RMB10,000	RMB40,000	RMB40,000	RMB30,000	USD2,800	RMB41,500
10	Accounting treatment	Share capital and capital reserve	Share capital and capital reserve	Bonds issuance	Other equity instruments	Bonds issuance	Bonds issuance	Bonds issuance	Other equity instruments	Bonds issuance	Other equity instruments	Other equity instruments	Other equity instruments
11	Original date of issuance	2005/6/23	2007/4/24	2014/10/3	2016/9/2	2017/4/13	2019/8/16	2019/8/16	2019/9/20	2020/5/21	2020/9/25	2020/11/18	2021/6/10
12	Perpetual or dated	Perpetual	Perpetual	Dated	Perpetual	Dated	Dated	Dated	Perpetual	Dated	Perpetual	Perpetual	Perpetual
13	Including: Original maturity date	No maturity date	No maturity date	2026/10/3	No maturity date	2027/4/13	2029/8/16	2034/8/16	No maturity date	2030/5/21	No maturity date	No maturity date	No maturity date
14	Issuer call subject to prior supervisory approval	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Including: Optional call date, contingent call dates and redemption amount	N/A	N/A	2021/10/3; full	First call date 2021/9/7, full or partial	2022/4/13; full or partial	2024/8/16; full or partial	2029/8/16; full or partial	First call date 2024/9/20, full or partial	2025/5/21; full or partial	First call date 2025/9/25, full or partial	First call date 2025/11/18, full or partial	First call date 2026/6/10, full or partial
16	Including: Subsequent call dates, if applicable	N/A	N/A	Nil	7 September of each year subsequent to the first call date Nil	Nil	Nil	20 September of each year subsequent to the first call date	Nil	25 September of each year subsequent to the first call date	18 November of each year subsequent to the first call date	10 June of each year subsequent to the first call date	
17	Coupons/dividends Including: Fixed or floating dividend/coupon	Floating	Floating	Floating (coupon rate is fixed for the first 7 years; if issuer does not exercise the right of redemption at the end of the seventh year, the coupon rate will be reset)	Floating, the dividend rate is fixed in a dividend rate adjustment period (5 years) and is subject to reset every 5 years	Fixed	Fixed	Fixed	Floating, the dividend rate is fixed in a dividend rate adjustment period (5 years) and is subject to reset every 5 years	Fixed	Floating, the dividend rate is fixed in a dividend rate adjustment period (5 years) and is subject to reset every 5 years	Floating, the dividend rate is fixed in a dividend rate adjustment period (5 years) and is subject to reset every 5 years	Floating, the dividend rate is fixed in a dividend rate adjustment period (5 years) and is subject to reset every 5 years

SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO,  
LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

APPENDIX 4: MAIN FEATURES OF QUALIFIED REGULATORY CAPITAL INSTRUMENTS (CONTINUED)

18	Including: Coupon rate and any related index	N/A	N/A	3.625% for the first 7 years; if issuer does not exercise the right of redemption at the end of the seventh year (3 October 2021), the coupon rate will be reset based on the 7-year EUR swaps median value, plus 300 basis points	3.9% for the first 5 years. The dividend rate will be reset every 5 years based on the benchmark interest rate at reset dates plus 137 basis points. Note: the benchmark interest rate at reset dates refers to the arithmetic mean value (rounding off to 0.01%) of five-year Chinese treasury bonds yield, in the yield curve of interbank Chinese treasury bonds at fixed interest rate published 20 transaction days (excluding that day) prior to the reset dates (the days when each five years are expired as from the first day of issuance, 2 September).	4.50%	4.10%	4.49%	4.2% for the first 5 years. The coupon rate will be reset every 5 years based on the benchmark interest rate at the reset dates (the days when each five years are expired as from the first day of issuance and payment, 20 September) plus 124 basis points. If the benchmark interest rate is not available on the adjustment date, the issuer and investors will determine the subsequent benchmark interest rate or its determination principle according to the requirements of the regulatory authorities	3.24%	4.59% for the first 5 years. The coupon rate will be reset every 5 years based on the benchmark interest rate at the reset dates (the days when each five years are expired as from the first day of issuance and payment, 25 September) plus 161 basis points. If the benchmark interest rate is not available on the adjustment date, the issuer and investors will determine the subsequent benchmark interest rate or its determination principle according to the requirements of the regulatory authorities	3.8% for the first 5 years. The coupon rate will be reset every 5 years based on the benchmark interest rate at reset dates (Reset dates: The first reset date will be 18 November 2025 and the same day in the following 5 years or multiple years of 5 years. Benchmark interest rate at reset dates refers to the arithmetic mean of five-year American treasury bond yield one week before the second fixed interest date before the reset date) plus 334.5 basis points. If the benchmark interest rate is not available on the adjustment date, the issuer and investors will determine the subsequent benchmark interest rate or its determination principle according to the requirements of the regulatory authorities.	4.06% for the first 5 years. The coupon rate will be reset every 5 years based on the benchmark interest rate at the reset dates (the days when each five years are expired as from the first day of issuance and payment, 10 June) plus 112 basis points. If the benchmark interest rate is not available on the adjustment date, the issuer and investors will determine the subsequent benchmark interest rate or its determination principle according to the requirements of the regulatory authorities
19	Including: Existence of a dividend brake mechanism	N/A	N/A	No	Yes	No	No	No	Yes	No	Yes	Yes	Yes

## SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

### APPENDIX 4: MAIN FEATURES OF QUALIFIED REGULATORY CAPITAL INSTRUMENTS (CONTINUED)

20	Including: Discretionary of cancelling dividend distribution or coupon interest	Totally at discretion	Totally at discretion	Without discretion	Totally at discretion	Without discretion	Without discretion	Without discretion	Totally at discretion	Without discretion	Totally at discretion	Totally at discretion	Totally at discretion
21	Including: Existence of incentive to call	No	No	No	No	No	No	No	No	No	No	No	No
22	Including: Cumulative or noncumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or nonconvertible	No	No	No	Yes	No	No	No	No	No	No	No	No
24	Including: If convertible, state conversion condition	N/A	N/A	N/A	If any trigger event of other tier-1 Capital instrument occurs, which means core tier-1 Capital adequacy ratio reduces to 5.125% (or below); or any trigger event of tier-2 Capital instrument occurs, earlier of (1) the Bank will not survive if not converted as required by CBIRC. (2) the Bank will not survive if no capital injection or same effect of support from relevant department.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO,  
LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

APPENDIX 4: MAIN FEATURES OF QUALIFIED REGULATORY CAPITAL INSTRUMENTS *(CONTINUED)*

25	Including: If convertible, fully or partially	N/A	N/A	N/A	When any trigger event of other tier-1 capital instrument occurs, the Bank is entitled to fully or partially convert the issued and outstanding domestic preference shares to A ordinary shares based on the total par value without prior consent from the shareholders of preference shares; when any trigger event of tier-2 capital instrument occurs, the Bank is entitled to fully convert the issued and outstanding domestic preference shares to A ordinary shares based on the total par value without prior consent from the shareholders of preference shares.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
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## SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

### APPENDIX 4: MAIN FEATURES OF QUALIFIED REGULATORY CAPITAL INSTRUMENTS (CONTINUED)

26	Including: if convertible, state conversion price determination method	N/A	N/A	N/A	The average stock transaction price of A ordinary shares 20 transactions days prior to the approval of resolution at the Board of Directors concerning the propose on issuing domestic preference shares is deemed as initial conversion price (i.e. P/B6.25 per share) and the mandatory conversion price adjustment is conducted in accordance with Paragraph 5 "Mandatory Conversion Price Adjustment Mode" in Section 4 "Main Terms of Issuance Scheme" under Prospectus for Private Placement of Preference Shares by Bank of Communications Co., Ltd.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
27	Including: if convertible, state whether mandatory convertible	N/A	N/A	N/A	Mandatory	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	Including: if convertible, state the instrument type after conversion	N/A	N/A	N/A	A ordinary shares	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO,  
LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

APPENDIX 4: MAIN FEATURES OF QUALIFIED REGULATORY CAPITAL INSTRUMENTS (CONTINUED)

29	Including: If convertible, state the issuer of instrument after conversion	N/A	N/A	N/A	Bank of Communications	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down feature	No	No	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	Including: If written down, state the trigger events of write-down	N/A	N/A	Earlier of the following: (1) the issuer will not survive if not written down as required by CBIRC (2) the issuer will not survive if no capital injection or same effect of support from relevant department	N/A	Earlier of the following: (1) the issuer will not survive if not written down as required by CBIRC (2) the issuer will not survive if no capital injection or same effect of support from relevant department	Earlier of the following: (1) the issuer will not survive if not written down as required by CBIRC (2) the issuer will not survive if no capital injection or same effect of support from relevant department	Earlier of the following: (1) the issuer will not survive if not written down as required by CBIRC (2) the issuer will not survive if no capital injection or same effect of support from relevant department	When the triggering event of other tier-1 capital instruments occurs, that is, when the core tier-1 capital adequacy ratio drops to 5.125% (or below), or when the trigger event of tier-2 capital instruments occurs, it refers to the earlier of the following two situations: (1) CBIRC identifies that the issuer is unable to survive if writedown or conversion is not carried out; (2) Relevant departments identify that the issuer is unable to survive if capital is not injected by the public departments or equally authentic support is not provided.	Earlier of the following: (1) the issuer will not survive if not written down as required by CBIRC (2) the issuer will not survive if no capital injection or same effect of support from relevant department	Earlier of the following: (1) the issuer will not survive if not written down as required by CBIRC (2) the issuer will not survive if no capital injection or same effect of support from relevant department	Earlier of the following: (1) the issuer will not survive if not written down as required by CBIRC (2) the issuer will not survive if no capital injection or same effect of support from relevant department	Earlier of the following: (1) the issuer will not survive if not written down as required by CBIRC (2) the issuer will not survive if no capital injection or same effect of support from relevant department
32	Including: If written down, state wholly write-down or partial write-down	N/A	N/A	Full or partial	N/A	Full or partial	Full or partial	Full or partial	Full or partial	Full or partial	Full or partial	Full or partial	Full or partial

## SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

### APPENDIX 4: MAIN FEATURES OF QUALIFIED REGULATORY CAPITAL INSTRUMENTS (CONTINUED)

33	Including: if written down, state permanent write-down or temporary write-down	N/A	N/A	Permanent	N/A	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
34	Including: if temporary write-down, state reversal to book value mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (state instrument type immediately senior to instrument)	Ranking after depositors, normal creditors and subordinated debt holders and other tier-1 capital holders	Ranking after depositors, normal creditors and subordinated debt holders and other tier-1 capital holders	Ranking after depositors and normal creditors, ranking before the holders of equity capital, other tier-1 instruments and mixed capital bonds, at least ranking at the same sequence as all other subordinated debts that are issued by the issuer currently and in future (including other tier-2 instruments which have the same repayment sequence as the current bonds and are probable to issue in the future)	Ranking after depositors, normal creditors and subordinated debt holders and other tier-2 capital holders	Ranking after depositors and normal creditors, ranking before the holders of equity capital, other tier-1 instruments and mixed capital bonds, the same ranking as other subordinated debts which have the same repayment sequence as the current bonds issued by the issuer, ranking at the same sequence as tier-2 capital Bonds issued and other tier-2 instruments which have the same repayment sequence as the current bonds and are probable to issue in the future	Ranking after depositors and normal creditors, ranking before the holders of equity capital, other tier-1 instruments and mixed capital bonds, the same ranking as other subordinated debts which have the same repayment sequence as the current bonds issued by the issuer, ranking at the same sequence as tier-2 capital Bonds issued and other tier-2 instruments which have the same repayment sequence as the current bonds and are probable to issue in the future	Ranking after depositors and normal creditors, ranking before the holders of equity capital, other tier-1 instruments and mixed capital bonds, the same ranking as other subordinated debts which have the same repayment sequence as the current bonds issued by the issuer, ranking at the same sequence as tier-2 capital Bonds issued and other tier-2 instruments which have the same repayment sequence as the current bonds and are probable to issue in the future	Ranking after depositors, normal creditors and subordinated debts ranking senior to bond as well as ranking before all classes of shares held by the issuer's shareholders; compensated in the same order as other tier-1 capital instruments with the same repayment order	Ranking after depositors and normal creditors, ranking before the holders of equity capital, other tier-1 instruments and mixed capital bonds, the same ranking as other subordinated debts which have the same repayment sequence as the current bonds issued by the issuer, ranking at the same sequence as tier-2 Capital Bonds issued and other tier-2 instruments which have the same repayment sequence as the current bonds and are probable to issue in the future	Ranking after depositors, normal creditors and subordinated debts ranking senior to bond as well as ranking before all classes of shares held by the issuer's shareholders; compensated in the same order as other tier-1 capital instruments with the same repayment order	Ranking after depositors, normal creditors and subordinated debts ranking senior to bond as well as ranking before all classes of shares held by the issuer's shareholders; compensated in the same order as other tier-1 capital instruments with the same repayment order	Ranking after depositors, normal creditors and subordinated debts ranking senior to bond as well as ranking before all classes of shares held by the issuer's shareholders; compensated in the same order as other tier-1 capital instruments with the same repayment order
36	Whether any temporary noncompliance features Including: If yes, state the feature	No	No	No	No	No	No	No	No	No	No	No	No
		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A



## SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

### APPENDIX 5: INFORMATION RELATED TO LEVERAGE RATIO

Leverage ratio disclosure is disclosed according to Note 3 *Leverage Ratio Disclosure Format* of the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)*.

#### Reconciliation of Regulatory Consolidation and Accounting Consolidation

(in millions of RMB)

SN	Item	30 June 2021	31 December 2020
1	Total consolidated assets	11,413,960	10,697,615
2	Adjustments of consolidation	(85,067)	(70,282)
3	Adjustments item of customer's assets	0	0
4	Adjustments of derivatives	37,940	33,616
5	Adjustments of securities financing transactions	6,926	2,022
6	Adjustments of off-balance sheet item	915,378	844,885
7	Other Adjustments	(5,569)	(5,252)
8	Balance of adjusted on- and off-balance sheet assets	12,283,568	11,502,604

#### Leverage Ratio Information

(in millions of RMB unless otherwise stated)

SN	Item	30 June 2021	31 December 2020
1	On-balance-sheet assets (excluding derivatives and securities financing transactions)	11,110,672	10,495,090
2	Less: Deduction of tier-1 capital	(5,569)	(5,252)
3	<b>Balance of adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)</b>	<b>11,105,103</b>	<b>10,489,838</b>
4	Replacement costs of derivatives (less eligible margin)	35,619	54,236
5	Potential risk exposure of derivatives	37,940	33,616
6	Sum of collaterals deducted from the balance sheet	0	0
7	Less: Assets receivable from providing eligible margin	0	0
8	Less: Derivative assets resulting from the transactions with central counterparties in providing clearing settlement services for customers	0	0
9	Notional principal of sold credit derivatives	0	0
10	Less: Deductible balance of sold credit derivatives	0	0
11	<b>Derivative asset balance</b>	<b>73,559</b>	<b>87,852</b>
12	Accounting asset balance of securities financing transactions	182,602	78,007
13	Less: Balance of deductible securities financing transaction assets	0	0
14	Counterparty credit risk exposure of securities financing transactions	6,926	2,022
15	Balance of securities financing transaction assets from acting for securities financing transactions	0	0
16	<b>Securities financing assets balance</b>	<b>189,528</b>	<b>80,029</b>
17	Balance of off-balance-sheet items	2,231,597	2,007,150
18	Less: Balance of off-balance-sheet items arising from the reduction of credit transfer	(1,316,219)	(1,162,265)
19	<b>Adjusted off-balance sheet items balance</b>	<b>915,378</b>	<b>844,885</b>
20	Net tier- 1 capital	919,374	862,221
21	Adjusted balance of on- and off-balance sheet assets	12,283,568	11,502,604
22	<b>Leverage ratio (%)</b>	<b>7.48</b>	<b>7.50</b>

## SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

### APPENDIX 6: THE DAILY AVERAGE LIQUIDITY COVERAGE RATIO AND ITS DETAILS OF THE GROUP IN THE SECOND QUARTER OF 2021

(in millions of RMB unless otherwise stated)

Serial Number	Amount before conversion	Amount after conversion
<b>The qualified high-quality liquid assets</b>		
1		1,907,569
<b>Cash Outflow</b>		
2	2,186,722	209,128
3	188,696	9,325
4	1,998,026	199,803
5	4,582,681	1,899,643
6	2,633,945	657,152
7	1,945,050	1,238,805
8	3,686	3,686
9		10,131
10	1,757,867	883,287
11	850,444	832,817
12	131	131
13	907,292	50,339
14	57,410	57,410
15	1,526,827	53,527
16		3,113,126
<b>Cash Inflow</b>		
17	129,788	127,639
18	927,932	621,852
19	867,202	847,938
20	1,924,922	1,597,429
		Amount after adjustment
21		1,907,569
22		1,515,697
23		125.63

**SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO,  
LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)**

**APPENDIX 7: NET STABLE FUNDING RATIO AND ITEMS FOR THE FIRST QUARTER OF 2021**

(in millions of RMB unless otherwise stated)

Serial Number		Unweighted value				Weighted value
		No Maturity	Less than 6 months	6-12 months	Over 1 year	
<b>Available Stable Funding Item</b>						
1	Capital	892,617	–	–	120,501	1,013,119
2	Regulatory Capital	892,617	–	–	113,801	1,006,419
3	Other capital instruments	–	–	–	6,700	6,700
4	Retail deposits and deposits from small enterprises	862,742	1,566,654	11,546	649	2,207,439
5	Stable deposits	196,726	1,018	1,106	478	189,386
6	Less stable deposits	666,016	1,565,636	10,440	171	2,018,053
7	Wholesale funding	2,641,542	3,053,229	809,854	479,142	3,044,214
8	Operational deposits	2,572,718	104,541	51,699	7,389	1,371,868
9	Other wholesale funding	68,824	2,948,688	758,156	471,753	1,672,346
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	41,022	203,336	69,364	339,347	364,426
12	Net stable funding ratio derivative liabilities	–	–	–	38,976	–
13	All other liabilities and equities not included in the above categories	41,022	203,336	69,364	300,371	364,426
14	Total available stable funding					6,629,197
<b>Required Stable Funding Item</b>						
15	Total net stable funding ratio high-quality liquid assets					378,590
16	Business relationship deposits held at other financial institutions	161,062	40	–	2,000	82,551
17	Loans and securities	60,261	1,893,792	933,152	4,448,009	5,064,524
18	Loans to financial institutions secured by Level 1 assets	–	44,116	–	–	6,514
19	Loans to financial institutions secured by non-Level 1 assets or unsecured	–	439,368	176,688	100,716	254,965
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities.	2	1,368,222	725,256	2,585,788	3,238,595
21	Including: with a risk weight less than or equal to 35%	–	16,806	9,281	31,543	33,547
22	Residential mortgages	–	601	739	1,308,665	1,113,035
23	Including: with a risk weight less than or equal to 35%	–	–	–	–	–
24	Securities that are not in default and do not qualify as high-quality liquid assets, including exchange-traded equities	60,260	41,485	30,469	452,841	451,416
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	164,160	70,535	9,271	141,244	346,976
27	Physical traded commodities (including gold)	24,525	–	–	–	20,846

## SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

### APPENDIX 7: NET STABLE FUNDING RATIO AND ITEMS FOR THE FIRST QUARTER OF 2021 (CONTINUED)

(in millions of RMB unless otherwise stated)

Serial Number		Unweighted value				Weighted value
		No Maturity	Less than 6 months	6-12 months	Over 1 year	
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties				8,383	7,126
29	Net stable funding ratio derivative assets				42,467	3,491
30	Net stable funding ratio derivative liabilities with additional requirements				38,976	7,795
31	All other assets not included in the above	139,635	70,535	9,271	90,394	307,718
32	Off-balance-sheet items				2,765,968	117,137
33	Total required stable funding					5,989,777
34	Net stable funding ratio (%)					110.68

## Notes:

- Items to be reported in the “no maturity” bucket mentioned in the table above include, but are not limited to, capital with perpetual maturity, non-maturity (demand) deposits, short positions, open maturity positions, non-high-quality liquid assets equities, and physical traded commodities.
- The unweighted value of item 30 “Net stable funding ratio derivative liabilities with additional requirements” is the net stable funding ratio derivative liabilities before the deduction of the variation margin, without differentiation of maturity, and not included in the unweighted value of item 26 “Other assets”.

**SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO,  
LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)**

**APPENDIX 8: NET STABLE FUNDING RATIO AND ITEMS FOR THE SECOND QUARTER OF 2021**

(in millions of RMB unless otherwise stated)

Serial Number	Available Stable Funding Item	Unweighted value				Weighted value
		No maturity	Less than 6 months	6-12 months	Over 1 year	
1	Capital	927,237	-	-	120,495	1,047,732
2	Regulatory Capital	927,237	-	-	113,795	1,041,032
3	Other capital instruments	-	-	-	6,700	6,700
4	Retail deposits and deposits from small enterprises	875,015	1,580,505	8,850	741	2,228,748
5	Stable deposits	199,487	1,039	969	543	191,964
6	Less stable deposits	675,529	1,579,465	7,880	197	2,036,784
7	Wholesale funding	2,723,078	3,097,343	789,968	483,940	3,068,683
8	Operational deposits	2,653,260	108,209	54,213	8,186	1,416,028
9	Other wholesale funding	69,818	2,989,134	735,754	475,753	1,652,656
10	Liabilities with matching interdependent assets	-	-	-	-	-
11	Other liabilities	41,289	278,791	34,341	367,301	380,996
12	Net stable funding ratio derivative liabilities	-	-	-	33,705	-
13	All other liabilities and equities not included in the above categories	41,289	278,791	34,341	333,595	380,996
14	Total available stable funding					6,726,160
15	Total net stable funding ratio high-quality liquid assets					352,100
16	Business relationship deposits held at other financial institutions	143,576	40	-	2,000	73,808
17	Loans and securities	71,739	1,856,913	1,005,488	4,569,114	5,198,809
18	Loans to financial institutions secured by Level 1 assets	-	111,081	-	-	16,484
19	Loans to financial institutions secured by non-Level 1 assets or unsecured	-	347,338	187,848	86,836	232,861
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities.	7	1,362,461	778,257	2,681,245	3,343,401
21	Including: with a risk weight less than or equal to 35%	-	10,864	9,538	31,212	30,489
22	Residential mortgages	-	657	779	1,348,115	1,146,615
23	Including: with a risk weight less than or equal to 35%	-	-	-	-	-
24	Securities that are not in default and do not qualify as high-quality liquid assets, including exchange-traded equities	71,733	35,376	38,604	452,917	459,448
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets	166,109	76,422	9,882	109,727	321,342
27	Physical traded commodities (including gold)	24,990				21,242

## SUPPLEMENTARY INFORMATION ON CAPITAL ADEQUACY RATIO, LEVERAGE RATIO, LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

### APPENDIX 8: NET STABLE FUNDING RATIO AND ITEMS FOR THE SECOND QUARTER OF 2021 (CONTINUED)

(in millions of RMB unless otherwise stated)

Serial Number		Unweighted value				Weighted value
		No maturity	Less than 6 months	6-12 months	Over 1 year	
28	Assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties				8,881	7,549
29	Net stable funding ratio derivative assets				35,619	1,914
30	Derivatives with additional requirements				33,705	6,741
31	All other assets not included in the above	141,118	76,422	9,882	65,227	283,897
32	Off-balance-sheet items				2,952,738	124,315
33	Total required stable funding					6,070,374
34	Net stable funding ratio (%)					110.80

## Notes:

- The "no maturity" bucket mentioned in the table above include, but are not limited to, capital with perpetual maturity, non-maturity (demand) deposits, short positions, open maturity positions, non-high-quality liquid assets equities, and physical traded commodities.
- The unweighted value of item 30 "Net stable funding ratio derivative liabilities with additional requirements" is the net stable funding ratio derivative liabilities before the deduction of the variation margin, without differentiation of maturity, and not included in the unweighted value of item 26 "Other assets".





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