



INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

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

Stock Code: 1398

2021 | Interim Report





Company Profile

Industrial and Commercial Bank of China was established on 1 January 1984. On 28 October 2005, the Bank was wholly restructured to a joint-stock limited company. On 27 October 2006, the Bank was successfully listed on both Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

Through its continuous endeavor and stable development, the Bank has developed into the leading bank in the world, possessing an excellent customer base, a diversified business structure, strong innovation capabilities and market competitiveness. The Bank regards service as the very foundation to seek further development and adheres to creating value through services while providing a comprehensive range of financial products and services to over 9.20 million corporate customers and 690 million personal customers. The Bank has been consciously integrating the social responsibilities with its development strategy and operation and management activities, and gaining wide recognition in the aspects of supporting pandemic containment, promoting inclusive finance, backing poverty alleviation and rural revitalization, developing green finance and participating in public welfare undertakings.

The Bank always keeps in mind its underlying mission of serving the real economy with its principal business, and along with the real economy it prospers, suffers and grows. Taking a risk-based approach and never overstepping the bottom line, it constantly enhances its capability of controlling and mitigating risks. Besides, the Bank remains steadfast in understanding and following the business rules of commercial banks to strive to be a century-old bank. It also stays committed to seeking progress with innovation while maintaining stability, continuously enhances the key development strategies, actively develops the FinTech and accelerates the digital transformation. The Bank unswervingly delivers specialized services, and pioneers a specialized business model, thus making it “a craftsman in large banking”.

The Bank was ranked the 1st place among the Top 1000 World Banks by *The Banker*, the 1st place in the Global 2000 by *Forbes*, and the 1st place in the list of commercial banks of the Global 500 in *Fortune* for the ninth consecutive year, and took the 1st place among the Top 500 Banking Brands of *Brand Finance* for the fifth consecutive year.

Strategic Objective:

Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, ICBC will adhere to the general principle of pursuing progress while ensuring stability, apply the new development philosophy, modernize its governance system and capacity, and turn ICBC into a world-class and modern financial enterprise with global competitiveness.

Strategic Significance:

 Adhere to the guidance of the Party building theory and exercising rigorous corporate governance:	ICBC upholds the Party's leadership over the financial work, and strives to improve the scientific decision-making as well as the effectiveness of corporate governance through enhanced governance system and capacity building.
 Adhere to putting the customer first and serving the real economy:	ICBC remains steadfast in serving the real economy and commits to satisfying people's new expectations and demands for financial services, making every effort to build the No.1 Personal Finance Bank.
 Adhere to technology-driven development and value creation:	ICBC empowers its business operations and management with FinTech, and creates superior value for the real economy, shareholders, customers, employees and the society as a whole.
 Adhere to a broad international vision and globalized operations:	ICBC proactively taps resources from both domestic and overseas markets, and undertakes to constantly promote international development, which well-integrates with China's high-level opening-up.
 Adhere to pushing for pragmatic business transformation and progressing through reform:	Keeping pace with changing times, ICBC endeavours to advance reforms in key areas and critical steps, seeking room for development through transformation and vitality for growth through reform.
 Adhere to laying a solid foundation for risk control and achieving development through talent cultivation:	ICBC safeguards the lifeline of asset quality by reinforcing bottom-line thinking with a combination of prevention and control measures. Meanwhile, corporate culture formation and caring for staff are strengthened to increase group cohesion.



Mission: Excellence for You

Excellent services for clients
Maximum returns to shareholders
Real success for employees
Great contribution to society

Vision:

To build a world-class, globally competitive modern financial institution in all aspects, and become a long-lasting and ever-prosperous bank



Values:

Integrity Leads to Prosperity

Integrity
Humanity
Prudence
Innovation
Excellence



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Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

Articles of Association	The Articles of Association of Industrial and Commercial Bank of China Limited
Bank ICBC (JSC)	Bank ICBC (Joint stock company)
Capital Regulation	Regulation Governing Capital of Commercial Banks (Provisional) promulgated in June 2012
CBIRC	China Banking and Insurance Regulatory Commission
Company Law	Company Law of the People's Republic of China
CSRC	China Securities Regulatory Commission
HKEX	Hong Kong Exchanges and Clearing Limited
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Huijin	Central Huijin Investment Ltd.
ICBC (Almaty)	Industrial and Commercial Bank of China (Almaty) Joint Stock Company
ICBC (Argentina)	Industrial and Commercial Bank of China (Argentina) S.A.
ICBC (Asia)	Industrial and Commercial Bank of China (Asia) Limited
ICBC (Austria)	ICBC Austria Bank GmbH
ICBC (Brasil)	Industrial and Commercial Bank of China (Brasil) S.A.
ICBC (Canada)	Industrial and Commercial Bank of China (Canada)
ICBC (Europe)	Industrial and Commercial Bank of China (Europe) S.A.
ICBC (Indonesia)	PT. Bank ICBC Indonesia
ICBC (London)	ICBC (London) PLC
ICBC (Macau)	Industrial and Commercial Bank of China (Macau) Limited
ICBC (Malaysia)	Industrial and Commercial Bank of China (Malaysia) Berhad
ICBC (Mexico)	Industrial and Commercial Bank of China Mexico S.A.
ICBC (New Zealand)	Industrial and Commercial Bank of China (New Zealand) Limited
ICBC (Peru)	ICBC PERU BANK
ICBC (Thai)	Industrial and Commercial Bank of China (Thai) Public Company Limited
ICBC (Turkey)	ICBC Turkey Bank Anonim Şirketi
ICBC (USA)	Industrial and Commercial Bank of China (USA) NA
ICBC Credit Suisse Asset Management	ICBC Credit Suisse Asset Management Co., Ltd.
ICBC International	ICBC International Holdings Limited
ICBC Investment	ICBC Financial Asset Investment Co., Ltd.
ICBC Investments Argentina	ICBC Investments Argentina S.A. Sociedad Gerente de Fondos Comunes de Inversión
ICBC Leasing	ICBC Financial Leasing Co., Ltd.
ICBC Standard Bank	ICBC Standard Bank PLC
ICBC Technology	ICBC Information and Technology Co., Ltd.
ICBC Wealth Management	ICBC Wealth Management Co., Ltd.
ICBC-AXA	ICBC-AXA Assurance Co., Ltd.
ICBCFCS	Industrial and Commercial Bank of China Financial Services LLC
IFRSs	The International Financial Reporting Standards promulgated by the International Accounting Standards Board, which comprise the International Accounting Standards
Inversora Diagonal	Inversora Diagonal S.A.
MOF	Ministry of Finance of the People's Republic of China
New Rules on Asset Management	The Guiding Opinions on Regulating the Asset Management Business of Financial Institutions jointly promulgated by PBC, CBIRC, CSRC and State Administration of Foreign Exchange in 2018 and relevant rules
PBC	The People's Bank of China
PRC GAAP	Accounting Standards for Business Enterprises promulgated by MOF
Securities and Futures Ordinance of Hong Kong	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SEHK	The Stock Exchange of Hong Kong Limited
SSE	Shanghai Stock Exchange
SSF	National Council for Social Security Fund
Standard Bank	Standard Bank Group Limited
State Council	The State Council of the People's Republic of China
The Bank/The Group	Industrial and Commercial Bank of China Limited; or Industrial and Commercial Bank of China Limited and its subsidiaries

Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Management members of Industrial and Commercial Bank of China Limited undertake that the information in this report contains no false record, misleading statement or material omission, and assume individual and joint and several liability for the authenticity, accuracy and completeness of the information in this report.

The 2021 Interim Report of the Bank and the results announcement have been considered and approved at the meeting of the Board of Directors of the Bank held on 27 August 2021. There were 12 directors eligible for attending the meeting, of whom 11 directors attended the meeting in person and 1 director by proxy, namely, Director Fred Zulu Hu appointed Director Anthony Francis Neoh to attend the meeting and exercise the voting right on his behalf.

The 2021 interim financial report prepared by the Bank in accordance with PRC GAAP and IFRSs have been reviewed by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu in accordance with Chinese and international standards on review engagements respectively.

Upon the approval at the Annual General Meeting for the Year 2020 held on 21 June 2021, the Bank distributed cash dividends of about RMB94,804 million, or RMB2.660 per ten shares (pre-tax), for the period from 1 January 2020 to 31 December 2020 to the ordinary shareholders whose names appeared on the share register after the close of market on 5 July 2021. The Bank will not declare or distribute interim dividends for 2021, nor will it convert any capital reserves to share capital.

The Board of Directors of Industrial and Commercial Bank of China Limited

27 August 2021

Mr. Chen Siqing, Legal Representative of the Bank, Mr. Liao Lin, President in charge of finance of the Bank, and Mr. Liu Yagan, General Manager of the Finance and Accounting Department of the Bank, hereby warrant that the financial statements contained in the Interim Report are authentic, accurate and complete.

The report contains forward-looking statements on the Bank's financial position, business performance and development. The statements are based on existing plans, estimates and forecasts, and bear upon future external events or the Group's future finance, business or performance in other aspects, and may involve future plans which do not constitute substantive commitment to investors. Hence, investors and persons concerned shall be fully aware of the risks and understand the difference between plans, estimates and commitments.

The Bank is primarily exposed to credit risk, market risk, interest rate risk in the banking book, liquidity risk, operational risk, reputational risk and country risk. The Bank has actively adopted measures to effectively manage various types of risks. Please refer to the section headed "Discussion and Analysis — Risk Management" for detailed information.

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

Corporate Information

Legal name in Chinese

中國工商銀行股份有限公司（「中國工商銀行」）

Legal name in English

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED (“ICBC”)

Legal Representative

Chen Siqing

Registered address and office address

55 Fuxingmennei Avenue, Xicheng District, Beijing, China

Postal code: 100140

Telephone: 86-10-66106114

Business enquiry and complaint hotline: 86-95588

Website: www.icbc.com.cn, www.icbc-ltd.com

Principal place of business in Hong Kong SAR

33/F, ICBC Tower, 3 Garden Road, Central, Hong Kong SAR, China

Authorized representatives

Liao Lin and Guan Xueqing

Board Secretary and Company Secretary

Guan Xueqing

Address: 55 Fuxingmennei Avenue, Xicheng District, Beijing, China

Telephone: 86-10-66108608

Facsimile: 86-10-66107571

E-mail: ir@icbc.com.cn

Selected media for information disclosure

China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Website of SSE for disclosure of the interim report in respect of A shares

www.sse.com.cn

The “HKEXnews” website of HKEX for disclosure of the interim report in respect of H shares

www.hkexnews.hk

Legal Advisors

Chinese mainland

King & Wood Mallesons

17-18/F, East Tower, World Financial Center, 1 East 3rd Ring Middle Road, Chaoyang District, Beijing, China

Haiwen & Partners

20/F, Fortune Financial Center, 5 East 3rd Ring Middle Road, Chaoyang District, Beijing, China

Hong Kong SAR, China

Allen & Overy

9/F, Three Exchange Square, Central, Hong Kong SAR, China

Freshfields Bruckhaus Deringer

55th Floor, One Island East, 18 Westlands Road, Quarry Bay, Hong Kong SAR, China

Share Registrars

A Share

China Securities Depository and Clearing Corporation Limited, Shanghai Branch

188 Yanggao South Road, Pudong New Area, Shanghai, China

Telephone: 86-4008058058

H Share

Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai,

Hong Kong SAR, China

Telephone: 852-28628555

Facsimile: 852-28650990

Location where copies of this interim report are kept

Board of Directors’ Office of the Bank

Place where shares are listed, and their names and codes

A Share

Shanghai Stock Exchange

Stock name: 工商銀行

Stock code: 601398

H Share

The Stock Exchange of Hong Kong Limited

Stock name: ICBC

Stock code: 1398

Domestic Preference Share

Shanghai Stock Exchange

Stock name: 工行優1

Stock code: 360011

Stock name: 工行優2

Stock code: 360036

Offshore Preference Share

The Stock Exchange of Hong Kong Limited

Stock name: ICBC EURPREF1

Stock code: 4604

Stock name: ICBC 20USDPREF

Stock code: 4620

Name and office address of Auditors

Domestic Auditor

Deloitte Touche Tohmatsu Certified Public Accountants LLP

30/F, 222 East Yan’an Road, Huangpu District, Shanghai, China

CPAs (Practicing): Wu Weijun and Zeng Hao

International Auditor

Deloitte Touche Tohmatsu

35/F, One Pacific Place, 88 Queensway, Hong Kong SAR, China

Financial Highlights

(Financial data and indicators in this Interim Report are prepared in accordance with IFRSs and, unless otherwise specified, are consolidated amounts of the Bank and its subsidiaries and denominated in Renminbi.)

Financial Data

	Six months ended 30 June 2021	Six months ended 30 June 2020	Six months ended 30 June 2019
Operating results (in RMB millions)			
Net interest income ⁽¹⁾	336,293	319,891	311,271
Net fee and commission income ⁽¹⁾	75,943	75,558	76,531
Operating income	426,406	402,346	394,203
Operating expenses	94,991	87,925	87,154
Impairment losses on assets	124,547	125,456	99,180
Operating profit	206,868	188,965	207,869
Profit before taxation	208,070	189,351	209,209
Net profit	164,509	149,796	168,690
Net profit attributable to equity holders of the parent company	163,473	148,790	167,931
Net cash flows from operating activities	377,546	1,873,733	907,293
Per share data (in RMB yuan)			
Basic earnings per share	0.46	0.42	0.47
Diluted earnings per share	0.46	0.42	0.47

Financial Highlights

Financial Data (continued)

	30 June 2021	31 December 2020	31 December 2019
Assets and liabilities (in RMB millions)			
Total assets	35,136,284	33,345,058	30,109,436
Total loans and advances to customers	19,996,767	18,624,308	16,761,319
Corporate loans	12,098,255	11,102,733	9,955,821
Personal loans	7,575,803	7,115,279	6,383,624
Discounted bills	322,709	406,296	421,874
Allowance for impairment losses on loans ⁽²⁾	590,949	531,161	478,730
Investment	8,845,650	8,591,139	7,647,117
Total liabilities	32,089,477	30,435,543	27,417,433
Due to customers	26,602,333	25,134,726	22,977,655
Corporate deposits	13,514,669	12,944,860	12,028,262
Personal deposits	12,487,160	11,660,536	10,477,744
Other deposits	290,810	261,389	234,852
Accrued interest	309,694	267,941	236,797
Due to banks and other financial institutions	2,977,531	2,784,259	2,266,573
Equity attributable to equity holders of the parent company	3,029,890	2,893,502	2,676,186
Share capital	356,407	356,407	356,407
Net asset value per share ⁽³⁾ (in RMB yuan)	7.67	7.48	6.93
Net core tier 1 capital ⁽⁴⁾	2,719,742	2,653,002	2,457,274
Net tier 1 capital ⁽⁴⁾	3,009,641	2,872,792	2,657,523
Net capital base ⁽⁴⁾	3,584,153	3,396,186	3,121,479
Risk-weighted assets ⁽⁴⁾	21,076,877	20,124,139	18,616,886
Credit rating			
S&P ⁽⁵⁾	A	A	A
Moody's ⁽⁵⁾	A1	A1	A1

Notes: (1) According to the Notice on Strictly Implementing the Accounting Standards for Business Enterprises and Effectively Strengthening the 2020 Annual Report of Enterprises (Cai Kuai [2021] No. 2), credit card installment fee income and expenses are reclassified. The data and indicators in the comparative periods of 2020 and 2019 are adjusted accordingly.

(2) Calculated by adding allowance for impairment losses on loans and advances to customers measured at amortised cost with allowance for impairment losses on loans and advances to customers measured at fair value through other comprehensive income.

(3) Calculated by dividing equity attributable to equity holders of the parent company after deduction of other equity instruments at the end of the reporting period by the total number of ordinary shares at the end of the reporting period.

(4) Calculated in accordance with the Capital Regulation.

(5) The rating results are in the form of "long-term foreign currency deposits rating".

Financial Indicators

	Six months ended 30 June 2021	Six months ended 30 June 2020	Six months ended 30 June 2019
Profitability (%)			
Return on average total assets ⁽¹⁾	0.96*	0.95*	1.17*
Return on weighted average equity ⁽²⁾	11.90*	11.70*	14.41*
Net interest spread ⁽³⁾	1.93*	2.02*	2.16*
Net interest margin ⁽⁴⁾	2.12*	2.20*	2.35*
Return on risk-weighted assets ⁽⁵⁾	1.60*	1.56*	1.91*
Ratio of net fee and commission income to operating income	17.81	18.78	19.41
Cost-to-income ratio ⁽⁶⁾	21.19	20.76	21.13
	30 June 2021	31 December 2020	31 December 2019
Asset quality (%)			
Non-performing loans ("NPLs") ratio ⁽⁷⁾	1.54	1.58	1.43
Allowance to NPLs ⁽⁸⁾	191.97	180.68	199.32
Allowance to total loans ratio ⁽⁹⁾	2.96	2.85	2.86
Capital adequacy (%)			
Core tier 1 capital adequacy ratio ⁽¹⁰⁾	12.90	13.18	13.20
Tier 1 capital adequacy ratio ⁽¹⁰⁾	14.28	14.28	14.27
Capital adequacy ratio ⁽¹⁰⁾	17.01	16.88	16.77
Total equity to total assets ratio	8.67	8.73	8.94
Risk-weighted assets to total assets ratio	59.99	60.35	61.83

Notes: * indicates annualised ratios.

- (1) Calculated by dividing net profit by the average balance of total assets at the beginning and at the end of the reporting period.
- (2) Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by CSRC.
- (3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.
- (4) Calculated by dividing net interest income by the average balance of interest-generating assets.
- (5) Calculated by dividing net profit by the average balance of risk-weighted assets at the beginning and at the end of the reporting period.
- (6) Calculated by dividing operating expense (less taxes and surcharges) by operating income.
- (7) Calculated by dividing the balance of NPLs by total balance of loans and advances to customers.
- (8) Calculated by dividing allowance for impairment losses on loans by total balance of NPLs.
- (9) Calculated by dividing allowance for impairment losses on loans by total balance of loans and advances to customers.
- (10) Calculated in accordance with the Capital Regulation.

Overview of Business Operation

This year marks the 100th anniversary of the founding of the Communist Party of China. Around this historic point of advancing from the first centenary goal to the second one, the Bank followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, adhered to the general principle of pursuing progress while ensuring stability, and comprehensively implemented the decisions of the CPC Central Committee and the State Council. It focused on the new development stage, acted on the new development philosophy, and served the new development paradigm, in an endeavor to promote the high-quality development. In accordance with the “48-character” guideline, the Bank took solid steps to advance the implementation of new development plan, maintaining a good momentum of steady growth in operation and delivering an interim results which were better than expected and than that of the same period of last year.

In terms of operational indicators, the foundation for stability is growing more solid. In the first half of the year, the Group’s operating income reached RMB426.4 billion, indicating an increase of 6.0% compared to the same period of last year; its profit before provision hit RMB332.6 billion, representing an increase of 5.7% compared to the same period of last year; and its net profit amounted to RMB164.5 billion, an increase of 9.8% compared to the same period of last year. The Group’s NPL ratio stood at 1.54%, decreasing by 0.04 percentage points from the end of last year; allowance to NPLs reached 191.97%, increasing by 11.29 percentage points from the end of last year; and capital adequacy ratio was 17.01%, increasing by 0.13 percentage points from the end of last year. Both return on average total assets and return on weighted average equity stayed higher than the same period of last year. The steady improvement in these main indicators, on the one hand, benefited from the base effect of last year, and on the other hand, resulted from continuous efforts in promoting the high-quality development.

In terms of serving the real economy, greater progress is being made. The Bank focused on serving the new development paradigm and intensified the support for ensuring stability on six key fronts and maintaining security in six key areas. It made efforts to increase the aggregate investment and financing volumes and to direct the funds towards targeted projects, and actively implemented the fee reduction and profit concession policy. In the first half of the year, new RMB loans issued by domestic branches reached RMB1.26 trillion, representing an increase of RMB164.4 billion compared to the same period of last

year. Net increase in bond investment was RMB318.6 billion, and the amount of debt financing instruments issued by the Bank as the lead underwriter to non-financial enterprises ranked the top in the market. The new financing mainly went to the key areas and weak links of the real economy. Project loans saw an increase of 9.0%, which mainly flowed to the major projects in the 14th Five-Year Plan and other operations involving areas of weakness. The balance of loans to the high-tech fields under the key support of the state topped RMB1 trillion. The Bank launched the first “carbon neutrality” bond and the first loan secured by mortgages for carbon emissions rights, with the balance of green loans exceeding RMB2 trillion. The proportion of loans to manufacturing industry including medium to long-term loans kept growing. The inclusive loans to small and micro enterprises increased by 40.4% compared to the beginning of the year, of which, the number of first-time borrowers increased by more than 40% compared to the same period of last year, and the average interest rate of new inclusive loans dropped further. ICBC’s “ICBC Xingnongtong” brand came into the market, and the balance of agriculture-related loans exceeded RMB2.5 trillion, demonstrating ICBC’s all-out efforts in rural revitalization. Regulatory requirements have been met by stabilizing the granting of property loans and decreasing the proportion to total loans.

In terms of risk control, the good momentum continued. With a balance between development and security, the Bank advanced the construction of the enterprise risk management system with enhanced digital and intelligent controls, striving to forestall and defuse the risks of existing and new loans as well as traditional and non-traditional risks. The Bank implemented the new rules for credit approval in all domestic branches and adopted both temporary and permanent solutions to ensure the quality of credit assets. Thus, the proportion and amount of overdue loans, the price scissors and other indicators continued to improve. The Bank fully implemented the identification and accountability mechanism for risk responsibilities and strengthened internal controls and case prevention. The Bank reinforced the management and control of emerging risks such as climate and model risks, and proactively responded to fluctuations in the global financial market. By doing so, the Bank made the overall risks under control. With a solid concept to save capital, the Group’s risk-weighted assets (RWA) grew slower than its loans and assets. The Bank devoted sound and meticulous efforts to pandemic prevention and control, flood protection, disaster relief, etc., with effective measures taken to maintain the safety of personnel and operations.

In terms of transformation and innovation, new stronger drivers are emerging. Following the 14th Five-Year Plan and Long-Range Objectives through the Year 2035, the Bank formulated and implemented a new round of development plan, brought out our strengths to make up for our weaknesses and laid a solid foundation, making more efforts to serve the new development pattern and promote high-quality development. New achievements have been made in personal banking, foreign exchange business, key areas, and urban-rural collaborative development strategy, with a larger number of new growth points and poles taking shape faster. The global institutional network layout saw improvements, the Panama Branch officially opened, the RMB internationalization advanced steadily and prudently, and the joint venture wealth management company

obtained approval to be established. In the focused areas of data, scenarios, and ecological development, ICBC stepped up digital transformation and initiated innovative pilot programs for e-CNY business, striving to build itself into a sci-tech bank. As for the areas such as government services and people's well-being, the Bank deepened the government, business and consumption (GBC) interconnection. Focusing on people's "urgent needs, difficulties, worries and expectations", the Bank offered more convenient and favorable financial services. As at the end of June, the Bank served a total of 690 million personal customers and more than 9.20 million corporate customers. The customer system of coordinated development of micro, small, medium and large enterprises continued to improve.

Discussion and Analysis

ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENTS

In the first half of 2021, the global economy showed uneven recovery due to disparities in progress of COVID-19 vaccination and intensity of macro policies. China's economy recovered steadily with ongoing improvements in quality. China's gross domestic product (GDP) grew by 12.7%, and consumer price index (CPI) rose by 0.5% compared to the same period of last year. Retail sales of consumer goods, fixed asset investment (excluding rural households), industrial added value of above-scale enterprises and total imports and exports of trade in goods grew by 23.0%, 12.6%, 15.9% and 27.1% respectively compared to the same period of last year. At the end of June, the Shanghai Composite Index and the Shenzhen Component Index rose by 3.4% and 4.8% respectively as compared to the end of last year.

The financial sector remained stable with continuous structural improvement. The prudent monetary policy was flexible and targeted and at a reasonable and appropriate level. The reserve requirement ratio was lowered to improve the liquidity structure of financial institutions. Stronger financial support was provided for private enterprises, small and micro enterprises, rural vitalization and green and low-carbon fields by giving full play to relending, re-discounting, instruments directly boosting the real economy and other structural monetary policy instruments, which were well targeted. The formation and transmission mechanism for market-based interest rates was further refined, the deposit rate supervision was improved and the reform potential for the loan prime rate (LPR) was unleashed in an effort to further reduce the effective lending rates. With the market-based exchange rate reform deepened, the RMB exchange rate became more elastic. At the end of June, the central parity of RMB against US dollar reported 6.4601, an appreciation of 1.0% from the end of last year.

Financial aggregates grew appropriately, the liquidity remaining reasonably sufficient. At the end of June, the balance of broad money (M2) was RMB231.78 trillion, a year-on-year increase of 8.6%. The outstanding RMB loans reached RMB185.50 trillion, increasing by 12.3% as compared to the same period of last year. The balance of RMB deposits amounted to RMB226.62 trillion, up 9.2% as compared to the same period of last year. The existing social financing scale size stood at RMB301.56 trillion, up 11.0% as compared to the same period of last year. The accumulated amount of various bonds issued in the first half year reached RMB29.4 trillion, representing an increase of 13% as compared to the same period of last year.

Commercial banks saw their assets growing steadily with stable quality of credit assets, and continued to step up support for the real economy. At the end of June, the RMB and foreign-currency assets of financial institutions in China's banking sector totaled RMB336 trillion, up 8.6% compared with the same period of last year. The balance of NPLs of commercial banks reached RMB2.79 trillion, with a NPL ratio of 1.76% and allowance to NPLs of 193.23%. Besides, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 10.50%, 11.91% and 14.48%, respectively. Commercial banks supported medium to long-term corporate investments and financing of small and micro enterprises. Medium to long-term loans to business entities and public institutions added RMB6.62 trillion over the end of last year, with the increment increased by RMB1.77 trillion as compared to the same period of last year. Medium to long-term loans to manufacturers grew by 41.6% as compared to the same period of last year, up 16.9 percentage points over the same period of last year. The balance of inclusive loans to small and micro enterprises stood at RMB17.7 trillion, up 31% as compared to the same period of last year. The average interest rate of corporate loan contracts in the first half of 2021 was 4.41%, down 0.28 percentage points as compared to the same period of last year. Twelve fee and charge reduction measures were launched in terms of bank account services, RMB settlement, electronic banking, bank card swiping and payment account services. The overall financing cost decreased steadily.

FINANCIAL STATEMENTS ANALYSIS

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- Income Tax Expense
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26 Reconciliation of Differences between the Financial Statements Prepared under PRC GAAP and Those under IFRSs

Income Statement Analysis

In the first half of 2021, the Bank carried out fee reduction and profit concessions and other policy requirements, actively supported the development of the real economy, and maintained steady business overall. The Bank realized a net profit of RMB164,509 million in the first half of 2021, representing an increase of 9.8% as compared to the same period of last year. Annualised return on average total assets stood at 0.96%, and annualised return on weighted average equity was 11.90%. Operating income amounted to RMB426,406 million, recording an increase of 6.0%. Specifically, net interest income was RMB336,293 million, growing by 5.1%. Non-interest income reached RMB90,113 million, rising by 9.3%. Operating expenses amounted to RMB94,991 million, representing an increase of 8.0%, and the cost-to-income ratio was 21.19%. Impairment losses on assets were RMB124,547 million, indicating a decrease of 0.7%. Income tax expense increased by 10.1% to RMB43,561 million.

Discussion and Analysis

CHANGES OF KEY INCOME STATEMENT ITEMS

In RMB millions, except for percentages

Item	Six months ended 30 June 2021	Six months ended 30 June 2020	Increase/ (decrease)	Growth rate (%)
Net interest income	336,293	319,891	16,402	5.1
Non-interest income	90,113	82,455	7,658	9.3
Operating income	426,406	402,346	24,060	6.0
Less: Operating expenses	94,991	87,925	7,066	8.0
Less: Impairment losses on assets	124,547	125,456	(909)	(0.7)
Operating profit	206,868	188,965	17,903	9.5
Share of profits of associates and joint ventures	1,202	386	816	211.4
Profit before taxation	208,070	189,351	18,719	9.9
Less: Income tax expense	43,561	39,555	4,006	10.1
Net profit	164,509	149,796	14,713	9.8
Attributable to: Equity holders of the parent company	163,473	148,790	14,683	9.9
Non-controlling interests	1,036	1,006	30	3.0

Net Interest Income

In the first half of 2021, net interest income amounted to RMB336,293 million, representing an increase of RMB16,402 million or 5.1% compared to the same period of last year, mainly because the Bank stepped up investment and financing support for the real economy, resulting in the increase in total interest-generating assets. Interest income amounted to RMB563,802 million, growing by RMB20,670 million or 3.8%, and interest expenses rose by RMB4,268 million or 1.9% to

RMB227,509 million. The Bank continued to make profit concessions for the real economy, and further lower the financing costs for enterprises. Annualised net interest spread and net interest margin came at 1.93% and 2.12%, 9 basis points and 8 basis points lower than those of the same period of last year, respectively.

AVERAGE YIELD OF INTEREST-GENERATING ASSETS AND AVERAGE COST OF INTEREST-BEARING LIABILITIES

In RMB millions, except for percentages

Item	Six months ended 30 June 2021			Six months ended 30 June 2020		
	Average balance	Interest income/expense	Average yield/cost (%)	Average balance	Interest income/expense	Average yield/cost (%)
Assets						
Loans and advances to customers	19,500,822	402,959	4.17	17,407,872	382,339	4.42
Investment	7,799,336	127,855	3.31	6,776,476	118,487	3.52
Due from central banks ⁽²⁾	2,882,674	20,917	1.46	2,870,026	20,927	1.47
Due from banks and other financial institutions ⁽³⁾	1,766,713	12,071	1.38	2,239,422	21,379	1.92
Total interest-generating assets	31,949,545	563,802	3.56	29,293,796	543,132	3.73
Non-interest-generating assets	2,715,566			2,465,676		
Allowance for impairment losses on assets	(565,002)			(485,382)		
Total assets	34,100,109			31,274,090		
Liabilities						
Deposits	23,915,026	190,688	1.61	21,881,254	177,272	1.63
Due to banks and other financial institutions ⁽³⁾	3,148,297	21,838	1.40	3,284,237	29,723	1.82
Debt securities issued	1,119,835	14,983	2.70	1,018,414	16,246	3.21
Total interest-bearing liabilities	28,183,158	227,509	1.63	26,183,905	223,241	1.71
Non-interest-bearing liabilities	2,232,788			2,170,326		
Total liabilities	30,415,946			28,354,231		
Net interest income		336,293			319,891	
Net interest spread			1.93			2.02
Net interest margin			2.12			2.20

Notes: (1) The average balances of interest-generating assets and interest-bearing liabilities represent their daily average balances. The average balances of non-interest-generating assets, non-interest-bearing liabilities and the allowance for impairment losses on assets represent the average of the balances at the beginning of the period and at the end of the period.

(2) Due from central banks mainly includes mandatory reserves and surplus reserves with central banks.

(3) Due from banks and other financial institutions includes the amount of reverse repurchase agreements, and due to banks and other financial institutions includes the amount of repurchase agreements.

Discussion and Analysis

ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSE

In RMB millions

Item	Comparison between six months ended 30 June 2021 and 30 June 2020		
	Increase/(decrease) due to		Net increase/ (decrease)
	Volume	Interest rate	
Assets			
Loans and advances to customers	42,201	(21,581)	20,620
Investment	16,425	(7,057)	9,368
Due from central banks	132	(142)	(10)
Due from banks and other financial institutions	(3,311)	(5,997)	(9,308)
Changes in interest income	55,447	(34,777)	20,670
Liabilities			
Deposits	15,586	(2,170)	13,416
Due to banks and other financial institutions	(1,045)	(6,840)	(7,885)
Debt securities issued	1,313	(2,576)	(1,263)
Changes in interest expenses	15,854	(11,586)	4,268
Impact on net interest income	39,593	(23,191)	16,402

Note: Changes in volume are measured by the changes in average balances, while the changes in interest rate are measured by the changes in average interest rates. Changes resulted from the combination of volume and interest rate have been allocated to the changes resulted from business volume.

Interest Income

Interest Income on Loans and Advances to Customers

Interest income on loans and advances to customers was RMB402,959 million, RMB20,620 million or 5.4% higher compared to the same period of last year, as mainly affected by the increase in loans and advances to customers.

ANALYSIS OF THE AVERAGE YIELD OF LOANS AND ADVANCES TO CUSTOMERS BY MATURITY STRUCTURE

In RMB millions, except for percentages

Item	Six months ended 30 June 2021			Six months ended 30 June 2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	4,006,321	69,190	3.48	3,821,335	74,451	3.92
Medium to long-term loans	15,494,501	333,769	4.34	13,586,537	307,888	4.56
Total loans and advances to customers	19,500,822	402,959	4.17	17,407,872	382,339	4.42

ANALYSIS OF THE AVERAGE YIELD OF LOANS AND ADVANCES TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	Six months ended 30 June 2021			Six months ended 30 June 2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	10,528,639	211,775	4.06	9,170,420	198,996	4.36
Discounted bills	339,632	4,722	2.80	455,433	6,254	2.76
Personal loans	7,225,440	169,404	4.73	6,400,354	153,227	4.81
Overseas business	1,407,111	17,058	2.44	1,381,665	23,862	3.47
Total loans and advances to customers	19,500,822	402,959	4.17	17,407,872	382,339	4.42

Interest Income on Investment

Interest income on investment amounted to RMB127,855 million, representing an increase of RMB9,368 million or 7.9% as compared to the same period of last year, mainly due to the increase in investment.

decrease of RMB9,308 million or 43.5% as compared to the same period of last year, principally due to the dropped lending scale and foreign currency yield as compared to the same period of last year and other factors.

Interest Income on Due from Banks and Other Financial Institutions

Interest income on due from banks and other financial institutions was RMB12,071 million, representing a

Interest Expense

Interest Expense on Deposits

Interest expense on deposits amounted to RMB190,688 million, representing an increase of RMB13,416 million or 7.6% as compared to the same period of last year, mainly due to the expansion in the size of due to customers.

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

Item	Six months ended 30 June 2021			Six months ended 30 June 2020		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time deposits	4,822,432	58,206	2.43	4,536,974	53,725	2.38
Demand deposits	6,945,498	27,951	0.81	6,427,278	24,832	0.78
Subtotal	11,767,930	86,157	1.48	10,964,252	78,557	1.44
Personal deposits						
Time deposits	6,136,842	90,529	2.97	5,613,283	81,222	2.91
Demand deposits	5,015,748	8,795	0.35	4,382,010	8,560	0.39
Subtotal	11,152,590	99,324	1.80	9,995,293	89,782	1.81
Overseas business	994,506	5,207	1.06	921,709	8,933	1.95
Total deposits	23,915,026	190,688	1.61	21,881,254	177,272	1.63

Discussion and Analysis

Interest Expense on Due to Banks and Other Financial Institutions

Interest expense on due to banks and other financial institutions was RMB21,838 million, representing a decrease of RMB7,885 million or 26.5% as compared to the same period of last year, principally because the borrowing cost dropped as affected by the market interest rates, product maturity and structure and other factors.

Interest Expense on Debt Securities Issued

Interest expense on debt securities issued was RMB14,983 million, indicating a decrease of RMB1,263 million or 7.8% over the same period of last year, mainly attributable to the decrease in the interest rates of certificates of deposit, financial bonds and bills issued by overseas institutions. Please refer to “Note 28. to the Consolidated Financial Statements: Debt Securities Issued” for the debt securities issued by the Bank.

Non-interest Income

In the first half of 2021, non-interest income increased by RMB7,658 million or 9.3% to RMB90,113 million, accounting for 21.1% of the Bank’s operating income. Specifically, net fee and commission income grew by

RMB385 million or 0.5% to RMB75,943 million, and other non-interest income increased by RMB7,273 million or 105.5% to RMB14,170 million.

In the first half of 2021, the Bank’s net fee and commission income hit RMB75,943 million, representing an increase of RMB385 million or 0.5% as compared to the same period of last year. The income from settlement, clearing business and cash management recorded an increase of RMB1,733 million, as mainly benefited from the increase in third-party payment business income. The income from personal wealth management and private banking services recorded an increase of RMB1,080 million, mainly due to the increase in income from agency personal fund business, personal wealth management sales fee and investment management fee. Income from asset custody business climbed by RMB492 million, principally due to the increase in income from securities investment fund custody. Income from investment banking business increased by RMB321 million, mainly attributable to the increase in income from year-round financial advisory and securitization services. The Bank adhered to the business transformation and implemented policies like fee reduction and profit concessions. As a result, the income from bank card business, guarantee and commitment business, corporate wealth management services etc. decreased as compared to the same period of last year.

NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

Item	Six months ended 30 June 2021	Six months ended 30 June 2020	Increase/ (decrease)	Growth rate (%)
Settlement, clearing business and cash management	21,949	20,216	1,733	8.6
Personal wealth management and private banking services	16,354	15,274	1,080	7.1
Investment banking business	15,117	14,796	321	2.2
Bank card business	8,020	9,957	(1,937)	(19.5)
Guarantee and commitment business	7,256	7,672	(416)	(5.4)
Corporate wealth management services	7,238	7,622	(384)	(5.0)
Asset custody business	4,512	4,020	492	12.2
Trust and agency services	1,196	1,057	139	13.2
Other	1,590	1,593	(3)	(0.2)
Fee and commission income	83,232	82,207	1,025	1.2
Less: Fee and commission expense	7,289	6,649	640	9.6
Net fee and commission income	75,943	75,558	385	0.5

OTHER NON-INTEREST RELATED GAINS

In RMB millions, except for percentages

Item	Six months ended 30 June 2021	Six months ended 30 June 2020	Increase/ (decrease)	Growth rate (%)
Net trading income/(expense)	6,047	(1,635)	7,682	N/A
Net gain on financial investments	2,952	7,987	(5,035)	(63.0)
Other operating income, net	5,171	545	4,626	848.8
Total	14,170	6,897	7,273	105.5

Other non-interest related gains amounted to RMB14,170 million, representing an increase of RMB7,273 million or 105.5% as compared to the same period of last year. Among these, changes in net trading income were mainly due to the increase in proceeds from derivative contracts;

the decrease in net gain on financial investments was primarily a result of the decline of income from principal-guaranteed wealth management investment; the rise in other net operating income was mainly attributable to the increase in net gain on foreign exchange and foreign exchange products.

Operating Expenses

In RMB millions, except for percentages

Item	Six months ended 30 June 2021	Six months ended 30 June 2020	Increase/ (decrease)	Growth rate (%)
Staff costs	60,179	54,938	5,241	9.5
Property and equipment expenses	13,179	12,574	605	4.8
Taxes and surcharges	4,646	4,406	240	5.4
Amortisation	1,267	1,171	96	8.2
Other	15,720	14,836	884	6.0
Total	94,991	87,925	7,066	8.0

Impairment Losses on Assets

In the first half of 2021, the Bank set aside the impairment losses on assets of RMB124,547 million, a decrease of RMB909 million or 0.7% as compared to the same period of last year. Specifically, the impairment losses on loans was RMB102,257 million, indicating a decrease of RMB9,448 million or 8.5%. Please refer to "Note 17. to the Consolidated Financial Statements: Loans and Advances to Customers; Note 9. to the Consolidated Financial Statements: Impairment Losses on Assets" for details.

Income Tax Expense

Income tax expense increased by RMB4,006 million or 10.1% to RMB43,561 million as compared to the same period of last year. The effective tax rate was 20.94%. Please see "Note 10. to the Consolidated Financial Statements: Income Tax Expense" for the reconciliation of income tax expense at the PRC statutory income tax rate and the effective income tax expense.

Discussion and Analysis

Summary Geographical Segment Information

In RMB millions, except for percentages

Item	Six months ended 30 June 2021		Six months ended 30 June 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Operating income	426,406	100.0	402,346	100.0
Head Office	67,251	15.8	55,780	13.9
Yangtze River Delta	68,536	16.1	66,464	16.5
Pearl River Delta	53,468	12.5	51,869	12.9
Bohai Rim	73,048	17.1	71,327	17.7
Central China	52,666	12.4	49,843	12.4
Western China	62,990	14.8	60,854	15.1
Northeastern China	14,630	3.4	15,610	3.9
Overseas and other	33,817	7.9	30,599	7.6
Profit before taxation	208,070	100.0	189,351	100.0
Head Office	19,123	9.2	19,503	10.3
Yangtze River Delta	39,772	19.1	32,900	17.4
Pearl River Delta	27,489	13.2	27,560	14.6
Bohai Rim	39,277	18.9	36,250	19.1
Central China	26,250	12.6	21,386	11.3
Western China	31,891	15.3	29,897	15.8
Northeastern China	3,128	1.5	6,150	3.2
Overseas and other	21,140	10.2	15,705	8.3

Note: Please see "Note 43. to the Consolidated Financial Statements: Segment Information" for details.

Balance Sheet Analysis

In the first half of 2021, in response to complicated and severe external development trends and business challenges, the Bank earnestly implemented China's macroeconomic and financial policies and regulatory requirements, and comprehensively applied asset and liability management tools in a high-quality development-oriented manner. The Bank coordinated the aggregate scale and distribution of assets and liabilities, and continuously promoted the dynamic balance, optimization and adjustment of asset and liability mix structure, regional structure, maturity structure and interest rate structure, further improving the resource allocation efficiency of assets and liabilities.

Assets Deployment

As at the end of June, total assets of the Bank amounted to RMB35,136,284 million, RMB1,791,226 million or 5.4% higher than that at the end of the prior year. Specifically, total loans and advances to customers (collectively referred to as "total loans") increased by RMB1,372,459 million or 7.4% to RMB19,996,767 million, investment increased by RMB254,511 million or 3.0% to RMB8,845,650 million, and cash and balances with central banks increased by RMB114,481 million or 3.2% to RMB3,652,276 million.

Discussion and Analysis

In RMB millions, except for percentages

Item	At 30 June 2021		At 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	19,996,767	—	18,624,308	—
Add: Accrued interest	45,625	—	42,320	—
Less: Allowance for impairment losses on loans and advances to customers measured at amortised cost	590,101	—	530,300	—
Net loans and advances to customers ⁽¹⁾	19,452,291	55.4	18,136,328	54.4
Investment	8,845,650	25.2	8,591,139	25.8
Cash and balances with central banks	3,652,276	10.4	3,537,795	10.6
Due from banks and other financial institutions	1,018,469	2.9	1,081,897	3.2
Reverse repurchase agreements	1,014,726	2.9	739,288	2.2
Other	1,152,872	3.2	1,258,611	3.8
Total assets	35,136,284	100.0	33,345,058	100.0

Note: (1) Please see “Note 17. to the Consolidated Financial Statements: Loans and Advances to Customers” for details.

Loan

The Bank steadily served the development of the real economy, actively supported the construction of “Two New and One Major”¹ projects, and continuously increased credit granting to manufacturing, strategic emerging industries, inclusive finance, green finance,

rural revitalization and other key areas. As at the end of June, total loans amounted to RMB19,996,767 million, RMB1,372,459 million or 7.4% higher compared with the end of the previous year, of which RMB denominated loans of domestic branches were RMB18,065,597 million, RMB1,260,379 million or 7.5% higher than that at the end of 2020.

DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 30 June 2021		At 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans	12,098,255	60.5	11,102,733	59.6
Short-term corporate loans	2,920,494	14.6	2,643,212	14.2
Medium to long-term corporate loans	9,177,761	45.9	8,459,521	45.4
Discounted bills	322,709	1.6	406,296	2.2
Personal loans	7,575,803	37.9	7,115,279	38.2
Residential mortgages	6,033,415	30.2	5,728,315	30.8
Personal consumption loans	182,189	0.9	183,716	0.9
Personal business loans	657,204	3.3	521,638	2.8
Credit card overdrafts	702,995	3.5	681,610	3.7
Total	19,996,767	100.0	18,624,308	100.0

¹ “Two New and One Major” refers to the construction of new infrastructure, new urbanization, transportation, water conservancy and other major projects.

Discussion and Analysis

Corporate loans rose by RMB995,522 million or 9.0% from the end of last year. Specifically, short-term corporate loans and medium to long-term corporate loans increased by RMB277,282 million and RMB718,240 million respectively. New loans were mainly granted to key projects and leading and backbone enterprises in new urbanization, transportation, manufacturing and consumption upgrading services.

Personal loans increased by RMB460,524 million or 6.5% compared with the end of last year. Specifically, residential mortgages and personal business loans grew by RMB305,100 million and RMB135,566 million, respectively. The increase of personal business loans was primarily attributable to the growth of Quick Lending for Operation, Online Revolving Loan and other online financing and loan products.

Please see the section headed “Discussion and Analysis — Risk Management” for detailed analysis of the Bank’s loans and their quality.

Investment

As at the end of June, investment amounted to RMB8,845,650 million, representing an increase of RMB254,511 million or 3.0% from the end of the previous year. Among these, bonds rose by RMB318,593 million or 4.0% to RMB8,372,786 million.

In RMB millions, except for percentages

Item	At 30 June 2021		At 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Bonds	8,372,786	94.7	8,054,193	93.8
Equity instruments	179,813	2.0	175,698	2.0
Funds and other ⁽¹⁾	186,468	2.1	262,800	3.1
Accrued interest	106,583	1.2	98,448	1.1
Total	8,845,650	100.0	8,591,139	100.0

Note: (1) Includes assets invested by funds raised by the issuance of principal-guaranteed wealth management products by the Bank.

DISTRIBUTION OF INVESTMENT IN BONDS BY ISSUERS

In RMB millions, except for percentages

Item	At 30 June 2021		At 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	5,864,453	70.0	5,737,368	71.2
Central bank bonds	46,634	0.6	32,072	0.4
Policy bank bonds	756,949	9.0	725,625	9.0
Other bonds	1,704,750	20.4	1,559,128	19.4
Total	8,372,786	100.0	8,054,193	100.0

In terms of distribution by issuers, government bonds increased by RMB127,085 million or 2.2% over the end of last year; central bank bonds increased by RMB14,562

million or 45.4%; policy bank bonds went up by RMB31,324 million or 4.3%; and other bonds increased by RMB145,622 million or 9.3%.

DISTRIBUTION OF INVESTMENT IN BONDS BY REMAINING MATURITY

In RMB millions, except for percentages

Remaining maturity	At 30 June 2021		At 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Undated ⁽¹⁾	39	0.0	35	0.0
Less than 3 months	572,664	6.8	495,137	6.1
3 to 12 months	902,274	10.8	978,923	12.2
1 to 5 years	3,614,318	43.2	3,493,342	43.4
Over 5 years	3,283,491	39.2	3,086,756	38.3
Total	8,372,786	100.0	8,054,193	100.0

Note: (1) Refers to overdue bonds.

DISTRIBUTION OF INVESTMENT IN BONDS BY CURRENCY

In RMB millions, except for percentages

Item	At 30 June 2021		At 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
RMB-denominated bonds	7,622,905	91.1	7,388,349	91.8
USD-denominated bonds	505,067	6.0	436,381	5.4
Other foreign currency bonds	244,814	2.9	229,463	2.8
Total	8,372,786	100.0	8,054,193	100.0

In terms of currency structure, RMB-denominated bonds rose by RMB234,556 million or 3.2% over the end of last year. USD-denominated bonds increased by an equivalent of RMB68,686 million, up 15.7%; other foreign currency bonds increased by an equivalent of RMB15,351 million

or 6.7%. During the reporting period, the Bank improved the investment portfolio structure of foreign currency bonds and properly increased the investment in bonds denominated in other currencies.

DISTRIBUTION OF INVESTMENT BY MEASURING METHOD

In RMB millions, except for percentages

Item	At 30 June 2021		At 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial investments measured at fair value through profit or loss	701,972	7.9	784,483	9.1
Financial investments measured at fair value through other comprehensive income	1,609,127	18.2	1,540,988	17.9
Financial investments measured at amortised cost	6,534,551	73.9	6,265,668	73.0
Total	8,845,650	100.0	8,591,139	100.0

As at the end of June, the Group held RMB1,702,970 million of financial bonds¹, including RMB756,949 million of policy bank bonds and RMB946,021 million of bonds

issued by banks and non-bank financial institutions, accounting for 44.4% and 55.6% of financial bonds, respectively.

¹ Financial bonds refer to the debt securities issued by financial institutions on the bond market, including bonds issued by policy banks, banks and non-bank financial institutions but excluding debt securities related to restructuring and central bank bonds.

Discussion and Analysis

TOP 10 FINANCIAL BONDS HELD BY THE BANK

In RMB millions, except for percentages

Bond name	Nominal value	Annual interest rate (%)	Maturity date	Allowance for impairment losses ⁽¹⁾
Policy bank bonds 2015	20,700	4.21	13 April 2025	–
Policy bank bonds 2020	19,469	3.23	23 March 2030	–
Policy bank bonds 2020	18,424	2.96	17 April 2030	–
Policy bank bonds 2019	17,667	3.45	20 September 2029	–
Policy bank bonds 2019	17,075	3.48	8 January 2029	–
Policy bank bonds 2015	16,250	4.29	7 April 2025	–
Policy bank bonds 2020	15,159	3.79	26 October 2030	–
Policy bank bonds 2020	14,292	3.70	20 October 2030	–
Policy bank bonds 2015	13,435	3.81	5 February 2025	–
Policy bank bonds 2020	12,907	3.74	16 November 2030	–

Note: (1) Excludes stage 1 allowance for impairment losses set aside in accordance with the expected credit loss model.

Reverse Repurchase Agreements

The reverse repurchase agreements were RMB1,014,726 million, an increase of RMB275,438 million or 37.3% compared to the end of last year, mainly because the Bank appropriately arranged capital operation strategy and maturity structure based on the capital changes in the first half of the year, and increased the amount of money lent to the market.

Liabilities

As at the end of June, total liabilities reached RMB32,089,477 million, an increase of RMB1,653,934 million or 5.4% compared with the end of last year.

In RMB millions, except for percentages

Item	At 30 June 2021		At 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Due to customers	26,602,333	82.9	25,134,726	82.6
Due to banks and other financial institutions	2,977,531	9.3	2,784,259	9.1
Repurchase agreements	299,476	0.9	293,434	1.0
Debt securities issued	781,671	2.4	798,127	2.6
Other	1,428,466	4.5	1,424,997	4.7
Total liabilities	32,089,477	100.0	30,435,543	100.0

Due to Customers

Due to customers is the Bank's main source of funds. As at the end of June, the balance of due to customers was RMB26,602,333 million, RMB1,467,607 million or 5.8% higher than that at the end of the previous year. In terms of customer structure, the balance of corporate deposits grew by RMB569,809 million or 4.4%; and the balance of personal deposits increased by RMB826,624 million

or 7.1%. In terms of maturity structure, the balance of time deposits rose by RMB791,437 million or 6.6%, while the balance of demand deposits grew by RMB604,996 million or 4.8%. In terms of currency structure, RMB deposits stood at RMB24,853,648 million, an increase of RMB1,281,656 million or 5.4%. Foreign currency deposits were equivalent to RMB1,748,685 million, an increase of RMB185,951 million or 11.9%.

DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 30 June 2021		At 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate deposits				
Time deposits	5,613,136	21.1	5,489,700	21.8
Demand deposits	7,901,533	29.7	7,455,160	29.7
Subtotal	13,514,669	50.8	12,944,860	51.5
Personal deposits				
Time deposits	7,131,930	26.8	6,463,929	25.7
Demand deposits	5,355,230	20.1	5,196,607	20.7
Subtotal	12,487,160	46.9	11,660,536	46.4
Other deposits⁽¹⁾	290,810	1.1	261,389	1.0
Accrued interest	309,694	1.2	267,941	1.1
Total	26,602,333	100.0	25,134,726	100.0

Note: (1) Includes outward remittance and remittance payables.

DISTRIBUTION OF DUE TO CUSTOMERS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 30 June 2021		At 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	36,211	0.1	42,611	0.2
Yangtze River Delta	5,468,974	20.6	5,057,963	20.0
Pearl River Delta	3,591,371	13.5	3,335,179	13.3
Bohai Rim	6,815,758	25.6	6,733,969	26.8
Central China	3,882,693	14.6	3,608,490	14.4
Western China	4,350,567	16.4	4,072,459	16.2
Northeastern China	1,414,604	5.3	1,308,155	5.2
Overseas and other	1,042,155	3.9	975,900	3.9
Total	26,602,333	100.0	25,134,726	100.0

Discussion and Analysis

Shareholders' Equity

As at the end of June, shareholders' equity amounted to RMB3,046,807 million in aggregate, RMB137,292 million or 4.7% higher than that at the end of the previous year. Equity attributable to equity holders of the parent company recorded an increase of RMB136,388 million or 4.7% to RMB3,029,890 million. Please refer to the "Consolidated Financial Statements: Consolidated Statement of Changes in Equity" for details.

Off-balance Sheet Items

The off-balance sheet items of the Bank mainly include derivative financial instruments, contingencies and commitments. For details on the nominal amount and fair value of derivatives financial instruments, please refer to "Note 15. to the Consolidated Financial Statements: Derivatives Financial Instruments". For details on contingencies and commitments, please refer to "Note 38. to the Consolidated Financial Statements: Commitments and Contingent Liabilities; Note 39. to the Consolidated Financial Statements: Designated Funds and Loans".

Analysis on Statement of Cash Flows

Net cash inflows from operating activities amounted to RMB377,546 million, representing a decrease of RMB1,496,187 million as compared to the same period of last year, mainly attributable to decreased cash inflows resulted from a decrease of due to customers and due to

banks and other financial institutions. Specifically, cash outflows of operating assets increased by RMB329,449 million and cash inflows of operating liabilities decreased by RMB1,189,160 million.

Net cash outflows from investing activities amounted to RMB216,564 million. Specifically, cash inflows were RMB1,428,639 million, representing an increase of RMB346,229 million as compared to the same period of last year, mainly due to the increased cash inflows received from the sale and redemption of financial investment; and cash outflows were RMB1,645,203 million, representing an increase of RMB2,404 million, mainly due to the increase in cash outflows paid for financial investment.

Net cash outflows from financing activities amounted to RMB40,260 million, of which, cash inflows were RMB487,449 million, mainly due to the cash received from the issuance of debt securities; and cash outflows were RMB447,189 million, mainly due to the cash repayment of debt securities.

Reconciliation of Differences between the Financial Statements Prepared under PRC GAAP and Those under IFRSs

In respect of the financial statements of the Bank prepared under PRC GAAP and those under IFRSs, net profit attributable to equity holders of the parent company for the six months ended 30 June 2021 and equity attributable to equity holders of the parent company as at the end of the reporting period have no differences.

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SUMMARY OPERATING SEGMENT INFORMATION

In RMB millions, except for percentages

Item	Six months ended 30 June 2021		Six months ended 30 June 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Operating income	426,406	100.0	402,346	100.0
Corporate banking	205,969	48.3	200,773	49.9
Personal banking	169,370	39.7	156,888	39.0
Treasury operations	48,889	11.5	42,476	10.6
Other	2,178	0.5	2,209	0.5
Profit before taxation	208,070	100.0	189,351	100.0
Corporate banking	72,846	35.0	77,613	41.0
Personal banking	97,294	46.8	78,123	41.3
Treasury operations	37,627	18.1	34,301	18.1
Other	303	0.1	(686)	(0.4)

Note: Please see “Note 43. to the Consolidated Financial Statements: Segment Information” for details.

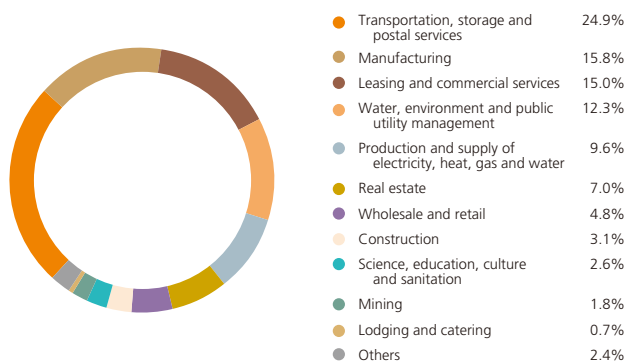
Corporate Banking

The Bank focused on the key areas and weaker links of the real economy, rationalized the supply of financial resources and attached greater importance to new manufacturing, new services, new basic industries and high-tech customers. At the end of June, the balance of domestic RMB corporate loans stood at RMB10.3 trillion, breaking the RMB10 trillion mark firstly among peers, an increase of RMB890.1 billion over the end of the previous year. The increment hit a record high.

- ✧ The Bank served the high-quality development of manufacturing. The Bank launched the “Year of Deepening Financial Services for Manufacturing” campaign and entered into strategic cooperation agreements with the Ministry of Industry and Information Technology. At the end of June, the balance of corporate loans to manufacturing reached RMB1.83 trillion, an increase of RMB183.6 billion over the end of the previous year. The Bank topped the industry by size of corporate loans to manufacturing and medium to long-term corporate loans to manufacturing.
- ✧ The Bank supported China’s technological self-reliance and self-sufficiency drive. The Bank signed the strategic cooperation agreement with the Ministry of Science and Technology to enhance the technological innovation for financial services. At the end of June, the balance of corporate loans to high-tech fields exceeded RMB1 trillion and the balance of loans to strategic emerging industries was RMB868.3 billion.

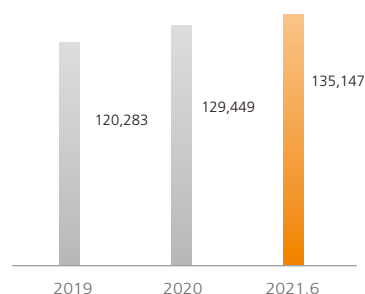
Discussion and Analysis

Domestic Corporate Loans by Industry



Corporate Deposits

Unit: RMB100 millions



- ✧ Integrated financial services were provided for private enterprises. The Bank adhered to the principle of merit-based service regardless of ownership type, scale and industry. At the end of June, the balance of loans to private enterprises reached RMB3.43 trillion.
- ✧ Green finance was carried out in pursuit of green development. The Bank actively supported the green transformation and upgrading of traditional manufacturers, with a focus on the financial service needs of green industries such as clean energy and green transport. In the first half of 2021, the Bank provided underwriting services for the first batch of carbon-neutral bonds, rural vitalization bonds, sustainability-linked bonds and high growth bonds.
- ✧ The Bank actively involved itself in coordinated regional development strategies. The Bank enhanced financial support for China's major regional development strategies, including the coordinated development of the Beijing-Tianjin-Hebei region, integrated development of the Yangtze Economic Belt, the Guangdong-Hong Kong-Macao Greater Bay Area, the rise of Central China and the Chengdu-Chongqing Economic Circle. At the end of June, the balance of corporate loans in the above regions totaled RMB7.3 trillion, accounting for 71% of the balance of domestic RMB corporate loans, and increased by RMB654.3 billion over the end of the previous year.
- ✧ The "net making and patching" program was carried out to strengthen the customer base. The Bank carried out the customer expansion and quality

enhancement campaign, worked hard on customer retention and stepped up efforts to form high-quality customer groups with a large scale, sound structure, strong stickiness and substantial contributions. At the end of June, the Bank maintained 9,245 thousand corporate customers, representing an increase of 602 thousand from the end of the previous year. Corporate deposits reached RMB13,514,669 million, representing an increase of RMB569,809 million or 4.4%.

Inclusive Finance

Keeping in line with China's 14th Five-Year Plan and the long-range objectives through the year 2035, the Bank based its work on the new stage of development, implemented new development philosophy and served the new development paradigm. The Bank exerted every effort to pursue high-quality development of inclusive finance in terms of increment, structure, service and risk control, regarding it as a crucial move to better serve the real economy and enhance its own competitiveness.

- ✧ Inclusive finance gained pace to provide a steady stream of inclusive credit supply efficiently. Persistently oriented to digital financial inclusion, the Bank stepped up efforts to refine the centralized operation system and the online-offline integrated service channel fit for the characteristics of digital financial inclusion, and bolstered the continuous and rapid growth in inclusive loans and customers.

- ◇ Inclusive finance was rebalanced to ensure targeted support for key fields of financial inclusion. In meeting the demand of the real economy, the Bank increased loan issuance, loan renewals, unsecured lending and medium to long-term loans to small and micro enterprises. The incremental number of first-time borrowers increased by 40% compared to the same period of last year. The regional deployment was optimized by accelerating business growth in regions where small and micro enterprises were active and could serve as major growth drivers. Stronger support was provided for regions with weaker business foundation to realize “successive development”.
- ◇ Services were upgraded to enhance the professional skills in inclusive finance. The Bank tapped the value of data to sharpen the edge of digital products. Quick Lending for Operation, an unsecured facility, was issued at a significantly faster pace, growing by over 70% over the beginning of the year. The supply chain business was successfully launched in Tibet Autonomous Region, covering 32 provinces, autonomous regions and municipalities across China. Based on its strengths in diversified operation, the Bank provided integrated inclusive finance services that combined financing, consulting and commercial services by tapping customer demand. The “ICBC Inclusive Finance Travel” event series was continuously carried out to gradually shape a set of inclusive finance business models that are strategically valuable. Leveraging on its strong service networks at home and abroad, the Bank rolled out the “ICBC Business Matchmaker” cross-border matchmaking platform that is available for free to global enterprises. The platform provides smart, full-process, online and offline cross-border matchmaking services, granting small and medium enterprises one-point access to global industry chains on a 7×24 basis.
- ◇ Development pace was better coordinated with quality, backed by sound risk control. In an ongoing effort to deepen the FinTech application, the Bank built a full-process risk control system for inclusive finance featuring “digital access”, “smart risk control” and “online and offline cross-validation”. The online-offline coordinated risk control became increasingly more efficient to enable earlier risk control, dynamic monitoring, real-time warning and multi-level handling and continuously improve the quality of inclusive loan assets.
- ◇ At the end of June, the balance of small and micro enterprise loans within the scope of inclusive finance amounted to RMB1,011,895 million, representing an increase of RMB291,295 million or 40.4% over the

beginning of the year. These loans were issued to 727 thousand customers, representing an increase of 136 thousand customers. In the first half of 2021, “First Loan” services were provided to 27 thousand small and micro enterprises accumulatively. The new inclusive loans were issued at an average interest rate of 4.10%. At the end of June, farmer business loans and small and micro enterprise agriculture-related loans which belonged to the scope of inclusive loans combined to RMB209,031 million, representing an increase of RMB56,844 million or 37.4% over the beginning of the year. These loans were issued to 128 thousand customers, representing an increase of 30 thousand customers. The Bank had 335 small and micro enterprise banking centers, an increase of 11 centers over the end of the previous year.

Institutional Banking

- ◇ The number of institutional customers grew rapidly in the first half of 2021, showing a retained leading edge in customer bases of fiscal authorities, social security and peers. The Bank actively developed its customer base associated with agriculture, rural areas and farmers through the “Digital Villages” comprehensive service platform, seeing a fast-growing number of customers from agricultural and rural authorities, rural collectives and joint-stock economic cooperatives at all levels. At the end of June, institutional deposits and interbank deposits ranked first across the industry.

Settlement and Cash Management

- ◇ The “Enterprise Link” platform was applied more broadly to provide customers with one-stop account services, including business registration services and corporate account opening. At the end of June, the “Enterprise Link” platform had served 450 thousand newly registered firms accumulatively. The “Corporate Smart Deposit Link” deposit product was developed and launched. The “ICBC e BillPay”, “ICBC e Corporate Payment”, the ICBC Small and Micro Finance Platform and the “ICBC Pooling” platform were functionally improved to provide better customer services. The Supply Chain Cloud, the Construction Cloud, the Government Procurement Cloud and the Medicine Purchase Cloud empowered the upgrading to digital supply chains, enhancing the ability to serve core enterprises and the broader industry chains. In implementing the work requirements related to fee reduction and profit concessions, the Bank reduced some of the service fees for small and micro enterprises and self-employed individuals in a proactive manner.

Discussion and Analysis

- ✧ At the end of June, the Bank maintained 10,727 thousand corporate accounts, representing an increase of 621 thousand from the end of the previous year. There were 1,283 thousand cash management customers and 9,197 global cash management customers. In the first half of the year, corporate settlements amounted to RMB1,275.44 trillion, up 7.4% compared to the same period of last year.

Investment Banking

- ✧ The Bank carried out the merger and acquisition (M&A) business with a focus on the reform of state-owned enterprises, capital markets, industrial integration and the Belt and Road Initiative. As the first bank to issue more than RMB1 trillion of M&A financing accumulatively, the Bank maintained a leading position in the domestic and overseas M&A markets. By number of M&A deals led by the Bank, the Bank ranked first in China in Refinitiv's ranking of "Any Chinese Involvement Announced Completed" and first in the ranking of "China Outbound Announced M&A".
- ✧ Stronger support was provided for modern service sectors, strategic emerging industries, digital economy and private sectors through investment-loan interconnection and commerce-investment interaction. Innovative equity financing products were introduced to help enterprises improve their capital structure and provide funding for major infrastructure projects. The actively managed asset securitization business was promoted to meet the corporate demand for comprehensive financial services. The Bank advanced the innovation of advisory services for financing rearrangement and debt restructuring of large enterprises in distress, and actively moved forward financial services and risk prevention, so as to relieve customers' liquidity pressure and lower potential risks. It effectively helped the customers to accelerate its digital transformation and upgrade by innovatively introducing the Intelligence Service Processing, originally launching the Electronic Confirmation Platform and comprehensively providing "ICBC e Security" risk identification, "ICBC e Intelligence" think tank and "ICBC e RM" financial analysis services.
- ✧ In the first half of 2021, the Bank acted as the lead underwriter for 1,045 domestic bond projects with a total value of RMB866,972 million. The Bank acted as the lead underwriter for 24 green bonds totaling RMB21,728 million, ranking first in the market. The

Bank acted as the lead underwriter for nine rural vitalization bonds totaling RMB9.7 billion, ranking first in the market, with proceeds earmarked for key fields including rural industry development and urban-rural transport integration.

Discounted Bills

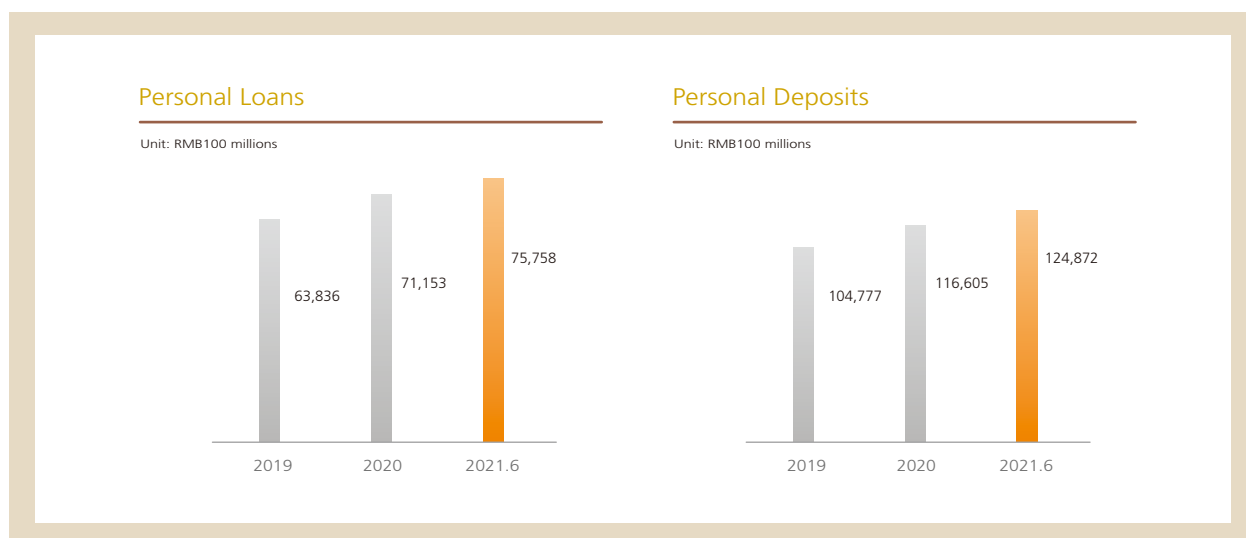
- ✧ The Bank actively innovated supply chain finance in the field of discounted bills. "ICBC e Discount" and "Supply Chain Bill Pay", among other products, were used to provide enterprises with quick access to funding through bill discounting. The green bill rediscounting business was carried out to support development of green enterprises and green finance.
- ✧ In the first half of 2021, discounted bills amounted to RMB926,311 million, representing a year-on-year increase of 5.3%. Discounted bills of small and micro enterprises stood at RMB256,455 million. At the end of June, the balance of discounted bills of small and micro enterprises was RMB180,120 million.

Personal Banking

Under the No.1 Personal Bank Strategy, the Bank remained customer-centric to optimize the customer ecosystem, strengthen FinTech empowerment, refine systems and mechanisms and vitalize operations. New achievements and breakthroughs were made in in-depth implementation of the strategy. The Bank took the first place in the "Most Valuable Global Retail Banking Brands" ranking of the UK's Brand Finance for the third consecutive year.

- ✧ Business development achieved new milestones. At the end of June, personal financial assets totaled RMB16.6 trillion, hitting a fresh record high and retaining the market leadership. Specifically, personal deposits were RMB12,487,160 million, representing an increase of RMB826,624 million or 7.1% over the end of the previous year. The daily average balance of personal deposits exceeded RMB11 trillion. Personal non-principal-guaranteed wealth management products totaled RMB1.88 trillion, dominating the market. Outstanding personal loans stood at RMB7,575,803 million, an increase of RMB460,524 million or 6.5% over the end of the previous year.

- ✧ The customer base was increasingly fortified. The number of individual customers reached 690 million at the end of the reporting period, representing nearly half of China's population. Of them, the number of private banking customers was 198 thousand, retaining a market leadership. Personal mobile banking remained No.1 across the industry by total number of users, incremental number of users and monthly active customers.
- ✧ Both quality and earnings were improved. Personal banking services became the major contributor to the Bank's operating income growth. Personal loans and credit card overdrafts showed a decline in both ratio and balance of NPLs. Personal loans had a non-performing ratio of 0.48%, and credit card overdrafts had a non-performing ratio of 1.81%, both down 8 basis points over the end of last year, highlighting personal banking as a ballast stone and stabilizer for the Bank's operations.
- ✧ Digital transformation moved forward steadily. The Bank stepped up FinTech-empowered innovation in the "online, open, direct and smart" direction, boosted the outward supply of financial services and drove the transformation and upgrading of personal banking services. The "ICBC e Wallet" open banking brand was launched, serving over 35.00 million personal customers accumulatively, so that the Bank could work with partners to better serve the financial demand of retail customers and tell good stories of open banking.
- ✧ The Bank served the real economy effectively. The innovative personal consumption and business loan facility backed by residential properties was promoted to a full scale. Such marketing campaigns as "Home-backed Finance", "Merchants Mate" and "Online Merchants Loan" were carried out to boost the personal demand for consumption and investment and smooth the domestic cycle of the economy. As at the end of June 2021, the balance of inclusive loans to individuals stood at RMB561.3 billion, an increase of RMB146.6 billion or 35.4% over the end of the previous year.
- ✧ The bank of people's satisfaction drive entered a new chapter. The new-generation individual customer service system was launched. The "ICBC Star Privileges" non-financial enhanced benefits brand was built to boost the customers' sense of gain and satisfaction. The Bank rolled out the "ICBC with You" brand, to empower the elderly care services across the board in an effort to serve the public wellbeing as a responsible large bank.



Discussion and Analysis

Private Banking

- ✧ The private banking product system was improved comprehensively. The Bank optimized the group-wide product allocations through precision marketing to customers, shifting from marketing of individual products to wealth management services with asset allocations at the core.
- ✧ The “wealth advisor + investment consultant” service pattern was strengthened. The “Vanguard Team” composed of elite investment consultants was established to coordinate the investment research opinions with asset allocation logic, with a focus on enhancing the professional skills of consultants.
- ✧ The Bank actively served the family business customer groups. The private banking customers management and tiered service system was refined, with explorations made to create a “customers-family-enterprises-society” chain marketing strategy and form a family business customers service ecosphere featuring positive interaction and complementary strengths. Through Group-wide integration of resources, precision marketing scenarios were created to progressively build the “Entrepreneurs Refuel Station” and strengthen the empowerment of private enterprises by supporting their owners. Greater marketing effort was made to promote the integrated advisory services for family trusts, the family trust marketing workshop was held and the innovative equity and charitable family trust service models were created to carry forward the entrepreneurship and promote the philosophy of philanthropic wealth to the public.
- ✧ The Bank was awarded the “Best Private Bank in China” by *Asiamoney* and the “Best Private Bank in Asia by Customer Relationship Management” by *The Banker* of the UK. At the end of June, the Bank maintained 198 thousand private banking customers, representing an increase of 16 thousand from the end of the previous year. Assets under management totaled RMB2.26 trillion, an increase of RMB77.4 billion.

A Thematic Marketing Campaign Named “Partners in Innovation for A Brighter Future”

To implement the strategy of building the “No.1 Personal Bank” continuously, ICBC enhanced the comprehensive service capabilities and brand influence of its private banking business. In the first half of the year, the Bank hosted eight sessions of the thematic marketing campaign called “Partners in Innovation for A Brighter Future” in Sichuan, Hubei, Shanghai, Guangdong, Shandong, Fujian, Shenzhen, Chongqing and other places successively. At these occasions, it invited experts from various fields to interpret macroeconomic policies, make industrial investment analysis, voice professional opinions for private banking customers; carried out a variety of public service and cultural activities with regional characteristics; and released a band-new promotional video clip for family trust business. As a result, customer marketing and maintenance scenarios were created for private banking business, to provide key customer groups with more meticulous, professional services. These activities drew an attendance of 25.5 thousand online and offline, thus raising the visibility of the private banking brand among high-end customer groups.

ICBC actively assisted key strategic regions of China in giving full play to their comparative advantages and leading high-quality development. The Bank upgraded private banking centers in key cities into “Entrepreneurs Refuel Stations” in phases, in an effort to boost the initiative, timeliness and effectiveness of service delivery on all fronts. At the same time, the “Partner Forum” brand was upgraded into an interactive service platform between the Bank and enterprises, with a view to creating service mechanisms and scenarios where personal banking and corporate banking could get integrated closely. Through financial forums, public benefit activities, and other forms, ICBC private banking did better in serving entrepreneurs and private enterprises and empowering them to create value for society.

Always pursuing the customer-centered approach and the core values of “sticking to integrity for steady progress”, ICBC helped private banking customers to constantly explore, innovate, and set trends for the industry along the path of wealth creation, preservation, and inheritance. Its private banking brand always carried forward the entrepreneurial spirit, fueled the development of private enterprises, and assumed responsibilities for channeling wealth to public service fields.

Bank Card Business

- ✧ In terms of debit cards, the Bank strengthened the card marketing campaigns including “Palace Museum Card Applicant Gifts” and “Cute Kids”. The consumer promotion events including the “Supermarket Festival”, “Happy New Year” and “Shared Spring Festival with ICBC” were carried out, sparking a sharp rise in the number of new debit cards issued as well as the cumulative number and value of debit card-based purchases.
- ✧ The Bank continued to improve its credit card business by the following efforts. The ICBC American Express Clear Card, the “Beautiful China • Sunny Hainan” Credit Card and the ICBC Global Travel Digital Card were newly issued. The pre-approval scheme was refined for high-quality customers. By promoting tailor-made plans for product design, credit policies, business procedures and service solutions, the Bank promoted its customer acquisition through GBC (government, business and consumption) collaboration. The Bank employed the differentiated multi-tier operation strategy to existing customer groups on the basis of customer profiling.
- ✧ Credit card installments business continued to be actively developed. The Bank strengthened headquarters-to-headquarters partnership in installment payments with high-quality automakers, 4S stores and top auto dealers, carried out headquarters-to-headquarters marketing by cooperating with industry leaders and high-quality retail chain merchants with nationwide presence. Explorations were made for pilot services of installment payment in the home improvement and furniture field.
- ✧ The Bank improved its ICBC e Life platform. The “Coupons & Vouchers” operation scenario went live on the platform, covering 44 well-known brands and 73 thousand stores. The “Car Life” Version 2.0 was launched, bringing together numerous service providers to build an integrated car owner service platform encompassing refueling/charging, car use and car maintenance.
- ✧ At the end of June, the Bank issued 1,150 million bank cards, representing an increase of 23.18 million cards from the end of the previous year, which consisted of 987.24 million debit cards and 162.93 million credit cards. Overdraft balance of credit cards rose by RMB21,385 million or 3.1% from the end of previous year to RMB702,995 million. In the first half of 2021, bank cards registered a consumption volume of RMB11.50 trillion, including RMB10.21 trillion of consumption with debit card and RMB1.29 trillion of consumption with credit card.

Asset Management Services

The Bank implemented regulatory requirements with resolve and seized the development opportunities to pursue transformation of asset management business and products in a steady manner and comprehensively enhance investment management and research capabilities. Relying on the strength of the Group’s asset management, custody and pension businesses, the Bank established an asset management business system allowing allocation of capital in all markets and value creation across the whole value chain and interconnecting with its comprehensive subsidiaries specialized in fund, insurance, leasing, investment banking and wealth management and served direct financing, thus to provide diversified, integrated and specialized services for the clients.

Wealth Management Services

- ✧ The Bank implemented regulatory requirements and the New Rules on Asset Management, in an ongoing effort to pursue steady transition and sound development of the asset management services during the transition period. The remediation plan for preexisting wealth management assets was carried out to tackle preexisting wealth management assets by such means as termination upon natural expiration, market-based transfer and recognition on balance sheet. The net worth-based transformation of wealth management products was further advanced, with the product mix and channel layout improved.
- ✧ As at the end of June, the Bank’s balance of wealth management products that conform to the new regulation reached RMB1,248.8 billion, an increase of RMB178.7 billion or 16.7% over the end of the previous year. For business developments of ICBC Wealth Management, please see the section headed “Business Overview — Diversified Operation”.

Asset Custody Services

- ✧ The Bank seized market opportunities and focused on marketing of key products. In the first half of 2021, 61 mutual funds with RMB3.5 trillion assets were newly managed under custody, representing an increase of RMB494.2 billion compared with the end of last year. Insurance assets under custody amounted to RMB5.7 trillion. Pension funds under custody reached RMB2.1 trillion, of which the corporate annuities under custody exceeded RMB800.0 billion for the first time. At the end of June, the total assets under custody reached RMB20.6 trillion, maintaining a leading position in the industry.

Discussion and Analysis

- ✧ The Bank was awarded as the “Custodian Bank of the Year in China” and the “Best Insurance Custodian, China” by *The Asset* and the “Custodian Bank of the Year in China (Mega Bank)” by *The Asian Banker* for the year 2021.

Pension Services

- ✧ Keeping in line with the national strategy of responding proactively to population aging, the Bank did its best to shift to aging finance. It endeavored to build a business ecosphere with pension finance, elderly service finance and pension industry finance, thereby enhancing public wellbeing as a responsible large bank.
- ✧ The Bank seized opportunities in the occupational annuity market and won the bids for trustee, custodian and portfolio manager of occupational annuity funds in 33 integrated management areas, ranking first by total scale of occupational annuity funds for which the Bank served in the three roles.
- ✧ At the end of June, the Bank recorded RMB367.5 billion in annuity funds under its trusteeship, 11,610 thousand individual enterprise annuity accounts and RMB1,055.4 billion in annuity funds under its custody. The Bank continued to lead other domestic banks in terms of the scale of enterprise annuity funds under its trusteeship, number of individual enterprise annuity accounts and enterprise annuity funds under its custody.

Financial Market Business

Money Market Activities

- ✧ The Bank developed reasonable money operation strategies for RMB and foreign currencies to safeguard the Bank’s liquidity and maintain market stability. In terms of RMB, the income from money operations was enhanced by appropriately arranging the financing terms, instruments and structure. Risk control requirements were strictly implemented to keep the operational risk loss rate at zero. In terms of foreign currencies, the foreign-currency money market operations toolkit was diversified by launching new businesses such as issuance of domestic foreign-currency negotiable certificates of deposit (NCDs) and foreign-currency repurchases backed by domestic foreign-currency NCDs. The Bank ranked among the top few market players in volume of domestic foreign-currency repurchases.

Investment

- ✧ In enhancing the quality and efficiency of the real economy, the Bank actively carried out bond investments with a focus on local government bonds and green bonds. In terms of RMB bonds, the Bank ranked first in the market by either incremental or total outstanding amount of investments in local government bonds. As one of the first investors in carbon-neutral bonds, sustainability-linked bonds and rural vitalization bonds, the Bank also led all peers by volume of green bond investments. The Bank also invested in bonds issued by high-quality manufacturers and private enterprises to meet their funding needs. In terms of foreign-currency bonds, the Bank actively expanded geographical coverage and currency range, scaled up portfolio investment as appropriate and optimized the portfolio structure to spread investment risks and boost the overall return and credit quality.

Financing

- ✧ Acting as a market stabilizer, the Bank carried out financing prudently to help transmit the monetary policy. A growing share of interbank deposits were processed online for higher efficiency. Risks were forestalled in a proactive manner to ensure compliance.
- ✧ For details on the Bank’s CDs and debt securities issued, please refer to “Note to the Consolidated Financial Statements: 26. Certificates of Deposit; 28. Debt Securities Issued”.

Franchise Treasury Business

- ✧ The Bank continued to include more currencies for foreign exchange settlement and sales and foreign exchange trading, to guide customers towards an exchange rate risk neutrality mindset. The foreign exchange settlement and sales included more than 40 currencies. In the first half of 2021, the volume of franchise foreign exchange settlement and sales and the franchise trading in foreign currencies grew rapidly. In recognition of its efforts to attract foreign institutional investors, the Bank was awarded the “Opening-up Contribution Award” by the National Interbank Funding Center and the “Outstanding Settlement Agent under Global Connect” by China Central Depository & Clearing Co., Ltd.

Asset Securitization Business

- ◇ In the first half of 2021, the Bank issued eight asset securitization programs totaling RMB44,305 million. Specifically, the issuance volume of Residential Mortgage Backed Security (RMBS) totaled RMB40,632 million.

Precious Metal Business

- ◇ To sharpen the edge of physical precious metal products, the Bank launched a series of products themed by holiday celebration and museum co-branding, such as “Blessed China”, “Happy Mother’s Day” and “Glorious Future”. As an innovative service, the Bank conducted the first “Re-export after Processing” business of standard gold ingot for corporate customers. In the first half of 2021, the Bank’s gold and silver trading on behalf of Shanghai Gold Exchange registered the largest trading or clearing amount of gold and silver in the exchange market, and was again awarded the “First Prize of Outstanding Financial Members” by Shanghai Gold Exchange.

FinTech

By formulating the FinTech development plan (2021–2023), the Bank stepped up the reform in management systems and mechanisms and fortified the new-type digital infrastructure to firmly guard the bottom line of production and operation safety, empower digital transformation and actively support the high-quality development of the Bank.

In 2021, the Bank ranked first in the banking industry for eight consecutive years in CBIRC’s national bank IT supervision ratings, leading all other Chinese banks.

Accelerating Reform in the Technological Governance System and Mechanism

The Bank deepened the FinTech organizational framework of “one department, three centers, one subsidiary and one research institute”, tapped deep into mechanism innovation, kept enhancing the responsiveness and supply capacity of financial innovation and sparked the bank-wide vitality in technological innovation.

- ◇ Breakthroughs in organizational layout were stepped up. ICBC Information and Technology (Beijing) Co., Ltd. was established to further boost ICBC Technology’s value-exporting capacity and market influence. In a well-organized effort to carry out the talent-oriented business development program, the Bank strengthened the “Tech Elite” campus recruitment and attracted socialized top talent in technology, explored how to create a FinTech talent pool mechanism featuring “tech cultivation — business use” and actively fostered a FinTech team with versatility in technology and business skills.
- ◇ With the aim of “solving technological difficulties and filling market gaps”, an open competition mechanism was established and piloted in four Crack Tough Nuts projects and 12 Agile Response projects. Project leaders were selected through an open and reasonable process, and the project team consisted of persons with the strongest competencies in technology and business.

FinTech Development Plan (2021–2023)

To further implement the guiding principles from the Fifth Plenary Session of the 19th CPC Central Committee, get precisely aligned with the 14th Five-Year Plan, implement the new development philosophy for the new stage of development, drive the FinTech innovation and digital development, empower business transformation on all fronts and serve the new development paradigm, the Bank formulated the ICBC FinTech Development Plan (2021–2023).

During the plan period, the Bank will significantly enhance its capability of technological innovation and financial innovation, lead the epoch-making digital gene reform of banks driven by technological self-reliance and self-sufficiency and digital reengineering and build a “tech-empowered bank” that is “agile, smart, ecosystem-based, digital and secure”. Specifically, the Bank aims to become an **“agile” bank** whose reform in mechanisms sparks internal driving forces, a **“smart” bank** where technology runs through front, middle and back offices, an **“ecosystem-based” bank** featuring connectivity and boundless integration, a **“digital” bank** whose digital assets unleash the vitality of new production elements and a **“secure” bank** with steady and controlled support for sustainable development.

Discussion and Analysis

◇ The FinTech Research Institute stepped the application of results from the innovative industry-university-research collaboration. The Bank endeavored to crack hard nuts by strengthening industry-university-research collaboration. Joint laboratories were set up for financial information infrastructure, 5G financial application and artificial intelligence with a focus on forward-looking technological fields, such as secure multiparty computation, federated learning, quantum technology, blockchain and 5G, thereby contributing to China's self-dependent innovation in science and technology. The Bank worked with universities and industry leaders to apply for two national technology programs under the 14th Five-Year Plan, i.e. underlying algorithm technological breakthrough and privacy protection technology, and strengthened cutting-edge technological innovation.

Fortifying Digital Infrastructure

By enhancing the research and application of cutting-edge technologies, the Bank built a series of 5G+ABCDI-based¹ new technology platforms with strong enterprise-level service capacity and an industry-wide leadership. As of the end of June 2021, the Bank was granted 939 patents accumulatively, ranked No.1 in the domestic banking industry.

◇ The new IT architecture of "core business systems + open ecosystems" was deepened. The Bank boosted the underlying platform capability based on cloud computing and distributed technology. ICBC Cloud Platform 3.0 become the first of its kind to provide proprietary cloud services. The total number of IaaS infrastructure cloud-to-cloud nodes reached 98 thousand, and the number of PaaS application service cloud containers exceeded 56 thousand. In addition, the Bank successfully passed the cybersecurity multi-level protection system 2.0 (MLPS 2.0) evaluation, becoming the first to meet the Private Cloud Level 4 and Eco-Cloud Level 3 security requirements. The Bank continued to consolidate its scale and technological strengths in cloud computing. It was the first to launch the function computing platform, using the auto-scaling ability of the function platform to speed up the go-live of business applications and expand the peak capacity of business systems. The Bank built China's first home-made analytical distributed database cluster with 480 servers, with an average daily call of 10.0 billion times.

◇ A series of leading new-type digital infrastructures were built. The Group's data middle-office was set up with a 100PB+ big data platform, knowledge graphs covering 4.9 billion entities and 20.0 billion relations and over 20,000 common and shared indicators, providing a broader range of data services in a more efficient and flexible manner, enhancing the ability to monetize the enterprise data value and increasingly boosting the data-driven power. The data processing capacity was enhanced across the board, helping more than 13 thousand analysts and data scientists in ad-hoc query and online data exploration. The AI technology system was upgraded. The Bank's Robot Process Automation (RPA) platform was the first in the industry to pass the RPA system and tool application maturity assessment conducted by the Ministry of Industry and Information Technology and China Academy of Information and Communications Technology. The Bank took the lead in creating an AI lifecycle operation and management framework, with the efficiency of model circulation and delivery increased by 2.5 times. A proprietary blockchain platform was built, boasting over 150 technological breakthroughs. The Bank took the lead in realizing the integrated application of blockchain and secure multiparty computation technologies, thus facilitating the secure use of data across institutions.

◇ Explorations were made to break new ground in cutting-edge technology. The Bank took the lead in building a domestic intelligent POS terminal monitoring system with the BeiDou Navigation Satellite System as the only signal source. The satellite remote sensing technology was combined with AI technology to enable post-lending smart monitoring of crop growth and large-scale projects based on the high-resolution satellite remote sensing data and intelligent monitoring models. Breakthroughs were made in the feasibility study and pilot application of quantum technology in important financial encryption scenarios. The Bank validated and piloted cutting-edge technologies such as federated learning and secure multiparty computation and built a one-stop, guided AI modeling pipeline. It was the first institution to complete the validation of federated learning technology together with Beijing International Big Data Exchange.

¹ Refers to AI, Block-chain, Cloud Computing, Big Data and IoT.

Holding the Line for Production Safety

The Bank held the line for production safety through active response to the complicated, ever-changing external conditions and the new challenges brought by technological innovation. By promoting the transformation of production operations and maintenance and building an integrated protection system, the Group continued to maintain a high level of production safety.

- ✧ Production operations were transformed in an orderly manner. Prevention and control actions were moved forward to earlier stages, a dedicated resource pool was created for key applications and internet services with high-concurrency were included in the resource pool to enable self-isolation and self-recovery in the case of failures and boost the security and stability level. The Bank enhanced real-time monitoring and realized integrated monitoring of full-process applications and equipment, developing the capability of association analysis of cross-application transactions and full-process tracing. Emergency support was strengthened by developing a full-process switching strategy for important business scenarios, setting up an automated emergency response platform and implementing the local takeover of core information systems of hosts, thereby continuously enhancing business continuity.
- ✧ The Group's information security protection capability was continuously enhanced. The Group's security protection was enhanced by providing systematic, ongoing security services under real-world scenarios in a platform-based fashion. The Bank set up the Group's integrated cyber abnormality and threat detection system and the cyber attack tracing and tracking system, always leading its peers in security competitions organized by national and regulatory authorities.

Empowering Digital Transformation and Upgrading

The Bank speeded up digital development, and endeavored to develop a digital business landscape with the strongest connectivity and the broadest supply of products, so as to ultimately shape an ecosphere of financial scenarios featuring openness, cooperation and win-win outcome.

- ✧ The "Cloud ICBC" non-contact service was rolled out. The Bank developed and launched "Cloud ICBC", the first non-contact service brand of its kind, to boost functional connectivity and service coordination among mobile banking, physical outlets and remote customer service. Based on API and

financial eco-cloud, the Bank developed a standard, flexible and open exporting capacity of "industry + finance" that encompasses over 20 industries and more than 2,000 financial services. The Bank also developed the "Cloud Customer Service", an integrated smart customer service system with an "intelligent + manual" combination and a "text + voice + video" combination. Nearly 100 smart service scenarios were set up to cover every aspect of customer service.

- ✧ Rural vitalization was digitally empowered. To assist in digital rural development, the Bank became one of the first partners of the Ministry of Agriculture and Rural Affairs (MARA) in direct data exchange under the Direct Credit Link program of the MARA. The Bank took the lead in launching an integrated service platform for digital rural development among peers, becoming the only large commercial bank to contribute excellent cases of new technologies, new products and new modes recognized by the MARA in 2021. A number of innovative online loan products were launched, including online unsecured facilities such as "ICBC Agricultural e Loan" and online facilities secured by the right to contracted land management. The coverage of financial services was expanded in county-level rural areas. Video teller machines (VTMs) installed in some urban and rural areas at the county level adopted audiovisual +5G, facial recognition and other technologies to provide "companion" remote collaboration service and guide customers through the business process in a video-based "face-to-face" fashion.
- ✧ The "1+N" intelligent government service mode was created. The digital government service mode was innovated by connecting the systems of local departments/bureaus via the web portal to cover the broadest possible government services and public convenience services. The Bank shared its broad outlet network with government agencies, providing the public and enterprises with "outlets-based government services" including social security, provident funds and business registration. New technologies were leveraged to fuel the transition of government services. Through joint modeling based on big data, the Bank carried out government data partnership with 26 provincial or equivalent governments and launched more than 300 government partnership scenarios.
- ✧ The industry chain-based financial ecosphere was created. The first ever government procurement loan for digital supply chain was issued, enabling the linking to industry leaders' digital supply chains. New scenarios for Quick Lending for Operation and

Discussion and Analysis

e-Mortgage Quick Loan were created, including the “Hertz e Loan” for China Southern Power Grid and the “e-Corporate Quick Loan” for corporate customers, in an effort to deepen production innovation and scenario expansion. The joint ecosystem development was strengthened based on ICBC Technology. Unleashing its technological strengths, ICBC Technology launched the Xiongan digital identity system application support system and put 462 enterprises on the chain. The intelligent social security system was upgraded to provide insurance service for over 64 thousand workers participating in construction of the Xiongan New Area.

Internet Finance

The Bank pressed forward with the e-ICBC 4.0 eco-bank drive in line with the new digital demand of the national economy and key strategies of the Bank. The development of eco-scenarios was accelerated in pursuit of excellence in online platforms and product experience. Online-offline integration was advanced to build a high-quality development pattern. In the first half of 2021, the internet finance transactions amounted to RMB363.34 trillion, up 10.7% compared to the same period of last year; the share of internet finance rose 0.1 percentage points from the end of last year to 98.8%.

Building Platforms to Empower Implementation of the Bank's Key Strategies

✧ The Bank aimed to build No.1 mobile banking. Dedicated versions and products of mobile banking were iteratively developed for key customer groups. The payroll service module was rolled out for customers covered by the interactions among government, business and consumption (GBC). The “customer service center” of “Happy Life” version dedicated to elderly customers went live. An inclusive version was rolled out for small and micro enterprises. The personal financial services were made more inclusive and available. These moves marked an all-out effort to implement the No.1 Personal Bank strategy. In key county-area markets, the “Beautiful Home” version of mobile banking launched the “cloud outlets” and “cloud studio” to extend service outreach in support of the coordinated urban-rural development strategy. In deepening customer relation management, the digital products and services such as digital AI customer service were launched, and the “New

Customers Onboarding Initiative” marketing event targeting long-tail customers was carried out. At the end of June, the Bank registered 443 million customers of personal mobile banking, and maintained more than 100 million active users of personal mobile banking in the month, both putting the Bank in a leading position among peers.

- ✧ The customer experience of corporate mobile banking and internet banking functions was improved. In serving the development of inclusive finance, the Bank planned and reengineered the inclusive service capacity of corporate mobile banking in terms of users, functions, operations and interactions. The “Excellence Project” for corporate mobile banking and internet banking were carried out to streamline the service features and enhance customer experience. In the first half of 2021, the Bank had 4.20 million monthly active users of internet banking and 1.46 million monthly active users of corporate mobile banking, maintaining a leading position by customer activity in the industry.
- ✧ ICBC Mall and ICBC Link platforms were transformed at a faster pace. Based on the cross-border trade platform, ICBC Mall facilitated global merchant recruitment for the China Import and Export Fair (Canton Fair) and served the development of the Guangdong-Hong Kong-Macao Greater Bay Area. The Bank joined the China E-commerce Rural Revitalization Alliance (CERRA), extending commodity sales and financial services to broader rural areas through open procurement, business district procurement and cross-border procurement, thus contributing ICBC's strength to rural vitalization. In the first half of 2021, rural vitalization transactions on the ICBC Mall reached RMB1,315 million. ICBC Link continued to introduce new service scenarios, developed special corporate accounts for government and corporate customers and launched the wealth management livestreaming function for individual users. At the end of June, ICBC Link had 188 million users and 14 thousand corporate scenario accounts.

Developing Digital Products, Pursuing the Best Payment Experience through Innovation

- ✧ Mobile payment service was promoted vigorously for public convenience. The Bank continued to develop convenient consumer payment scenarios such as transport, education and shopping, and carried out thematic marketing events including “ICBC Travel Season”, “Happy New Year” and “ICBC Back-to-School Season”.

- ◇ The e-CNY application scenarios were explored. The Bank developed a proprietary e-CNY operation and management platform, enabling personal and corporate customers to open and use the e-CNY wallets through a variety of online and offline channels. The e-CNY was used in internet scenarios at a faster pace. The e-CNY business pilot has been carried out in 11 areas, covering transportation, livelihood consumption, health care, entertainment and education, public welfare and poverty alleviation, e-government services, catering consumption, hotel services, and financial businesses. The e-CNY innovation was advanced on online platforms. Such new features as smart swap, one-to-multiple transfer and combined payment were introduced. As of the end of June, the Bank opened 3.56 million personal wallets and 700 thousand corporate wallets, and signed contracts with 140 thousand merchants for the e-CNY.

Pursuing GBC Interactions and Accelerating Eco-bank Development

- ◇ The Bank devoted to develop digital public service platforms to serve the reform for “cross-provincial processing in one network”. The “financial information export + non-tax revenue payment + public service payment” services were exported through the Ju Fu Tong platform in connectivity with 38 government platforms, including “Beijing Tong”, “Wan Shi Tong” and “Shenzhen Health Information Center”, to assist government agencies in continuously enhancing the digital service capacity.
- ◇ The Bank served the digital transformation of medical services, principally by launching the “Commercial Medical Cloud” service. The “Commercial Medical Cloud” and intelligent integrated medical service solutions were promoted to address customer requests and pain spots in medical equipment procurement. As of the end of June, “Commercial Medical Cloud” connected 106 medical organizations in Sichuan, Xinjiang and other

provinces (or municipalities). The Bank also issued 12.98 million electronic social security certificates to urban and rural residents accumulatively.

- ◇ The “Campus Affairs Management Cloud” was further promoted to serve the Intelligent Campus program. The school fees payment analysis and monitoring system was developed, with payment management, refund and collection features improved to further tap the education market. As of the end of June 2021, “Campus Affairs Management Cloud” was extended to 23 thousand schools.

Pursuing Online-offline Integration, Enhancing Empowerment of Channel Integration

- ◇ The link between mobile banking and outlets was deepened to move outlets online. The “cloud outlets” reservation service on the mobile banking and WeChat has covered all outlets. The “online booking, offline mailing” mode supported 18 functions under 10 business scenarios, including credit certificate issuance. “Smart Application” allows applicants to fill the form via QR code scanning and submit their application online for acceptance by outlets. This service mode saves 40% of time when compared with intelligent equipment and over-the-counter services. Cardless outlet service was promoted. Nearly 140 high-frequency transaction items at outlets are accessible by mobile banking-based QR code scanning instead of bank cards.
- ◇ Operations and services were moved online by further linking mobile banking to customer managers and remote call center agents. The “Customer Manager’s Cloud Studio” was promoted. The personal customer managers had their “Cloud Studios” on mobile banking. The “self-service application via mobile banking + remote bank examination” mode was extended, allowing online examination and processing of debit card password resetting and call-off of card loss report.

Achievements in Eco-bank Building: Commercial Medical Cloud

As China's medical reform furthers, the entry of "Internet+" into the medical sector has become a prevailing trend. The Bank launched the "Commercial Medical Cloud" to support digital transformation of the national medical sector.

"Commercial Medical Cloud" focused on the tertiary hospital market. It created a complete medical equipment procurement management platform based on the industrial internet unique identifier technology. Through registration of manufacturers, encoding of medical equipment and establishment of a supply-demand relationship between distributors and hospitals, hospitals conduct sophisticated management of the medical equipment procurement and use, and regulators maintain lifecycle tracing of medical equipment. In addition, the existing bank customer system, certification system and product system are duplicated by means of modular and page-based output of the Bank's corporate internet banking, thereby enabling modular application and scenario embedding of corporate financial services. Hospitals and their suppliers are provided with electronic supply chain services through "bank-enterprise interlink + corporate internet banking". Based on the contracts, orders and invoices between hospitals and suppliers, suppliers are provided access to internet financing, achieving a win-win result among hospitals, medical suppliers and the Bank.

Since its launch in October 2020, "Commercial Medical Cloud" has established partnership links with 72 large medical organizations in 15 provinces or municipalities.

Outlet Development and Service Enhancement

Outlet Development

- ✧ The outlet network was improved effectively. Financial services were extended faster to rural markets through "layout adjustment, structural optimization and enhanced coordination". Outlet resources were further tilted towards key regions, county-area and poverty alleviation areas. The service coverage was further expanded to core regions, county-area markets and high-quality customer groups. 277 outlets were adjusted in the first half of the year, including 183 outlets in key regions such as the Beijing-Tianjin-Hebei region and the Yangtze River Delta. 45 outlets were established in the county-area market. The outlet coverage for the county-area was further increased.
- ✧ Outlet services innovation was promoted. The "pan-finance" services of outlets were further enriched. More than 10 thousand outlets provide government services including social security, provident fund, business registration and taxation services. Self-service facilities launched a wide spectrum of public convenience services including Gaokao (China's university entrance exam) score inquiry and credit report inquiry and printing. The "finance + pan-finance" service capacity of outlets was continuously enhanced.

- ✧ At the end of June, the Bank had 15,823 outlets, 24,689 self-service banking facilities, 79,034 sets of intelligent equipment and 70,799 ATMs. In the first half of the year, ATM-based transactions amounted to RMB2,810.8 billion.

Service Enhancement

- ✧ Customer services were further enhanced. The "100-Day Fight" and "Ten Actions" campaigns were carried out to address pain spots in customer experience, paying particular attention to customer complaints and responding to customer requests in a timely manner. The Bank attached great importance to the financial services for elderly customers, carry out the elderly-oriented transformation of the hardware environment of outlets, launched the elderly version of self-service equipment functions and opened a special service line for elderly customers in telephone banking to provide services that are more convenient, quick and friendly to senior people. The "ICBC Sharing Station" public welfare service was upgraded. A series of thematic public welfare events were carried out, including Winter Warmth Service, Voluntary Services Awareness Month and Gaokao Assistance Campaign.
- ✧ Operation models were innovated to improve customer experience. The Bank developed a

new operation mode featuring man-machine collaboration. Intelligent technologies such as machine learning and robotic process automation (RPA) were applied to the operations. Intelligent transformation was completed for more than 30 key scenarios, including voucher image recognition, cross-border RMB transfer, inter-bank payment and settlement, and ATM cash demand forecast, providing customers with responsive, intelligent, efficient, considerate and convenient service experience.

Human Resources Management, Employees and Institutions

Human Resources Management

- ◇ In pursuit of high-quality development, the Bank strengthened human resource allocation to strategically important areas, with a focus on key fields of business development and market competition. Technological empowerment was deepened. Retail and FinTech talent development was advanced so that the operating capability would be enhanced via upgrading of human resources. The front-line marketing service team was expanded to shore up the enhancement of outlet competitiveness. To implement the national rural vitalization strategy, the Head Office set up the Rural Vitalization Office and relevant organizations and teams were established in key branches. The Bank increased staffing in key county areas and townships, extending financial services to lower-tier markets.
- ◇ Under the principle of “giving priority to efficiency while paying attention to equity”, the Bank kept improving the remuneration resource allocation mechanism with value creation at its core to transmit the Group’s strategic goals of operation and management, allocate more remuneration resources to grassroots staff and spark or unleash the vitality of all institutions.
- ◇ The Bank continued to enhance the quality and efficiency of education and training. The Bank conducted the training of core professionals, training for business adaptability, professional qualification

examination and certification, and bank-wide reading campaign etc., to serve the career development of employees. It carried out the training program on outlet competitiveness enhancement, implemented the cross-provincial rotation training for heads of outlets throughout the Bank and advanced the training of outlet employees by tiers and categories. Key strategy training programs were carried out to boost the communication and execution of strategies. In the first half of 2021, the Bank organized 14 thousand sessions of online or offline training, and trainee number reached 1.47 million.

- ◇ The Bank continued to implement the cultural event “That’s China, That’s ICBC”, which focused on the implementation of strategies of building the No.1 Personal Bank and Preferred Bank Strategy for Domestic Foreign Exchange Business in all aspects. Having covered 420 overseas institutions in 47 countries and regions, the Bank further enriched the bookshelves of overseas institutions and extended the scope of the event to domestic institutions to benefit more employees and customers. It told stories of China and ICBC in a benign way, to improve the good corporate image of ICBC.

Basic Information on Employees and Institutions

- ◇ As at the end of June, the Bank had a total of 430 thousand employees. Among them, 407 thousand employees were in domestic branches, 7 thousand in major domestic subsidiaries and 16 thousand employees in overseas institutions. Due to a large number of retired employees in the first half of the year, the number of employees at the end of the reporting period declined over the end of last year. It is expected that the total number of employees will keep at about 440 thousand at the end of the year after the entry of a batch of fresh graduates from campus recruitment in the second half of the year.
- ◇ As at the end of June, the Bank had a total of 16,653 institutions, representing an increase of 30 as compared with the end of the previous year. Among them, there were 16,227 domestic institutions and 426 overseas ones.

Discussion and Analysis

GEOGRAPHIC DISTRIBUTION OF ASSETS, INSTITUTIONS AND EMPLOYEES

Item	Assets		Number of institutions	Percentage (%)	Number of employees	Percentage (%)
	(in RMB millions)	Percentage (%)				
Head Office	10,439,814	29.7	32	0.2	18,987	4.4
Yangtze River Delta	7,206,165	20.5	2,536	15.2	60,408	14.0
Pearl River Delta	5,314,761	15.1	1,994	12.0	47,597	11.1
Bohai Rim	5,287,217	15.0	2,719	16.3	67,514	15.7
Central China	3,652,410	10.4	3,475	20.9	83,245	19.3
Western China	4,655,882	13.3	1,639	9.8	42,525	9.9
Northeastern China	1,342,627	3.8	3,700	22.2	87,131	20.2
Overseas and other	4,004,400	11.4	558	3.4	22,928	5.4
Eliminated and unallocated assets	(6,766,992)	(19.2)				
Total	35,136,284	100.0	16,653	100.0	430,335	100.0

Note: Overseas and other assets include investments in associates and joint ventures.

Internationalized Operation

To serve the China's high-level opening-up program, the Bank improved the integrated operation system combining domestic and overseas operations as well as RMB and foreign currencies. It endeavored to enhance the cross-border financial service level and contribute to the high-quality development of the Belt and Road Initiative, leveraging on its global presence.

✧ Corporate banking: The Bank helped "Going Global" enterprises to overseas markets and supported RMB internationalization using a wide array of financial products, including cross-border investment and financing, cross-border settlement and cross-border derivatives trading. Coordinated efforts were made to innovate cross-border financial services in the Guangdong-Hong Kong-Macao Greater Bay Area, enhancing the integrated RMB-foreign currencies integrated service capacity. The Bank continued to top the Refinitiv rankings in terms of the number of deals completed for Chinese outbound acquisition transactions. The Bank was among market leaders in H-share IPO underwriting and sponsorship, underwriting and issuance of overseas bonds as well as underwriting and issuance of Chinese offshore bonds. The international settlement, trade finance and other financial services on the "Single Window" platform were continuously improved based on the intensive management of customs import and

export data. In the first half of 2021, domestic branches disbursed an aggregate of USD30,665 million in international trade finance. International settlements amounted to USD2,185,791 million, of which USD843,240 million was handled by overseas institutions.

- ✧ Personal banking: To enhance public convenience service in the Guangdong-Hong Kong-Macao Greater Bay Area, the "Bay Area Service Link" and "Bay Area Account Link" were rolled out. The Bank sped up the product innovation and service enhancement regarding overseas bank cards by, for example, launching the Private Banking Credit Card, Wealth Management Premier Debit Card and Chinese Enterprises Association Partnership Credit Card in overseas markets. The Bank also promoted the overseas QR code-based cross-border payment tool "ICBC Pay", developed the new acquiring market under online and mobile payment scenarios and further boosted the cross-border payment connectivity in the Guangdong-Hong Kong-Macao Greater Bay Area.
- ✧ Internet finance service: Keeping in line with the internet development trends, the Bank provides overseas individual and corporate customers with internet banking, mobile banking and other online channels. The internet finance covered 44 countries and regions, supporting 14 languages and providing

- a wide variety of financial services including account inquiry, transfer and remittance, investment and wealth management, fund payment and cross-border payment. A cross-border trade platform was launched to provide foreign traders with one-stop cross-border commercial and financing services integrating smart matchmaking, online trading, customs clearance and trade finance.
- ✧ Financial market business: The Bank acted as the lead underwriter for the first publicly offered panda bond issued by a European company and established the inter-bank bond and foreign exchange market business partnership with foreign institutional investors from nearly 60 countries and regions. High-quality trading service was provided for “Going Global” and “Bringing in” customers, with 10 currencies including Kenyan shilling added to the currency basket for foreign exchange settlement and sales. The Bank conducted the first Tokyo overnight average rate (TONA)-linked JPY interest rate swap transaction in the interbank foreign exchange market and actively participated in the first batch of RMB/FX currency swap transactions linked to “fixing repo rates” (FDR001 and FDR007), in an ongoing effort to enhance the market making capacity and competitiveness of foreign exchange trading services.
 - ✧ Global asset management services: The Bank continued to pursue solid development of the foreign exchange business and cross-border wealth management business. The ICBC Wealth Management ICBC CSOP FTSE Chinese Government Bond Index ETF, for which ICBC Wealth Management and ICBC Asset Management (Global) served as investment advisors, has become an important channel for overseas investors to gain an exposure to China’s government bond assets. The Bank further cemented its leading position in cross-border custody service, as evidenced by the number of customers using the global custody and depository services.
 - ✧ Cross-border RMB business: The Bank promoted the cross-border RMB product system and cross-border RMB multi-scenario service and streamlined business processes, providing corporates with convenient and efficient financial services. The offshore RMB market was developed by diversifying the offshore RMB investment and financing product offerings and promoting RMB pricing and settlement in the fields of commodity trading and foreign project contracting. The Bank promoted innovative development of cross-border RMB business in key areas, including the Lingang New Area in Shanghai, Guangdong-Hong Kong-Macao Greater Bay Area and Hainan Free Trade Port. The Bank supported the development of new forms of cross-border e-commerce, strengthened cooperation with domestic and foreign payment organizations, cross-border e-commerce platforms and other entities and continuously optimized the cross-border payment platform “Cross-border e-Business Connect” to improve the quality and efficiency of customer services. In the first half of 2021, the Bank’s cross-border RMB business volume exceeded RMB4 trillion.
 - ✧ Panama Branch opened for business, further improving the global service network. At the end of June, the Bank operated 426 overseas institutions in 49 countries and regions and indirectly covered 20 African countries as a shareholder of Standard Bank Group. The Bank also ran 125 branches in 21 countries along the Belt and Road and created correspondent banking relationships with 1,440 overseas banking institutions in 142 countries and regions, making its service network covering six continents and important international finance centers around the world.

Discussion and Analysis

MAJOR INDICATORS FOR OVERSEAS INSTITUTIONS

Item	Assets (in USD millions)		Profit before taxation (in USD millions)		Number of institutions	
	At 30 June 2021	At 31 December 2020	Six months ended 30 June 2021	Six months ended 30 June 2020	At 30 June 2021	At 31 December 2020
Hong Kong SAR and Macau SAR	208,463	204,181	1,062	888	107	108
Asia-Pacific Region (except Hong Kong SAR and Macau SAR)	154,593	118,253	583	580	91	90
Europe	88,311	89,030	285	213	75	75
America	55,369	51,106	77	149	152	152
African Representative Office	–	–	–	–	1	1
Eliminations	(42,199)	(44,378)				
Subtotal	464,537	418,192	2,007	1,830	426	426
Investment in Standard Bank ⁽¹⁾	4,072	3,887	157	39		
Total	468,609	422,079	2,164	1,869	426	426

Note: (1) The assets represent the balance of the Bank's investment in Standard Bank and the profit before taxation represents the Bank's gain on investment recognized by the Bank during the reporting period.

✧ At the end of June, total assets of the Bank's overseas institutions (including overseas branches, overseas subsidiaries and investment in Standard Bank) were USD468,609 million, representing an increase of USD46,530 million or 11.0% from the end of the previous year, and they accounted for 8.6% of the Group's total assets. Profit before taxation during the reporting period came in at

USD2,164 million, representing an increase of USD295 million or 15.8% as compared to the same period of last year and accounting for 6.7% of the Group's profit before taxation. Total loans amounted to USD217,622 million, representing an increase of USD14,778 million or 7.3% over the end of last year. Total deposits were USD160,459 million, increasing by USD12,238 million or 8.3%.

DISTRIBUTION OF OVERSEAS INSTITUTIONS



Asia-Pacific Region (except Hong Kong SAR and Macau SAR)
Institutions (country/region)

- | | |
|--|----------------------------------|
| Tokyo Branch (Japan) | Yangon Branch (Myanmar) |
| Seoul Branch (South Korea) | ICBC (Almaty) (Kazakhstan) |
| Busan Branch (South Korea) | Karachi Branch (Pakistan) |
| Mongolia Representative Office (Mongolia) | Mumbai Branch (India) |
| Singapore Branch (Singapore) | Dubai (DIFC) Branch (UAE) |
| ICBC (Indonesia) (Indonesia) | Abu Dhabi Branch (UAE) |
| ICBC (Malaysia) (Malaysia) | Doha Branch (Qatar) |
| Manila Branch (Philippines) | Riyadh Branch (Saudi Arabia) |
| ICBC (Thai) (Thailand) | Kuwait Branch (Kuwait) |
| Hanoi Branch (Vietnam) | Sydney Branch (Australia) |
| Ho Chi Minh City Representative Office (Vietnam) | ICBC (New Zealand) (New Zealand) |
| Vientiane Branch (Lao PDR) | Auckland Branch (New Zealand) |
| Phnom Penh Branch (Cambodia) | |



Europe
Institutions (country/region)

- | | |
|---------------------------------------|--------------------------------|
| Frankfurt Branch (Germany) | ICBC (London) (UK) |
| Luxembourg Branch (Luxembourg) | London Branch (UK) |
| ICBC (Europe) (Luxembourg) | ICBC Standard Bank (UK) |
| Paris Branch (France) | Bank ICBC (JSC) (Russia) |
| Amsterdam Branch (the Netherlands) | ICBC Turkey (Turkey) |
| Brussels Branch (Belgium) | Prague Branch (Czech Republic) |
| Milan Branch (Italy) | Zurich Branch (Switzerland) |
| Madrid Branch (Spain) | ICBC (Austria) (Austria) |
| Warsaw Branch (Poland) | |
| Greece Representative Office (Greece) | |



Hong Kong SAR and Macau SAR
Institutions (country/region)

- | | |
|---------------------------------------|-----------------------------|
| Hong Kong Branch (Hong Kong, China) | ICBC (Macau) (Macau, China) |
| ICBC (Asia) (Hong Kong, China) | Macau Branch (Macau, China) |
| ICBC International (Hong Kong, China) | |



America
Institutions (country/region)

- | | |
|------------------------|--------------------------------|
| New York Branch (USA) | ICBC (Peru) (Peru) |
| ICBC (USA) (USA) | ICBC (Argentina) (Argentina) |
| ICBCFS (USA) | ICBC Investments |
| ICBC (Canada) (Canada) | Argentina (Argentina) |
| ICBC (Mexico) (Mexico) | Inversora Diagonal (Argentina) |
| ICBC (Brasil) (Brazil) | Panama Branch (Panama) |



Africa
Institutions (country/region)

- Investments in Standard Bank (South Africa)
African Representative Office (South Africa)

Diversified Operation

ICBC CREDIT SUISSE ASSET MANAGEMENT

It mainly engages in fund placement, fund distribution, asset management and such other businesses as approved by CSRC, and owns many business qualifications including mutual fund, QDII, enterprise annuity, specific asset management, domestic and overseas investment manager of social security fund, RQFII, insurance asset management, non-listed asset management, occupational annuity, manager of basic pension insurance investment. It is one of the fund companies with the most comprehensive qualifications in the industry.

- ✧ At the end of June, ICBC Credit Suisse Asset Management managed a total of 185 domestic mutual funds and nearly 650 enterprise annuity accounts and segregated management accounts as well as non-listed asset portfolios, with the assets under management topping RMB1.55 trillion, pension investments under management reaching nearly RMB600.0 billion, non-money funds exceeding RMB390.0 billion and stock funds exceeding RMB200.0 billion. ICBC Credit Suisse Asset Management recorded a higher average return on actively managed equity funds than all other large fund companies. The investor education base was recognized as “Outstanding” in the performance assessment of national securities and futures investors education bases, the first winner of the honor in the asset management industry.

ICBC LEASING

ICBC Leasing mainly operates the financial leasing of large-scale equipment in critical fields such as aviation, shipping, energy and power, rail transit and equipment manufacturing. It also provides various financial and industrial services including rent transfer, investment of funds, investment of asset securitization, asset trading and assets management.

- ✧ The aviation business segment was dynamically rebalanced to further increase the share of domestic assets and supports the development of Chinese-made aircrafts, keeping in line with trends in the global air transport market. Explorations were made into new business fields, including freight aircraft leasing, to fortify the foundation for technological operations.

- ✧ The maritime finance segment unleashed its professional strengths to attract quality customers and cement its partnership with industry leaders, aiming to build an international diversified marine financial service platform with a global influence.
- ✧ The domestic general leasing segment followed the new development paradigm, unleashed its strengths in precisely serving the real economy, enhanced marketing and outreach to “New infrastructure, New urbanization initiatives and Major projects” and “New manufacturing, New services, New basic industries and High-tech industries”, tapped deep into key industries including transport, clean energy, infrastructure, happiness industry, technological innovation, health care, rental housing and integrated circuits and made solid progress in innovation and transformation.

ICBC-AXA

ICBC-AXA engages in a variety of insurance businesses such as life insurance, health insurance and accident insurance, and re-insurance of these businesses, businesses in which use of insurance capital is permitted by laws and regulations of the State, and other businesses approved by the CBIRC.

- ✧ The service level was enhanced on a customer-centric basis. The “expedited payment for critical illness” service upgrade scheme was implemented to substantially extend the service coverage. The company provided claim settlement service, launched the “Seven Exemptions & One Convenience” service to simplify the claim documentation, reaching a paid claim rate of 98.5%. Operations were digitally transformed in a push for online underwriting, policy owner service and claim settlement for personal insurance.
- ✧ ICBC-AXA seized opportunities to develop the regular premium business rapidly. It exerted every effort to provide clients with critical illness covers. The regular premiums paid on critical illness insurance hit a record high for the same period. Investment income grew significantly, thanks to the efforts to enhance the investment capability and the ongoing improvements in portfolio structure.

ICBC INTERNATIONAL

ICBC International mainly renders a variety of financial services, including corporate finance, investment management, sales and trading, and asset management.

- ✧ It ranked among the top-tier market players by IPO underwriting volume, and also among the top few by overseas bond underwriting. The investment management segment supported the real economy by meeting various demand for equity/debt financing, manifesting good performance of existing investments. The sales and trading segment actively supported the diverse demand of quality investors. The asset management optimization was continued. The market research took the first spot in the *Asiamoney* Brokers Poll 2020 ranking.

ICBC INVESTMENT

ICBC Investment is one of the first pilot banks in China authorized by the State Council to conduct debt-for-equity swap. It holds the franchise license of non-bank financial institution and is mainly engaged in debt-for-equity swap and the supporting business.

- ✧ With a focus on the strategic plans for supply-side structural reform, ICBC Investment diversified fundraising channels, served the high-quality development of manufacturing, the mixed ownership reform of central enterprises and the development of private-sector economy and kept improving the quality and efficiency of serving the real economy. The “headquarters-to-headquarters” cooperation based on fund of funds was innovatively carried out to boost the clean energy development. ICBC Investment actively played its part as a shareholder in the corporate governance of debt-for-swap companies. It provided comprehensive financial services for debt-for-swap companies in support of their reform and development.

ICBC WEALTH MANAGEMENT

ICBC Wealth Management engages mainly in the issuance of wealth management products, wealth management advisory and consulting service and other activities approved by CBIRC, qualified for general derivatives trading and foreign exchange business.

- ✧ It kept optimizing the product mix and customer service system, steadily increased the proportions of non-cash management products, hybrid products and medium to long-term products, thus meeting the multi-level and diversified customer demand for asset allocation and wealth management. ICBC Wealth Management improved its active investment management capacity at a faster pace, strengthened the specialization and integration of investment and research and further cemented its core strengths in fixed-income and project investment. It also fostered skills in multi-asset, equity, quantitative and cross-border investment and expanded the net worth of products steadily.
- ✧ At the end of June, ICBC Wealth Management recorded RMB1,248.8 billion in outstanding wealth management products. Specifically, personal wealth management products had an outstanding balance of RMB999.4 billion, accounting for 80.0%, and corporate wealth management products had an outstanding balance of RMB249.4 billion, accounting for 20.0%. The sizes of publicly offered wealth management products and privately placed wealth management products accounted for 96.1% and 3.9% respectively. The investment balance in standard assets tradeable in open markets amounted to RMB1,066.7 billion, accounting for 74.2% of total assets of wealth management investment.

Discussion and Analysis

Major Controlled Subsidiaries and Equity Participating Company

Major Overseas Subsidiaries

Institution	Principal business	At 30 June 2021			Six months ended 30 June 2021
		Issued share capital/ paid-in capital	Total assets (in USD millions)	Net assets (in USD millions)	Net profit (in USD millions)
Industrial and Commercial Bank of China (Asia) Limited	Commercial banking	HKD44,188 million	121,420.26	18,289.33	444.93
ICBC International Holdings Limited	Investment banking	HKD5,963 million	9,031.29	1,913.28	187.88
Industrial and Commercial Bank of China (Macau) Limited	Commercial banking	MOP589 million	51,043.25	3,653.10	197.69
PT. Bank ICBC Indonesia	Commercial banking	IDR3.71 trillion	3,834.17	420.76	5.17
Industrial and Commercial Bank of China (Malaysia) Berhad	Commercial banking	MYR833 million	1,033.12	297.99	6.58
Industrial and Commercial Bank of China (Thai) Public Company Limited	Commercial banking	THB20,132 million	9,115.10	1,108.26	41.51
Industrial and Commercial Bank of China (Almaty) Joint Stock Company	Commercial banking	KZT8,933 million	521.43	72.67	6.96
Industrial and Commercial Bank of China (New Zealand) Limited	Commercial banking	NZD234 million	1,463.04	192.63	4.31
Industrial and Commercial Bank of China (Europe) S.A.	Commercial banking	EUR437 million	7,572.25	724.50	(4.10)
ICBC (London) PLC	Commercial banking	USD200 million	1,638.59	463.08	8.88
ICBC Standard Bank PLC	Banking	USD1,083 million	29,213.83	1,367.28	72.10
Bank ICBC (Joint stock company)	Commercial banking	RUB10,810 million	968.94	175.86	8.45
ICBC Turkey Bank Anonim Şirketi	Commercial banking	TRY860 million	3,306.33	185.63	20.03
ICBC Austria Bank GmbH	Commercial banking	EUR200 million	820.19	229.47	(0.19)
Industrial and Commercial Bank of China (USA) NA	Commercial banking	USD369 million	2,997.10	396.63	6.75
Industrial and Commercial Bank of China Financial Services LLC	Broker dealer, securities margin trading	USD50 million	23,026.27	89.33	(12.04)
Industrial and Commercial Bank of China (Canada)	Commercial banking	CAD208 million	1,669.84	292.04	7.31
Industrial and Commercial Bank of China Mexico S.A.	Commercial banking	MXN1,597 million	227.24	35.21	2.50
Industrial and Commercial Bank of China (Brasil) S.A.	Commercial banking	BRL202 million	230.18	39.31	(2.44)
ICBC PERU BANK	Commercial banking	USD120 million	1,040.12	101.08	4.41
Industrial and Commercial Bank of China (Argentina) S.A.	Commercial banking	ARS23,744 million	4,404.13	726.19	21.18

Major Domestic Subsidiaries

In RMB100 millions

Institution	Principal Business	At 30 June 2021			Six months ended
		Issued share capital/ paid-in capital	Total assets	Net assets	30 June 2021
ICBC Credit Suisse Asset Management Co., Ltd.	Fund management	2	157.55	127.57	14.55
ICBC Financial Leasing Co., Ltd.	Leasing	180	2,813.50	394.13	14.47
ICBC-AXA Assurance Co., Ltd.	Insurance	125.05	2,308.37	173.04	7.51
ICBC Financial Asset Investment Co., Ltd.	Financial asset investment	270	1,626.89	308.69	11.95
ICBC Wealth Management Co., Ltd.	Wealth management	160	187.05	171.09	3.33

Major Equity Participation Company

STANDARD BANK GROUP LIMITED

Standard Bank is the largest commercial bank in Africa. Its scope of business covers commercial banking, investment banking, life insurance business and other areas. The Bank holds 20.06% ordinary shares of Standard Bank. Based on mutual benefit and win-win cooperation, the two sides furthered their cooperation in equity cooperation,

customer expansion, project financing, product innovation, risk management, FinTech and staff exchange. At the end of June 2021, Standard Bank recorded total assets of ZAR2,537,924 million and net assets of ZAR223,440 million. It generated a net profit of ZAR13,321 million in the first half of the year.

RISK MANAGEMENT

50 Enterprise Risk Management
System

50 Credit Risk

56 Market Risk

57 Interest Rate Risk in the
Banking Book

58 Liquidity Risk

59 Internal Control and
Operational Risk

59 Reputational Risk

59 Country Risk

Enterprise Risk Management System

In the first half of 2021, the Bank continued to promote the enterprise risk management system under the principles of “active prevention, smart control and comprehensive management”, with the focus on the “management of personnel, assets, defense lines and bottom lines”. It improved the enterprise risk management system, advanced the development of “three lines of defense”, and increased the joint efforts in risk management and control. It upgraded risk appetite management system, strengthened risk limit management and control, and brought to a new phase the transformation to an intelligent risk control system. Besides, it optimized the risk management system, perfected risk measurement models, and improved the capability of risk technologies to support the strategy and business development across the Bank.

Credit Risk

Credit Risk Management

On the basis of understanding the credit asset layout and credit granting direction, the Bank provided more resources for industries, regions, customers, products and projects of significance. As for industries, following the national strategic planning and to achieve the objective for credit structure adjustment, the Bank actively supported the major projects and projects for people’s livelihood in such fields as urban infrastructure and public service, granted more loans to advanced manufacturing, backed up cultural tourism, healthcare, education, pension and other consumption upgrade service industries, and laid a foundation for a future layout in green and low-carbon industries. Regarding regions, the Bank’s lending to five key regions, namely, Beijing-Tianjin-Hebei region, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, Central China, and Chengdu-Chongqing region, maintained at a high growth rate, contributing to the competitiveness improvement of the regions. In respect of personal loans, the Bank maintained the dominance of mortgage loans, optimized the structure of residential mortgages, strengthened the prevention and control of risks in personal consumption and business loan, and promoted the building of an intelligent risk control system for credit card business.

The Bank imposed stringent control over risks in fields of local government debt, real estate, high polluting, high energy-consuming industries, etc. It closely abided by the national policy on local debt management and funding platform regulation, and put emphasis on preventing risks in the regional fiscal payment capacity and commercial construction and operation. It steadily provided real estate loans and relevant services as per the requirements of the PBC and the CBIRC for the management of real estate loan concentration. It kept the aggregate investment in and financing for commercial real estate within a reasonable range, put more efforts in the classified management of regions, products and customers, and strengthened risk management of the real estate industry. It continued to promote classification of the real estate market, mainly supported ordinary commercial housing projects and affordable housing projects that are in line with regulatory guidance, and proactively and prudently promoted financing for commercial rental housing projects. In

addition, upholding the concept of green development, it strengthened the control over the investment in and financing for high polluting, high energy-consuming industries. The Bank's control policy for high-carbon industries such as steel and cement is to control the total amount in general, support one part and control the other part, specifically to exit from enterprises and projects with outdated production capacity, and actively support low-emission enterprises and energy-saving transformation projects in the relevant industries to promote "low-carbon transformation" of high-carbon industries.

Credit Risk Analysis

At the end of June, the Bank's maximum credit risk exposure without taking account of any collateral and other credit enhancements reached RMB36,932,466 million, representing an increase of RMB1,915,648 million compared with the end of the previous year. Please refer to "Note 44.(a)(i) to the Consolidated Financial Statements: Maximum Exposure to Credit Risk without Taking Account of Any Collateral and Other Credit Enhancements". For mitigated risk exposures of credit risk asset portfolio of the Bank, please refer to the section headed "Information Disclosed Pursuant to the Capital Regulation".

DISTRIBUTION OF LOANS BY FIVE-CATEGORY CLASSIFICATION

In RMB millions, except for percentages

Item	At 30 June 2021		At 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Pass	19,303,579	96.53	17,918,430	96.21
Special mention	385,357	1.93	411,900	2.21
NPLs	307,831	1.54	293,978	1.58
Substandard	131,667	0.66	114,438	0.61
Doubtful	144,541	0.72	149,926	0.81
Loss	31,623	0.16	29,614	0.16
Total	19,996,767	100.00	18,624,308	100.00

As at the end of June, pass loans amounted to RMB19,303,579 million, representing an increase of RMB1,385,149 million compared to the end of the previous year and accounting for 96.53% of total loans. Special mention loans amounted to RMB385,357

million, representing a decrease of RMB26,543 million and accounting for 1.93% of total loans, dropping 0.28 percentage points. NPLs amounted to RMB307,831 million, showing an increase of RMB13,853 million, and NPL ratio was 1.54%, with a decrease of 0.04 percentage points.

DISTRIBUTION OF LOANS AND NPLS

In RMB millions, except for percentages

Item	At 30 June 2021				At 31 December 2020			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Corporate loans	12,098,255	60.5	270,980	2.24	11,102,733	59.6	253,815	2.29
Short-term corporate loans	2,920,494	14.6	128,823	4.41	2,643,212	14.2	130,893	4.95
Medium to long-term corporate loans	9,177,761	45.9	142,157	1.55	8,459,521	45.4	122,922	1.45
Discounted bills	322,709	1.6	622	0.19	406,296	2.2	622	0.15
Personal loans	7,575,803	37.9	36,229	0.48	7,115,279	38.2	39,541	0.56
Residential mortgages	6,033,415	30.2	14,181	0.24	5,728,315	30.8	16,207	0.28
Personal consumption loans	182,189	0.9	2,904	1.59	183,716	0.9	3,668	2.00
Personal business loans	657,204	3.3	6,453	0.98	521,638	2.8	6,760	1.30
Credit card overdrafts	702,995	3.5	12,691	1.81	681,610	3.7	12,906	1.89
Total	19,996,767	100.0	307,831	1.54	18,624,308	100.0	293,978	1.58

Discussion and Analysis

As at the end of June, corporate NPLs were RMB270,980 million, representing an increase of RMB17,165 million over the end of last year and an NPL ratio of 2.24%, down

0.05 percentage points. Personal NPLs stood at RMB36,229 million, dropping by RMB3,312 million, with an NPL ratio of 0.48%, down 0.08 percentage points.

DISTRIBUTION OF CORPORATE LOANS AND NON-PERFORMING CORPORATE LOANS OF DOMESTIC BRANCHES BY INDUSTRY OF LOAN CUSTOMERS

In RMB millions, except for percentages

Item	At 30 June 2021				At 31 December 2020			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Transportation, storage and postal services	2,674,058	24.9	21,853	0.82	2,467,959	25.2	20,683	0.84
Manufacturing	1,687,576	15.8	68,786	4.08	1,555,382	15.9	65,361	4.20
Leasing and commercial services	1,598,628	15.0	37,469	2.34	1,441,688	14.8	31,242	2.17
Water, environment and public utility management	1,314,155	12.3	7,506	0.57	1,154,201	11.8	8,425	0.73
Production and supply of electricity, heat, gas and water	1,024,717	9.6	4,987	0.49	995,232	10.2	3,977	0.40
Real estate	744,252	7.0	31,911	4.29	701,094	7.2	16,238	2.32
Wholesale and retail	509,049	4.8	53,024	10.42	437,283	4.5	60,272	13.78
Construction	329,262	3.1	7,852	2.38	260,667	2.7	8,636	3.31
Science, education, culture and sanitation	278,572	2.6	8,095	2.91	245,378	2.5	5,462	2.23
Mining	194,754	1.8	6,317	3.24	177,408	1.8	7,593	4.28
Lodging and catering	78,936	0.7	9,637	12.21	83,886	0.9	11,743	14.00
Other	255,865	2.4	5,770	2.26	247,866	2.5	5,495	2.22
Total	10,689,824	100.0	263,207	2.46	9,768,044	100.0	245,127	2.51

The Bank continued to improve and adjust the allocation of credits to industries, and spared no effort to provide more support to the real economy development. Specifically, loans to transportation, storage and postal services increased by RMB206,099 million or 8.4% over the end of last year, mainly for supporting major projects in fields of expressway, railway, urban railway system etc. Loans to water, environment and public utility management increased by RMB159,954 million, representing a growth rate of 13.9%, mainly for steadily meeting financing demands arising from significant projects and projects for people's livelihood in the areas of urban infrastructure,

ecological environment protection and public services. Loans to leasing and commercial services increased by RMB156,940 million, representing a growth rate of 10.9%, mainly due to a growth in loans to investment and asset management and development zones. Loans to manufacturing increased by RMB132,194 million, representing a growth rate of 8.5%, mainly granted to leading companies in key fields such as 5G-related industrial chain, integrated circuit, display panel, automobile manufacturing, engineering machinery and pharmaceutical manufacturing.

DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 30 June 2021				At 31 December 2020			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Head Office	794,453	4.0	19,849	2.50	772,372	4.1	21,603	2.80
Yangtze River Delta	3,927,712	19.6	48,901	1.25	3,582,682	19.2	45,304	1.26
Pearl River Delta	2,981,859	14.9	28,747	0.96	2,746,019	14.8	31,540	1.15
Bohai Rim	3,235,457	16.2	83,076	2.57	3,030,552	16.3	71,763	2.37
Central China	3,003,454	15.0	40,788	1.36	2,789,085	15.0	38,584	1.38
Western China	3,606,447	18.0	44,196	1.23	3,369,916	18.1	47,788	1.42
Northeastern China	874,830	4.4	34,150	3.90	841,595	4.5	28,411	3.38
Overseas and other	1,572,555	7.9	8,124	0.52	1,492,087	8.0	8,985	0.60
Total	19,996,767	100.0	307,831	1.54	18,624,308	100.0	293,978	1.58

MOVEMENTS OF ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

In RMB millions

Item	Allowance for impairment losses on loans and advances to customers measured at amortised cost				Allowance for impairment losses on loans and advances to customers measured at FVTOCI			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	223,703	89,151	217,446	530,300	211	-	650	861
Transfer:								
to stage 1	23,820	(19,264)	(4,556)	-	-	-	-	-
to stage 2	(12,263)	20,412	(8,149)	-	-	-	-	-
to stage 3	(3,737)	(37,362)	41,099	-	-	-	-	-
Charge/(reverse)	59,375	20,392	22,500	102,267	(10)	-	-	(10)
Write-offs and transfer out	-	-	(44,901)	(44,901)	-	-	-	-
Recoveries of loans and advances previously written off	-	-	3,969	3,969	-	-	-	-
Other movements	(269)	(363)	(902)	(1,534)	(3)	-	-	(3)
Balance at 30 June 2021	290,629	72,966	226,506	590,101	198	-	650	848

Note: Please see "Note 17. to the Consolidated Financial Statements: Loans and Advances to Customers" for details.

At the end of June, the allowance for impairment losses on loans stood at RMB590,949 million, of which RMB590,101 million on loans measured at amortised cost, and RMB848 million on loans measured at fair value through other comprehensive income. Allowance to NPLs was 191.97%,

representing an increase of 11.29 percentage points over the end of last year, and allowance to total loans ratio was 2.96%, representing an increase of 0.11 percentage points.

Discussion and Analysis

DISTRIBUTION OF LOANS BY COLLATERAL

In RMB millions, except for percentages

Item	At 30 June 2021		At 31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	9,135,017	45.7	8,703,068	46.8
Pledged loans	1,493,400	7.5	1,401,565	7.5
Guaranteed loans	2,521,203	12.6	2,260,445	12.1
Unsecured loans	6,847,147	34.2	6,259,230	33.6
Total	19,996,767	100.0	18,624,308	100.0

OVERDUE LOANS

In RMB millions, except for percentages

Overdue periods	At 30 June 2021		At 31 December 2020	
	Amount	% of total loans	Amount	% of total loans
Less than 3 months	64,673	0.32	98,963	0.54
3 months to 1 year	110,158	0.55	74,820	0.40
1 to 3 years	75,745	0.38	72,467	0.39
Over 3 years	16,203	0.08	21,257	0.11
Total	266,779	1.33	267,507	1.44

Note: Loans and advances to customers are deemed overdue when either the principal or interest is overdue. For loans and advances to customers repayable by installments, the total amount of such loans is deemed overdue if part of the installments is overdue.

Overdue loans stood at RMB266,779 million, representing a drop of RMB728 million from the end of the previous year. Among them, loans overdue for over 3 months amounted to RMB202,106 million, representing an increase of RMB33,562 million.

Rescheduled Loans

Rescheduled loans and advances amounted to RMB17,602 million, representing an increase of RMB5,642 million as compared to the end of the previous year. Rescheduled loans and advances overdue for over 3 months amounted to RMB2,905 million, representing an increase of RMB850 million.

LOAN MIGRATION RATIO

In percentages

Item	At 30 June 2021	At 31 December 2020	At 31 December 2019
Pass	0.7	1.7	1.5
Special mention	14.4	36.4	26.1
Substandard	30.1	60.9	36.0
Doubtful	9.2	19.2	15.6

Large Exposures Management

The Bank continuously improved the large exposures management system, adjusted the internal limit management scheme for large exposures based on large exposure business management demands, and clarified control arrangements and division of responsibilities to effectively manage the Bank's large exposures.

Borrower Concentration

The total amount of loans granted by the Bank to the single largest customer and top ten single customers accounted for 3.2% and 12.7% of the Bank's net capital respectively. The total amount of loans granted to the top ten single customers was RMB454,606 million, accounting for 2.3% of the total loans.

Item	At 30 June 2021	At 31 December 2020	At 31 December 2019
Percentage of loans to single largest customer (%)	3.2	3.5	3.1
Percentage of loans to top ten customers (%)	12.7	14.8	12.6

The table below shows the details of the loans granted to the top ten single borrowers of the Bank as at the end of June.

In RMB millions, except for percentages

Borrower	Industry	Amount	% of total loans
Borrower A	Transportation, storage and postal services	114,442	0.6
Borrower B	Transportation, storage and postal services	65,256	0.3
Borrower C	Transportation, storage and postal services	43,802	0.2
Borrower D	Transportation, storage and postal services	42,600	0.2
Borrower E	Finance	35,709	0.2
Borrower F	Finance	31,968	0.2
Borrower G	Transportation, storage and postal services	31,685	0.2
Borrower H	Transportation, storage and postal services	31,231	0.2
Borrower I	Transportation, storage and postal services	29,250	0.1
Borrower J	Production and supply of electricity, heat, gas and water	28,663	0.1
Total		454,606	2.3

Please refer to the section headed "Information Disclosed Pursuant to the Capital Regulation" for further information on credit risk capital measurement.

Discussion and Analysis

Market Risk

The Bank continued to promote the Group's market risk management. It innovated the financial market business and product risk management system and established a product life-cycle risk assessment and review mechanism; formulated the Group's market risk limit plan for 2021 to strictly control the Group's market risk limits; carried out a forward-looking analysis on the Group's interest rate risk, currency risk and product risk, intensified the monitoring of the global financial market, and formed rapid risk reporting mechanism; rendered the market risk management system more intelligent and made unceasing efforts to apply the Global Market Risk Management (GMRM) system to overseas institutions; and accelerated the implementation of new market risk standardized approach introduced by Basel III, and improved the credit risk measurement of derivatives counterparties.

Management of Market Risk in the Trading Book

The Bank continuously strengthened trading book market risk management and product control, adopted the value-at-risk (VaR), stress testing, sensitivity analysis, exposure analysis, profit/loss analysis, price monitoring and other means to measure and manage trading book products. It continued to improve the portfolio-based market risk limit

management system, furthered the refined management of limit indicators, completed dynamic management mechanism to meet the requirements of new products and businesses for timeliness, and monitored and adapted the limits in a rapid and flexible manner using GMRM system.

For VaR of the trading book, please refer to "Note 44.(c)(i) to the Consolidated Financial Statements: VaR".

Currency Risk Management

The Bank closely watched the changes in the external environment and market conditions, stuck to stable and prudent currency risk appetite, abided by the neutral management principles of currency risk, and took a combination of measures such as limit management and hedging of risks to avert currency risk. It also improved the matching degree of foreign exchange assets and liabilities, and strengthened capital fund preservation management of overseas institutions. The currency risk was generally under control. The Bank conducted sensitivity analysis and stress testing of currency risk on a quarterly basis, and the Senior Management and the Market Risk Management Committee reviewed the currency risk reports on a quarterly basis.

FOREIGN EXCHANGE EXPOSURE

In RMB (USD) millions

Item	At 30 June 2021		At 31 December 2020	
	RMB	USD equivalent	RMB	USD equivalent
Exposure of on-balance sheet foreign exchange items, net	335,175	51,891	402,774	61,593
Exposure of off-balance sheet foreign exchange items, net	(190,552)	(29,501)	(198,474)	(30,351)
Total foreign exchange exposure, net	144,623	22,390	204,300	31,242

Please refer to "Note 44.(c)(ii) to the Consolidated Financial Statements: Currency Risk" for the exchange rate sensitivity analysis.

Please refer to the section headed "Information Disclosed Pursuant to the Capital Regulation" for further information on market risk capital measurement.

Interest Rate Risk in the Banking Book

In the first half of 2021, upholding the strategy of forward-looking and proactive interest rate risk management, the Bank utilized a combination of asset-liability quantitative instruments, price instruments and derivative instruments to conduct targeted adjustment and control, continued to improve the Group's asset and liability interest rate portfolio structure, actively responded to complex economic and financial environment at home and abroad, and cemented the sound operation results spanning several cycles. It made constant efforts to promote the deep integration of technology and finance, and built an interest rate risk management mechanism that includes all elements, i.e., volume, price, term and risk, and covers deposit, loan, investment, and on- and off-balance

sheet business under the risk management principles of "active prevention, smart control and comprehensive management", so as to enhance the interest rate risk management capability in a market-oriented environment.

Analysis on Interest Rate Risk in the Banking Book

Interest Rate Sensitivity Analysis

Supposing that there is a parallel shift of overall market interest rates, and taking no account of possible risk management actions taken by the management to mitigate the interest rate risk, the analysis on interest rate sensitivity of the Bank categorized by major currencies at the end of June 2021 is shown in the following table:

In RMB millions

Currency	+100 basis points		-100 basis points	
	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
RMB	(37,398)	(31,182)	37,398	34,099
USD	(5,674)	(6,582)	5,674	6,940
HKD	(604)	(103)	604	104
Other	791	(1,877)	(791)	1,930
Total	(42,885)	(39,744)	42,885	43,073

Note: Please refer to "Note 44.(d) to the Consolidated Financial Statements: Interest Rate Risk in the Banking Book" for details.

Interest Rate Exposure Analysis

At the end of June 2021, the Bank had a positive cumulative interest rate sensitivity exposure within one year of RMB438,107 million, representing a decrease of RMB669,139 million from the end of the previous year, mainly resulted from the increase in due to customers

repriced or matured in less than 3 months. It had a positive cumulative interest rate sensitivity exposure above one year of RMB2,454,313 million, representing an increase of RMB1,130,100 million, mainly due to the decrease in due to customers repriced or matured in 1 to 5 years.

INTEREST RATE RISK EXPOSURE

In RMB millions

	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
At 30 June 2021	(8,560,160)	8,998,267	(516,808)	2,971,121
At 31 December 2020	(6,378,856)	7,486,102	(1,560,515)	2,884,728

Note: Please refer to "Note 44.(d) to the Consolidated Financial Statements: Interest Rate Risk in the Banking Book" for details.

Discussion and Analysis

Liquidity Risk

The Bank upheld a steady and prudent liquidity risk management strategy, maintaining stable liquidity for the Group. It strengthened monitoring of funds, retained reasonably adequate liquidity reserves to manage liquidity risk properly during payment peak times, important holidays and key points in time. It never stopped improving the Group's liquidity risk management system, solidified the strengths of fund operation and monitoring system, and enhanced the automation level of liquidity risk measurement and control system. Furthermore, it

upgraded the multi-layer and multi-dimensional liquidity monitoring and warning system to further improve the Group's liquidity risk prevention capabilities.

Liquidity Risk Analysis

The Bank assesses liquidity risk status by comprehensive use of a variety of approaches and tools such as liquidity indicator analysis and liquidity exposure analysis.

At the end of June, RMB liquidity ratio and foreign currency liquidity ratio of the Bank were 41.7% and 85.3% respectively, both meeting the regulatory requirements. Loan-to-deposit ratio was 74.3%.

Item		Regulatory criteria	At	At	At
			30 June 2021	31 December 2020	31 December 2019
Liquidity ratio (%)	RMB	> = 25.0	41.7	43.2	43.0
	Foreign currency	> = 25.0	85.3	91.4	85.9
Loan-to-deposit ratio (%)	RMB and foreign currency		74.3	72.8	71.6

Note: The regulatory indicators in the table are calculated in accordance with related regulatory requirements, definitions and accounting standards applicable to the current period. The comparative figures are not adjusted or restated.

Net stable funding ratio aims to ensure commercial banks have sufficient stable sources of funding to meet the needs for stable funding of assets and off-balance sheet risk exposures. The net stable funding ratio is the ratio of the available stable funding to the required stable funding. As at the end of the second quarter of 2021, the net stable funding ratio was 129.70%, 1.38 percentage points higher than that at the end of the previous quarter, mainly due to the rapid growth in the available stable funding. For the quantitative information for net stable funding ratio in accordance with the Disclosure Rules on Net Stable Funding Ratio of Commercial Banks, please refer to the section headed "Supplementary Information to the Consolidated Financial Statements".

The daily average liquidity coverage ratio for the second quarter of 2021 was 113.67%, 0.03 percentage points higher than the previous quarter, mainly attributable to the increase in the size of cash inflows in the future 30 days. Qualified high-quality liquid assets cover cash, available central bank reserve under stress and primary and secondary bond assets that can be included in the

liquidity coverage ratio under the regulatory requirements. For the quantitative information for liquidity coverage ratio in accordance with the Administrative Measures for the Information Disclosure of Liquidity Coverage Ratio of Commercial Banks, please refer to the section headed "Supplementary Information to the Consolidated Financial Statements".

At the end of June, the negative liquidity exposure for the 1 to 3 months category increased, mainly due to the increase of matured due to customers with corresponding term. The negative liquidity exposure for the 3 months to 1 year category decreased, mainly caused by the growth of matured loans and advances to customers with corresponding term. The positive liquidity exposure for the 1 to 5 years category increased, mainly due to the decrease of matured due to customers with corresponding term. Deposits maintained steady growth with a high deposition rate, and at the same time the Bank made major investment in highly liquid bond assets, and possessed sufficient liquidity reserves. Therefore, the overall liquidity of the Bank maintained at a safe level.

LIQUIDITY EXPOSURE ANALYSIS

In RMB millions

	Overdue/repayable on demand							Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated		
At 30 June 2021	(15,134,654)	372,466	(1,443,046)	(219,340)	2,302,729	13,791,421	3,377,231	3,046,807
At 31 December 2020	(14,309,956)	335,580	(209,780)	(563,541)	981,145	13,324,640	3,351,427	2,909,515

Note: Please refer to "Note 44.(b) to the Consolidated Financial Statements: Liquidity Risk" for details.

Internal Control and Operational Risk

Internal Control

The Bank continued to refine its internal control mechanism and made active efforts to improve its internal control management. It continued to perfect the Internal Control Manual for business lines of the Head Office, expanded the application thereof to domestic branches, and encouraged integrated subsidiaries to formulate Internal Control Manual for specialized lines. It promulgated the Development Plan of Internal Control System in 2021–2023 to advance the improvement of the internal control system, further polished up the Group's compliance management system, and boosted the differentiated management of compliance. In particular, it enhanced the coordinated management of domestic branches to improve the duty performance and competence of compliance managers at primary-level outlets, while deepening the differentiated management of overseas institutions and pushing ahead with a mechanism for long-term overseas compliance management, so as to strengthen differentiated supervision and instruction in key institutions.

Operational Risk Management

The Bank continued to optimize the operational risk management and control in line with the regulatory focus and operational risk management requirements. It refined limit management of operational risk, performed well in monitoring and reporting limit indicators, coordinated operational risk and control self-assessment, and conducted case risk prevention special action on an ongoing basis. It also implemented grid-based intelligent screening for abnormal behaviors of employees, established and improved a working mechanism to discuss and identify operational risk responsibility, and constantly upgraded the operational risk management system. During the reporting period, the operational risk management and control system of the Bank operated smoothly and the operational risk was controllable on the whole.

Legal Risk

The Bank constantly improved its capacity to prevent and control legal risk, and made continuous efforts to improve the full-process legal risk prevention and control mechanism in a systematic manner. Following the current financial regulatory requirements, the Bank further advanced the prevention, control and mitigation of relevant legal risks in key fields and links, improved function design and management mechanism for electronic signing system, and made productive efforts to make legal risk management and control more procedure-based and systemic.

Anti-Money Laundering

In strict compliance with anti-money laundering (AML) laws and regulations of China and host countries (regions) of overseas institutions, the Bank fully implemented the "risk-based" regulatory requirements in respect of AML, earnestly fulfilled the legal obligations and social responsibilities concerning AML. Following the principles of enhancing awareness, improving mechanisms, consolidating foundation, making sound systems, preventing risks, and focusing on guarantee, the Bank constantly developed the Group's AML governance capability, improved AML organizational structure, and enhanced supervision, appraisal, incentive and constraint mechanism regarding AML. The Bank promoted domestic and overseas Know Your Customer (KYC) special rectification, and tightened the compliance inspections and supervision on high-risk areas. The Bank reinforced control over the whole process and thorough management in major risk areas, made improvements to the Group's sensitive business management structure, continued to solidify the foundation for sensitive information risk management, and invested more resources to develop version 3.0 of the intelligent AML system. Meanwhile, it stepped up AML training and team building to accelerate the extensive implementation of "risk-based and precautionary" money laundering risk management ideas.

Please refer to the section headed "Information Disclosed Pursuant to the Capital Regulation" for further information on operational risk capital measurement.

Reputational Risk

The Bank constantly advanced the building of the reputational risk management policies and mechanism, realizing better management in this regard. It supplemented the mechanism for discussing and identifying the responsibility of reputational risk events, reinforced the management throughout the process, in a bid to proactively and practically defuse hidden reputational risks. It actively responded to public concerns in terms of hotspot issues. It also organized a series of campaigns with great influence for publicity to enhance its brand image. During the reporting period, the Bank's reputational risk was stable and controllable.

Country Risk

In the first half of 2021, amid the complicated and severe international political and economic environment, the Bank continued to enhance country risk management. It continuously improved the policies and procedures for country risk management; closely watched changes in country risk exposures, constantly tracked, monitored and reported country risks; and timely updated and adjusted the country risk rating and limits. It also conducted stress tests on country risk actively, strengthened early warning for country risks, and effectively controlled country risks while steadily pushing ahead with the internationalization strategy.

CAPITAL MANAGEMENT

In the first half of the year, the Bank further deepened the capital management reform, strengthened capital saving and optimization, carried forward the disposal of inefficient capital occupation, intensified the constraint of economic capital on risk-weighted assets and continued to elevate the capital use efficiency. It holistically balanced the supplementation of endogenous and exogenous capital, and further consolidated the capital base to reinforce its capacity in supporting the real economy. During the reporting period, all capital indicators performed well, of which capital adequacy ratio was kept at a sound and appropriate level.

Capital Adequacy Ratio and Leverage Ratio

The Bank calculated its capital adequacy ratios at all levels in accordance with the Capital Regulation. According to the scope of implementing the advanced capital management approaches as approved by the regulatory authorities, the foundation internal ratings-based (IRB) approach was adopted for corporate credit risk, the IRB approach for retail credit risk, the internal model approach (IMA) for market risk, and the standardized approach for operational risk meeting regulatory requirements. The weighted approach was adopted for credit risk uncovered by the IRB approach and the standardized approach for market risk uncovered by the IMA.

RESULTS OF CAPITAL ADEQUACY RATIO CALCULATION OF THE GROUP AND PARENT COMPANY

In RMB millions, except for percentages

Item	At 30 June 2021		At 31 December 2020	
	Group	Parent Company	Group	Parent Company
Net core tier 1 capital	2,719,742	2,457,490	2,653,002	2,404,030
Net tier 1 capital	3,009,641	2,729,057	2,872,792	2,605,594
Net capital base	3,584,153	3,287,748	3,396,186	3,114,878
Core tier 1 capital adequacy ratio (%)	12.90	12.80	13.18	13.14
Tier 1 capital adequacy ratio (%)	14.28	14.21	14.28	14.24
Capital adequacy ratio (%)	17.01	17.12	16.88	17.02

As at the end of June, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy

ratio stood at 12.90%, 14.28% and 17.01% respectively, complying with regulatory requirements.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

Item	At 30 June 2021	At 31 December 2020
Core tier 1 capital	2,735,240	2,669,055
Paid-in capital	356,407	356,407
Valid portion of capital reserve	148,534	148,534
Surplus reserve	322,933	322,692
General reserve	339,678	339,486
Retained profits	1,576,014	1,508,562
Valid portion of minority interests	4,028	3,552
Other	(12,354)	(10,178)
Core tier 1 capital deductions	15,498	16,053
Goodwill	7,914	8,107
Other intangible assets other than land use rights	3,796	4,582
Cash flow hedge reserve that relates to the hedging of items that are not fair valued on the balance sheet	(4,192)	(4,616)
Investments in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	7,980
Net core tier 1 capital	2,719,742	2,653,002
Additional tier 1 capital	289,899	219,790
Additional tier 1 capital instruments and related premiums	289,135	219,143
Valid portion of minority interests	764	647
Net tier 1 capital	3,009,641	2,872,792
Tier 2 capital	574,512	523,394
Valid portion of tier 2 capital instruments and related premiums	361,131	351,568
Surplus provision for loan impairment	212,134	170,712
Valid portion of minority interests	1,247	1,114
Net capital base	3,584,153	3,396,186
Risk-weighted assets⁽²⁾	21,076,877	20,124,139
Core tier 1 capital adequacy ratio (%)	12.90	13.18
Tier 1 capital adequacy ratio (%)	14.28	14.28
Capital adequacy ratio (%)	17.01	16.88

Notes: (1) Please refer to "Note 44.(e) to the Consolidated Financial Statements: Capital Management" for details.

(2) Refers to risk-weighted assets after the capital floor and adjustments.

Discussion and Analysis

RISK-WEIGHTED ASSETS

In RMB millions

Item	At 30 June 2021	At 31 December 2020
Credit risk-weighted assets	19,501,281	18,535,324
Parts covered by internal ratings-based approach	13,234,336	12,279,663
Parts uncovered by internal ratings-based approach	6,266,945	6,255,661
Market risk-weighted assets	161,565	174,784
Parts covered by internal model approach	70,164	94,238
Parts uncovered by internal model approach	91,401	80,546
Operational risk-weighted assets	1,414,031	1,414,031
Total	21,076,877	20,124,139

For more information of capital measurement of the Bank, please refer to the section headed “Information Disclosed Pursuant to the Capital Regulation”.

LEVERAGE RATIO

In RMB millions, except for percentages

Item	At 30 June 2021	At 31 March 2021	At 31 December 2020	At 30 September 2020
Net tier 1 capital	3,009,641	2,956,971	2,872,792	2,786,578
Balance of adjusted on- and off-balance sheet assets	37,370,525	36,423,221	35,300,338	35,490,453
Leverage ratio	8.05%	8.12%	8.14%	7.85%

Note: Please refer to the section headed “Supplementary Information to the Consolidated Financial Statements” for details on disclosed leverage ratio information.

Capital Financing Management

On the basis of capital replenishment by retained profits, the Bank proactively expanded the channels for exogenous capital replenishment and continuously promoted the innovation of capital instruments, to reinforce the capital strength, optimize capital structure and control the cost of capital rationally.

Issuance of Undated Additional Tier 1 Capital Bonds

The Bank publicly issued the undated additional tier 1 capital bonds of RMB70.0 billion in China’s national inter-bank bond market in June 2021. All proceeds from this issuance, after deduction of issuance expenses, will be used to replenish the Bank’s additional tier 1 capital in accordance with applicable laws and approvals by the regulatory authorities.

The Bank received a reply from CBIRC in September 2020, pursuant to which, approval was granted to the Bank to

issue undated additional tier 1 capital bonds in foreign currency of an amount no more than RMB40.0 billion equivalent in the offshore market, which will be counted as the additional tier 1 capital of the Bank in accordance with relevant regulatory requirements.

Issuance Progress of Tier 2 Capital Bonds

The Bank publicly issued a tier 2 capital bond of RMB30.0 billion in China’s national inter-bank bond market in January 2021. All proceeds will be used to replenish the Bank’s tier 2 capital in accordance with the applicable laws as approved by relevant regulatory authorities.

In June 2021, the Annual General Meeting for the Year 2020 of the Bank considered and approved the Proposal on the Issuance of Eligible Tier 2 Capital Instruments.

For details on the issuance of capital instruments of the Bank, please refer to the announcements published by the Bank on the website of SSE, the “HKEXnews” website of HKEX and the website of the Bank.

OUTLOOK

In the second half of 2021, China will further consolidate the achievements of epidemic prevention and control and economic recovery, ensure a steady start of the 14th Five-Year Plan with expanded production demand, overall stable employment and prices, better micro-foundation and improved market expectations. **China's economy will move from sustained recovery to regular recovery, creating new opportunities** for the development of the banking industry. However, uncertainties in the external environment, such as the unsynchronized pandemic prevention and control in the world, uneven economic recovery, increased expectations in monetary policy reorientation in major global economies, will also affect the **management structure and competition pattern** of China's banking sector.

Marching toward a brand new journey, large state-owned banks shoulder heavier responsibilities. ICBC will focus on the new development stage, act on the new development philosophy, and serve the new development paradigm. It will adhere to "48-character" guideline, proceed from the "big, comprehensive, stable, new, optimal and strong" orientation of development, apply the method of "Three Comparisons, Three Reviews and Three Improvements" into work, and adhere to the pattern of "bringing out our strengths to make up for our weaknesses and laying a solid foundation". Moreover, it will coordinate development and security to enhance the adaptability, competitiveness and inclusiveness of the modern financial system so as to serve the high-quality development of the country with that of its own. **First, it will better serve innovative development.** The Bank will improve the internal system and mechanism of FinTech R&D and innovation and application, help science and technology enterprises over the R&D and publicity period, enhance its capabilities to serve cutting-edge science and technology, major national demands, people's lives and health and other fields so as to make a contribution to build China

into a leader in science and technology. **Second, it will better serve coordinated development.** Seizing the opportunity of the factor market opening-up and regional integration, the Bank will further take the advantages of development of central cities and city clusters through the leveraging role of service and investment, service interconnection, information interaction, and operation coordination. Moreover, it will build a new model of urban and rural interconnected financial services, and drive the cross-regional allocation of capital, talents, technology, knowledge and other factors with capital flow and data flow in a bid to support a wider range of common prosperity. **Third, it will better serve green and low-carbon and sustainable development.** Adhering to the principle that lucid waters and lush mountains are invaluable assets, the Bank will systematically take the advantages of credit, bonds, funds, trusts, leasing and other services and comprehensively promote the formation of a green finance system. Besides, the Bank will actively make a contribution to achieve "peak carbon emission and carbon neutralization" and support the steady transition with traditional growth drivers being replaced by new ones, to improve economic, social, and ecological benefits simultaneously. **Fourth, it will better serve financial openness.** Practicing the strategy of opening up more sectors of the economy in a more thorough fashion, the Bank will give full play to the advantages of reaching different countries and regions, deepen the Belt and Road Inter-bank Regular Cooperation Mechanism, actively connect two markets, make good use of two resources, safeguard national financial security so as to build a more international, market-oriented and modern financial governance system. **Fifth, it will better serve to share smooth circulation.** The Bank will focus on the ecosystem of value creation, market position, risk management and capital constraint, and plan a service system that is in line with consumption upgrading, high-quality development, high-level opening-up and market-based allocation of production factors, so as to break the breakpoints and obstacles hindering the circulation of goods and services with financial power and improve finance supply service for the dual-cycle at home and abroad.

Information Disclosed Pursuant to the Capital Regulation

Capital Adequacy Ratio

Scope of Capital Adequacy Ratio Calculation

The scope of capital adequacy ratio calculation shall cover the Bank and all eligible financial institutions in which the Bank has a direct or indirect investment as specified in the Capital Regulation.

Risk-Weighted Assets and Calculation Method and Measurement Results of Capital Adequacy Ratio

Please refer to the section headed “Discussion and Analysis — Capital Management”.

Credit Risk

CREDIT RISK EXPOSURE

In RMB millions

Item	At 30 June 2021		At 31 December 2020	
	Parts covered by internal ratings-based approach	Parts uncovered by internal ratings-based approach	Parts covered by internal ratings-based approach	Parts uncovered by internal ratings-based approach
Corporate	11,929,944	1,375,582	10,942,603	1,400,916
Sovereign	—	7,218,061	—	7,019,844
Financial institution	—	3,900,121	—	3,472,859
Retail	7,438,407	553,662	6,984,921	507,002
Equity	—	172,767	—	176,993
Asset securitization	—	100,984	—	97,887
Other	—	5,435,597	—	5,359,568
Total risk exposure	19,368,351	18,756,774	17,927,524	18,035,069

Please refer to the section headed “Discussion and Analysis — Risk Management” for overdue loans, NPLs and provision for loan impairment of the Bank at the end of the reporting period.

Market Risk

CAPITAL REQUIREMENT FOR MARKET RISK

In RMB millions

Risk type	At 30 June 2021	At 31 December 2020
Parts covered by internal model approach	5,613	7,539
Parts uncovered by internal model approach	7,312	6,444
Interest rate risk	3,980	3,405
Commodity risk	3,294	3,015
Option risk	38	24
Total	12,925	13,983

Note: According to the scope of implementing the advanced capital management approaches as approved by the regulatory authorities, the internal model approach for market risk of the Bank covers the Group’s currency risk, the general interest rate risk of the parent company and ICBC (Canada) and the commodity risk of the parent company. Parts uncovered by the internal model approach are measured by the standardized approach.

Information Disclosed Pursuant to the Capital Regulation

The Bank applied the Historical Simulation Method (adopting a confidence interval of 99%, holding period of 10 days and historical data of 250 days) to measure

VaR for use in capital measurement by internal model approach.

VALUE AT RISK (VaR)

In RMB millions

Item	Six months ended 30 June 2021				Six months ended 30 June 2020			
	Period end	Average	Maximum	Minimum	Period end	Average	Maximum	Minimum
VaR	596	651	839	497	1,492	1,703	2,107	1,394
Interest rate risk	307	547	811	254	374	201	430	92
Currency risk	418	486	913	235	1,321	1,666	1,996	1,321
Commodity risk	197	258	503	93	142	122	261	40
Stressed VaR	1,227	900	1,396	587	1,492	1,716	2,107	1,394
Interest rate risk	747	669	811	467	374	262	430	153
Currency risk	1,019	782	1,206	394	1,329	1,752	2,082	1,329
Commodity risk	281	285	503	153	142	124	261	38

Operational Risk

The Bank adopted the standardized approach to measure capital requirement for operational risk. As at the end of June 2021, the capital requirement for operational risk was RMB113,122 million.

Interest Rate Risk in the Banking Book

Please refer to the section headed "Discussion and Analysis — Risk Management" for the analysis on interest rate sensitivity in the banking book of the Bank categorized by major currencies at the end of the reporting period.

Equity Risk in the Banking Book

In RMB millions

Equity type	At 30 June 2021			At 31 December 2020		
	Publicly-traded equity investment risk exposure ⁽¹⁾	Non-publicly-traded equity investment risk exposure ⁽¹⁾	Unrealised potential gains (losses) ⁽²⁾	Publicly-traded equity investment risk exposure ⁽¹⁾	Non-publicly-traded equity investment risk exposure ⁽¹⁾	Unrealised potential gains (losses) ⁽²⁾
Financial institution	29,057	15,756	10,673	28,675	15,423	9,025
Corporate	15,792	119,456	(3,271)	12,686	126,595	(2,709)
Total	44,849	135,212	7,402	41,361	142,018	6,316

Notes: (1) Publicly-traded equity investment refers to equity investment made in listed companies, and non-publicly-traded equity investment refers to equity investment made in non-listed companies.

(2) Unrealised potential gains (losses) refer to the unrealised gains (losses) recognized on the balance sheet but not recognized on the income statement.

Hot Topics in the Capital Market

Implementation Effects of Key Strategies

During the reporting period, ICBC continued to form the pattern of “bringing out our strengths to make up for our weaknesses and laying a solid foundation”. Institutional banking, corporate banking, transaction banking, and settlement as four superior business lines of the Bank continued to grow at high levels and achieved significant results in the coordinated implementation of key strategies.

The No.1 Personal Bank Strategy was implemented at greater depth, with coordinated advantages appearing gradually. First, there were interactions among government, business and consumption (GBC). By creating closed loops of customers, funds, and information, the three ends got integrated to promote each other. ICBC made good use of its huge capital flow, continuously improving the fund retention rate. The Bank capitalized its customer reserve on the G and B ends to facilitate the downstream fund retention and the agency payroll business on the C end. During the reporting period, the C-end key scenarios won/activated about 18.00 million customers. **Second, customer base was further consolidated.** At the end of the reporting period, the personal assets under management reached RMB16.6 trillion. The total amount hit another record high and continued to maintain its leading position across the entire market. Specifically, the increment of average daily RMB savings deposits exceeded RMB800.0 billion. **Third, the fund flow demonstrated the continuously improved activity level.** By optimizing institutional functions, ICBC pooled technical resources, stepped up scenario building efforts to coordinate processes, services, operations, and channels, and put in place a science-based, normative, top-down, efficient organization structure, thus pushing forward digital transformation continuously. At the end of the reporting period, the Bank registered 443 million customers of personal mobile banking, and maintained more than 100 million active users of personal mobile banking in the month, putting the Bank in a leading position among peers.

The Urban-Rural Collaborative Development Strategy was deployed at a high level from a high starting point. First, the Bank built a new strategic layout of financial services for rural revitalization, featuring “urban + countryside”, “physical + digital” and “online + offline”. The Action Plan of ICBC for Finance-

backed Rural Revitalization and the “ICBC Xingnongtong” brand were released to empower rural finance by relying on the Bank’s advantages in urban finance and FinTech. At the end of the reporting period, offline channels covered over 85% of counties nationwide, with rapid growth in personal customers there. **Second, investment and financing supply was optimized.** ICBC shored up service innovation, launching 150 financing products targeted at agriculture-related industrial chain and supply chain as well as over 60 agriculture-pro products with regional characteristics. Besides, it underwrote rural revitalization bonds worth RMB15.6 billion. At the end of June, inclusive rural household business loans and inclusive small and micro enterprise agriculture-related loans increased by 37.4% over the beginning of the year. **Third, initial achievements have been made in technology empowerment.** A comprehensive service platform was created in the name of “Digital Village” to offer comprehensive services in government affairs, financial affairs, village affairs, Party affairs, and finance to counties, towns and villages, covering 181 prefectures of 31 provinces across China. The special zone “Agricultural Matchmaking” has been developed and put into operation to provide comprehensive matchmaking services for 50 national modern agricultural industrial parks, 50 industrial clusters with advantageous characteristics and 298 strong agricultural towns as well as 80 thousand operating entities covered by them.

Progress was made in the coordination of other key strategies. The Preferred Bank Strategy for Domestic Foreign Exchange Business was implemented at greater depth. Domestic foreign exchange business saw its customers increasing significantly and its channel & outlet network more sophisticated. The deposit, loan, and remittance indicators all showed a trend of robust growth. At the end of the reporting period, ICBC was the industry lead in foreign exchange deposits increase and foreign exchange loan balance. At the same time, the business volume of international settlement, cross-border RMB settlement, and agency foreign exchange settlement and sales all grew rapidly, with the market share going up for several consecutive quarters. **The Strategy for Sharpening Competitive Edge in Key Regions was advanced steadily.** At the end of the reporting period, ICBC posted outstanding loans of various types in five key regions (Beijing-Tianjin-Hebei region, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, Central China, and Chengdu-Chongqing region) of over RMB13 trillion.

Development and Innovation in Wealth Management Business

ICBC actively sought to meet the diversified needs of residents for wealth allocation during the transition period to the New Rules on Asset Management, moved faster to integrate and reshape many business chains of the Group such as banking, wealth management, funds, and insurance, and provided customers with one-stop product options and professional investment advisory services, in an effort to create a competitive, sustainable wealth management business model. At the end of the reporting period, the scale of the Bank's assets under management was RMB4.67 trillion and the scale of assets under custody was RMB20.64 trillion, thus maintaining its comparative advantage as the largest asset management financial group in China.

Balance sheet services were provided to the broadest customer base. ICBC continued to replace the concept of deposit and loan operations with the business tenet of serving customers' balance sheet. The Bank promoted AUM management for personal customers and FPA total financing management for corporate customers. It provided a wide range of diversified, personalized wealth management services for over 690 million personal customers, 9.20 million corporate customers, 19.30 million pension customers, and 198 thousand private banking customers.

A group-wide, multi-dimensional wealth management product line took shape. Relying on the Group's business advantages in asset management, custody services, pension funds, and other areas, ICBC interacted with integrated subsidiaries engaged in fund management, insurance, leasing, investment banking, and wealth management, among other businesses to continuously boost investment management and research capabilities, create an asset management business regime that supported the allocation of funds across the market, and create value throughout the business chain, in order to provide customers with a diversity of integrated professional services. At the end of the reporting period, ICBC Credit Suisse Asset recorded the AUMs of RMB1.55 trillion, of which public funds amounted to RMB723.5 billion; ICBC Wealth Management posted wealth management products worth RMB1.25 trillion; and other asset management platforms including asset management business segments under ICBC-AXA, ICBC Investment, and ICBC International etc. managed to scale up their AUMs rapidly.

An open wealth management platform was set up. Apart from its diversified product offering, ICBC also leveraged its significant advantages in digital and platform-based operations to create an online, one-stop, and comprehensive "Financial Supermarket" for customers and kept improving the construction of the open wealth management system. With "ICBC e Wallet", the Bank offered 22 products and services in five categories, including account management, fund management, investment and wealth management, financing credit, and consumer payment. Through ICBC partners' online

platforms, users can have access to convenient financial services, regardless of whether they have an ICBC account. At present, they served over 35.00 million customers cumulatively. Meanwhile, the Bank selected high-quality funds to compile and launch the ICBC Wealth Fund Index that aimed at helping customers preserve and increase the value of their wealth. As of the end of June, the ICBC Hybrid Stock Fund Index under the index series had generated a cumulative return rate of 108.93% since its release, a level significantly surpassing major market indices.

Intensified efforts were made to empower wealth management with FinTech. First, the intelligent marketing system helped expand the wealth management ecosystem. ICBC drew 360° panoramic portraits of customers from multiple dimensions such as lifecycle, behavior preference, and asset/liability characteristics, providing real-time calculation and customized financial service solutions for all personal customers. The Bank integrated online and offline channels to establish a three-dimensional marketing regime, and launched an array of contact-free financial services including interactive, online "cloud outlets" and "cloud studio" account managers. It comprehensively upgraded the intelligent service Gino (Gong Xiao Zhi), which owned 84 intelligent service entries and posted the response accuracy rate of over 97%. Leveraging its industry-leading blockchain technology, ICBC provided many places including Xiongan New Area with the resettlement compensation management and other wealth management services. The Bank independently developed the first Internet of Things (IoT) financial service platform before other peers. Capable of getting people, things and fields connected with each other, the platform provides technical support for post-investment management, business operations, and collateral monitoring, to further enrich the business scenarios. **Second, an intelligent risk control system was available to guarantee wealth safety.** While comprehensively promoting the transformation of risk management from "manual control" or "computer-enabled control" to "intelligent control", the Bank created over 2,000 risk control models and more than 4,000 risk indicators. It also pioneered an enterprise-level, cross-domain smart anti-fraud platform "ICBC e Security", which served more than 56 thousand corporate customers to avoid losses worth RMB16.2 billion. **Third, a new technological architecture consisting of "core business system + open ecosystem" was established to turn ICBC into a boundless bank.** Relying on the intelligent banking ecosystem "ECOS", the Bank applied intelligent technology to the wealth management field. It ranked first across the industry in terms of API interface types, scenarios covered, number of SaaS products, and number of partners. On the premise of security and privacy protection, it relied on the impressive technical strength to give long-lasting impetus to the construction of a mega wealth management platform and the expansion of the boundless ICBC strategy in the wealth management field.

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

Changes in Ordinary Shares

DETAILS OF CHANGES IN SHARE CAPITAL

Unit: Share

	At 31 December 2020		Increase/decrease during the reporting period	At 30 June 2021	
	Number of shares	Percentage (%)		Number of shares	Percentage (%)
I. Shares subject to restrictions on sales	–	–	–	–	–
II. Shares not subject to restrictions on sales	356,406,257,089	100.00	–	356,406,257,089	100.00
1. RMB-denominated ordinary shares	269,612,212,539	75.65	–	269,612,212,539	75.65
2. Foreign shares listed overseas	86,794,044,550	24.35	–	86,794,044,550	24.35
III. Total number of shares	356,406,257,089	100.00	–	356,406,257,089	100.00

Notes: (1) The above data are based on the Equity Structure Chart issued by China Securities Depository and Clearing Corporation Limited.

(2) "Foreign shares listed overseas", namely H shares, are within the same meaning as defined in the "No. 5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Report of Change in Corporate Shareholding" (Revision 2007) of CSRC.

(3) Due to rounding, percentages presented herein are for reference only.

Details of Securities Issuance and Listing

During the reporting period, the Bank did not issue any shares, employee shares, convertible bonds, or corporate bonds to be disclosed in accordance with Chapter II, Section 9 of the "No. 3 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Half-year Report (Revision 2021)".

For information on other securities issued by the Bank and its subsidiaries, please refer to "Note 28. to the Consolidated Financial Statements: Debt Securities Issued; Note 31. to the Consolidated Financial Statements: Other Equity Instruments" for details. For details on the issuance progress of tier 2 capital bonds and undated additional tier 1 capital bonds of the Bank during the reporting period, please refer to the section headed "Discussion and Analysis — Capital Management".

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

Number of Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had a total number of 691,002 ordinary shareholders and no holders of preference shares with voting rights restored or holders of shares with special voting rights, including 114,805 holders of H shares and 576,197 holders of A shares.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 ORDINARY SHAREHOLDERS OF THE BANK

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Shareholding percentage (%)	Total number of shares held	Number of pledged, marked or locked-up shares	Increase/decrease of shares during the reporting period
Huijin	State-owned	A Share	34.71	123,717,852,951	None	-
MOF	State-owned	A Share	31.14	110,984,806,678	None	-
HKSCC Nominees Limited ⁽³⁾	Foreign legal person	H Share	24.18	86,168,673,088	Unknown	1,071,457
SSF ⁽⁴⁾	State-owned	A Share	3.46	12,331,645,186	None	-
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products	Other entities	A Share	1.03	3,687,330,676	None	-
China Securities Finance Co., Ltd.	State-owned legal person	A Share	0.68	2,416,131,540	None	-24
Hong Kong Securities Clearing Company Limited ⁽⁵⁾	Foreign legal person	A Share	0.36	1,276,453,015	None	90,332,762
Central Huijin Asset Management Co., Ltd. ⁽⁵⁾	State-owned legal person	A Share	0.28	1,013,921,700	None	-
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Other entities	A Share	0.13	468,222,788	None	-2,126,500
Taiping Life Insurance Co., Ltd. — Traditional — Ordinary insurance products — 022L — CT001 Hu	Other entities	A Share	0.11	387,807,151	None	-

Notes: (1) The above data are based on the Bank's register of shareholders as at 30 June 2021.

(2) The Bank had no shares subject to restrictions on sales.

(3) Total number of shares held by HKSCC Nominees Limited refers to the total H shares held by it as a nominee on behalf of all institutional and individual investors registered with accounts opened with HKSCC Nominees Limited as at 30 June 2021, which included H shares of the Bank held by SSF, Ping An Asset Management Co., Ltd., Temasek Holdings (Private) Limited and China Life Insurance (Group) Company.

(4) According to the Notice on Comprehensively Transferring Part of State-Owned Capital to Fortify Social Security Funds (Cai Zi [2019] No. 49), MOF transferred 12,331,645,186 A shares to the state-owned capital transfer account of SSF in a lump sum in December 2019. According to the relevant requirements under the Notice of the State Council on Issuing the Implementation Plan for Transferring Part of State-Owned Capital to Fortify Social Security Funds (Guo Fa [2017] No. 49), SSF shall perform the obligation of more than 3-year lock-up period as of the date of the receipt of transferred shares. At the end of the reporting period, according to the information provided by SSF to the Bank, SSF also held 7,946,049,758 H shares of the Bank and 20,277,694,944 A and H shares in aggregate, accounting for 5.69% of the Bank's total ordinary shares.

(5) HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited. Central Huijin Asset Management Co., Ltd. is a wholly-owned subsidiary of Huijin. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned shareholders.

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

Changes of the Controlling Shareholders and De Facto Controller

During the reporting period, the Bank's controlling shareholders and de facto controller remained unchanged.

Interests and Short Positions Held by Substantial Shareholders and Other Persons

Substantial Shareholders and Persons Having Notifiable Interests or Short Positions Pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance of Hong Kong

As at 30 June 2021, the Bank received notices from the following persons about their interests or short positions held in the Bank's ordinary shares and underlying shares, which were recorded in the register pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong as follows:

HOLDERS OF A SHARES

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	Percentage of A shares ⁽²⁾ (%)	Percentage of total ordinary shares ⁽²⁾ (%)
Huijin ⁽¹⁾	Beneficial owner	123,717,852,951	Long position	45.89	34.71
	Interest of controlled corporations	1,013,921,700	Long position	0.38	0.28
	Total	124,731,774,651		46.26	35.00
MOF	Beneficial owner	110,984,806,678	Long position	41.16	31.14

Notes: (1) According to the register of shareholders of the Bank as at 30 June 2021, Huijin held 123,717,852,951 shares in the Bank, while Central Huijin Asset Management Co., Ltd., a subsidiary of Huijin, held 1,013,921,700 shares in the Bank.

(2) Due to rounding, percentages presented herein are for reference only.

HOLDERS OF H SHARES

Name of substantial shareholder	Capacity	Number of H shares held (share)	Nature of interests	Percentage of H shares ⁽⁴⁾ (%)	Percentage of total ordinary shares ⁽⁴⁾ (%)
Ping An Asset Management Co., Ltd. ⁽¹⁾	Investment manager	12,168,809,000	Long position	14.02	3.41
SSF ⁽²⁾	Beneficial owner	8,663,703,234	Long position	9.98	2.43
Temasek Holdings (Private) Limited	Interest of controlled corporations	7,317,475,731	Long position	8.43	2.05
China Life Insurance (Group) Company ⁽³⁾	Beneficial owner	205,750,000	Long position	0.24	0.06
	Interest of controlled corporations	5,005,191,000	Long position	5.77	1.40
	Total	5,210,941,000		6.00	1.46

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

- Notes: (1) As confirmed by Ping An Asset Management Co., Ltd., such shares were held by Ping An Asset Management Co., Ltd. on behalf of certain customers (including but not limited to Ping An Life Insurance Company of China, Ltd.) in its capacity as investment manager and the interests in such shares were disclosed based on the latest disclosure of interests form filed by Ping An Asset Management Co., Ltd. for the period ended 30 June 2021 (the date of relevant event being 12 June 2019). Both Ping An Life Insurance Company of China, Ltd. and Ping An Asset Management Co., Ltd. are subsidiaries of Ping An Insurance (Group) Company of China, Ltd. As Ping An Asset Management Co., Ltd. is in a position to fully exercise the voting rights in respect of such shares on behalf of customers and independently exercise the rights of investment and business management in its capacity as investment manager, and is completely independent from Ping An Insurance (Group) Company of China, Ltd., Ping An Insurance (Group) Company of China, Ltd. is exempted from aggregating the interests in such shares as a holding company under the aggregation exemption and disclosing the holding of the same in accordance with the Securities and Futures Ordinance of Hong Kong.
- (2) According to the information provided by SSF to the Bank, SSF held 7,946,049,758 H shares of the Bank as at the end of the reporting period.
- (3) According to the interest disclosure by China Life Insurance (Group) Company dated 11 November 2020, China Life Insurance Company Limited is the controlled corporation of China Life Insurance (Group) Company, and it totally held the long position of 4,874,071,000 H shares, accounting for 5.62% and 1.37% of H shares and all ordinary shares of the Bank respectively.
- (4) Due to rounding, percentages presented herein are for reference only.

Preference Shares

Issuance and Listing of Preference Shares during the Reporting Period

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

Number of Preference Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had one offshore preference shareholder (or proxy), 24 domestic preference shareholders of “工行優1” and 34 domestic preference shareholders of “工行優2”.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 OFFSHORE PREFERENCE SHAREHOLDERS (OR PROXIES) OF THE BANK

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Increase/decrease during the reporting period	Shares held at the end of the period	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
The Bank of New York Depository (Nominees) Limited	Foreign legal person	USD offshore preference shares	–	145,000,000	78.4	–	Unknown
		EUR offshore preference shares	–	40,000,000	21.6	–	Unknown

- Notes: (1) The above data are based on the Bank’s register of offshore preference shareholders as at 30 June 2021.
- (2) As the issuance of the offshore preference shares above was private offering, the register of preference shareholders presented the information on proxies of placees.
- (3) The Bank is not aware of any connected relations or concert party action between the afore-mentioned preference shareholder and top 10 ordinary shareholders.
- (4) “Shareholding percentage” refers to the percentage of offshore preference shares held by preference shareholders in total number of offshore preference shares.

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

PARTICULARS OF SHAREHOLDING OF THE TOP 10 DOMESTIC PREFERENCE SHAREHOLDERS OF “工行優1”

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Increase/ decrease during the reporting period	Shares held at the end of the period	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
China Mobile Communications Group Co., Ltd.	State-owned legal person	Domestic preference shares	-	200,000,000	44.4	-	None
China National Tobacco Corporation	Other entities	Domestic preference shares	-	50,000,000	11.1	-	None
China Life Insurance Company Limited	State-owned legal person	Domestic preference shares	-	35,000,000	7.8	-	None
Ping An Life Insurance Company of China, Ltd.	Domestic non-state-owned legal person	Domestic preference shares	-	30,000,000	6.7	-	None
BOCOM Schroders Asset Management Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	-	18,000,000	4.0	-	None
China International Capital Corporation Limited	State-owned legal person	Domestic preference shares	3,000,000	18,000,000	4.0	-	None
CCB Trust Co., Ltd.	State-owned legal person	Domestic preference shares	-	15,000,000	3.3	-	None
BOC International (China) Co., Ltd.	State-owned legal person	Domestic preference shares	-	15,000,000	3.3	-	None
China National Tobacco Corporation Shandong Branch	Other entities	Domestic preference shares	-	10,000,000	2.2	-	None
China National Tobacco Corporation Heilongjiang Branch	Other entities	Domestic preference shares	-	10,000,000	2.2	-	None
Ping An Property & Casualty Insurance Company of China, Ltd.	Domestic non-state-owned legal person	Domestic preference shares	-	10,000,000	2.2	-	None

Notes: (1) The above data are based on the Bank's register of domestic preference shareholders of “工行優1” as at 30 June 2021.

(2) China National Tobacco Corporation Shandong Branch and China National Tobacco Corporation Heilongjiang Branch are both wholly-owned subsidiaries of China National Tobacco Corporation. “China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu” is managed by China Life Insurance Company Limited. “Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products” is managed by Ping An Life Insurance Company of China, Ltd. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China, Ltd. have connected relations. Huijin is the controlling shareholder of China International Capital Corporation Limited. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned preference shareholders and among the afore-mentioned preference shareholders and top 10 ordinary shareholders.

(3) “Shareholding percentage” refers to the percentage of domestic preference shares of “工行優1” held by preference shareholders in total number (450 million shares) of domestic preference shares of “工行優1”.

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

PARTICULARS OF SHAREHOLDING OF THE TOP 10 DOMESTIC PREFERENCE SHAREHOLDERS OF “工行優2”

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Increase/ decrease during the reporting period	Shares held at the end of the period	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
China Life Insurance Company Limited	State-owned legal person	Domestic preference shares	–	120,000,000	17.1	–	None
China Mobile Communications Group Co., Ltd.	State-owned legal person	Domestic preference shares	–	100,000,000	14.3	–	None
China International Capital Corporation Limited	State-owned legal person	Domestic preference shares	99,250,000	99,250,000	14.2	–	None
BOC International (China) Co., Ltd.	State-owned legal person	Domestic preference shares	–	70,000,000	10.0	–	None
CCB Trust Co., Ltd.	State-owned legal person	Domestic preference shares	–	70,000,000	10.0	–	None
China National Tobacco Corporation	Other entities	Domestic preference shares	–	50,000,000	7.1	–	None
Shanghai Tobacco Group Co., Ltd.	Other entities	Domestic preference shares	–	30,000,000	4.3	–	None
Bosera Asset Management Co., Limited	State-owned legal person	Domestic preference shares	-120,450,000	29,550,000	4.2	–	None
Hwabao Trust Co., Ltd.	State-owned legal person	Domestic preference shares	21,200,000	21,200,000	3.0	–	None
Bank of Beijing Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	20,000,000	2.9	–	None

Notes: (1) The above data are based on the Bank's register of domestic preference shareholders of “工行優2” as at 30 June 2021.

- (2) Shanghai Tobacco Group Co., Ltd., China National Tobacco Corporation Shandong Branch and China National Tobacco Corporation Heilongjiang Branch are all wholly-owned subsidiaries of China National Tobacco Corporation. “China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu” is managed by China Life Insurance Company Limited. Huijin is the controlling shareholder of China International Capital Corporation Limited. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned preference shareholders and among the afore-mentioned preference shareholders and top 10 ordinary shareholders.
- (3) “Shareholding percentage” refers to the percentage of domestic preference shares of “工行優2” held by preference shareholders in total number (700 million shares) of domestic preference shares of “工行優2”.

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

Dividend Distribution of Preference Shares

During the reporting period, the Bank did not distribute dividends on preference share.

The Bank reviewed and approved the distribution of dividends on “工行優2” and offshore USD preference shares at the meeting of the Board of Directors on 27 August 2021, planning to distribute the dividends on “工行優2” on 24 September 2021 at the dividend rate of 4.2% (pre-tax, and the tax payable on dividends received by holders of domestic preference shares should be borne by them in compliance with relevant laws and regulations) and the total dividends distributed will be RMB2,940 million; and planning to distribute the dividends on offshore USD preference shares on 23 September 2021 at the dividend rate of 3.58% (after-tax, namely the actual dividend rate obtained by offshore USD preference shareholders) and the dividends distributed on offshore USD preference shares will be approximately USD115.3 million including approximately USD103.8 million to be paid to preference shareholders and approximately USD11.5 million of withholding income tax.

Redemption or Conversion of Preference Shares

During the reporting period, the Bank did not redeem or convert any preference share.

Restoration of Voting Rights of Preference Shares

During the reporting period, the Bank did not restore any voting right of preference share.

Accounting Policy Adopted for Preference Shares and Rationale

According to the Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, the Accounting Standard for Business Enterprises No. 37 — Presentation of Financial Instruments promulgated by MOF as well as the International Financial Reporting Standard 9 — Financial Instruments and the International Accounting Standard 32 — Financial Instruments: Presentation promulgated by International Accounting Standards Board and other accounting standards and the key terms of issuance of the Bank’s preference shares, the issued and existing preference shares do not contain contractual obligations to deliver cash or other financial assets or contractual obligations to deliver variable equity instruments for settlement, and shall be accounted for as other equity instruments.

Directors, Supervisors and Senior Management

Basic Information on Directors, Supervisors and Senior Management

As at the disclosure date of the results, the composition of the Board of Directors, the Board of Supervisors and the Senior Management of the Bank is as follows:

The Board of Directors of the Bank consists of 12 directors, including two Executive Directors: Mr. Chen Siqing and Mr. Liao Lin; five Non-executive Directors: Mr. Lu Yongzhen, Mr. Zheng Fuqing, Mr. Feng Weidong, Ms. Cao Liqun and Ms. Chen Yifang; and five Independent Non-executive Directors: Mr. Anthony Francis Neoh, Mr. Yang Siu Shun, Mr. Shen Si, Mr. Nout Wellink and Mr. Fred Zuluu Hu.

The Board of Supervisors of the Bank consists of six members, including two Shareholder Supervisors, namely Mr. Huang Liangbo and Mr. Zhang Wei, two Employee Supervisors, namely Mr. Huang Li and Mr. Wu Xiangjiang, and two External Supervisors, namely Mr. Qu Qiang and Mr. Shen Bingxi.

The Bank has 10 Senior Management members, namely Mr. Chen Siqing, Mr. Liao Lin, Mr. Wang Jingwu, Mr. Zhang Wenwu, Mr. Xu Shouben, Mr. Zhang Weiwu, Mr. Wang Bairong, Mr. Guan Xueqing, Ms. Xiong Yan and Mr. Song Jianhua.

During the reporting period, the Bank did not implement any share incentives. None of the existing Directors, Supervisors and Senior Management members of the Bank or those who left office during the reporting period held shares or share options or were granted restricted shares of the Bank, and there was no change during the reporting period.

Appointment and Removal

Directors

On 25 February 2021, the Board of Directors of the Bank elected Mr. Liao Lin as Vice Chairman of the Bank and his qualification was approved by CBIRC in March 2021. At the Annual General Meeting for the Year 2020 held on 21 June 2021, Ms. Chen Yifang was elected as Non-executive Director of the Bank, and her qualification was approved by CBIRC in August 2021. At the First Extraordinary General Meeting of 2021 held on 29 July 2021, Mr. Wang Jingwu was elected as Executive Director of the Bank, and

his qualification is to be approved by CBIRC. Mr. Wang Jingwu's term of office as Executive Director of the Bank will start from the day of approval by CBIRC. On 27 August 2021, the Board of Directors of the Bank nominated Mr. Dong Yang as a candidate for Non-executive Director of the Bank. The appointment of Mr. Dong Yang as Non-executive Director of the Bank shall be submitted to the Shareholders' General Meeting of the Bank for deliberation and voting, and his qualification after being approved by voting will be submitted to CBIRC for approval. Mr. Dong Yang's term of office as Non-executive Director of the Bank will start from the day of approval by CBIRC.

In February 2021, Ms. Mei Yingchun ceased to act as Non-executive Director of the Bank due to expiration of her term of office.

Supervisors

At the First Extraordinary General Meeting of 2021 held on 29 July 2021, Mr. Huang Liangbo was elected as Shareholder Supervisor of the Bank, his term of office as Shareholder Supervisor of the Bank started from the day of approval by the Shareholders' General Meeting of the Bank, and his appointment as Chairman of the Board of Supervisors of the Bank took effect simultaneously.

In March 2021, Mr. Yang Guozhong ceased to act as Shareholder Supervisor and Chairman of the Board of Supervisors of the Bank due to change of job assignments.

Senior Management Members

On 25 February 2021, the Board of Directors of the Bank appointed Mr. Liao Lin as President of the Bank, and his qualification was approved by CBIRC in March 2021. After Mr. Liao Lin took office as President, he ceased to act as Chief Risk Officer of the Bank. On 29 April 2021, the Board of Directors of the Bank appointed Mr. Zhang Weiwu as Senior Executive Vice President of the Bank, and his qualification was approved by CBIRC in June 2021.

Changes in Information of Directors and Supervisors

None.

Corporate Governance

Overview of Corporate Governance

During the reporting period, the Bank strictly complied with relevant laws, regulations and the listing rules of the stock exchanges in the listing places, continuously promoted the integration of the Party's leadership with corporate governance and continued to improve its corporate governance and high-quality development capability.

The Bank put into good use the key role of the Board of Directors in corporate governance and strategic decision-making. It stepped up efforts in the refinement of the Board of Directors, and pressed forward the change of directors in an orderly manner to ensure the Bank's Board of Directors is structured in compliance with laws and regulations. Besides, it continued to consolidate the institutional foundation of corporate governance through refining the operational mechanism of the Board and nurturing the corporate governance culture. The Bank also continuously enhanced the transparency of the Group, and actively improved the Group's governance to enhance the compliance, stability and effectiveness of corporate governance. In the meantime, efforts were made to advance building of the global, comprehensive and brand-new risk management system involving all personnel, spanning all processes and covering all risk exposures.

The Bank attached great importance to the Board of Supervisors' duty of supervision. Centering on its development strategies and objectives of reform and innovation, the Bank actively strengthened supervision on all fronts to effectively leverage the role of the Board of Supervisors in corporate governance.

Corporate Governance Code

During the reporting period, save as disclosed below, the Bank fully complied with the principles, code provisions and recommended best practices stipulated in the Corporate Governance Code (Appendix 14 to the Hong Kong Listing Rules).

With regard to the compliance with Article A.2.1 of the Corporate Governance Code (Appendix 14 to the Hong Kong Listing Rules), Mr. Gu Shu resigned from his position as President of the Bank on 31 December 2020. The Board of Directors of the Bank deliberated and decided that Mr. Chen Siqing, Chairman of the Board of Directors, should perform the duties of acting President from the date when Mr. Gu Shu does not perform the management duties in the Bank due to job change to the date when the new President appointed by the Board of Directors of the Bank formally takes office. On 16 March 2021, Mr. Liao Lin took office as President of the Bank, and since that date, Mr. Chen Siqing had ceased to serve as acting President.

Shareholders' General Meeting

As of the day of results disclosure, the Bank convened the Annual General Meeting for the Year 2020 on 21 June 2021 and the First Extraordinary General Meeting of 2021 on 29 July 2021. The above meetings were convened and held in strict compliance with relevant laws and regulations. The Bank disclosed relevant announcements of resolutions and legal opinions in a timely manner in accordance with regulatory requirements. For details of the meetings, please refer to the announcements of the Bank dated 21 June 2021 and 29 July 2021 respectively on the websites of SSE, the "HKEXnews" of HKEX and the Bank.

Profits and Dividends Distribution

The formulation and implementation of the Bank's cash dividend policy, which has been commented by the Independent Non-executive Directors, accords with the provisions stipulated in the Articles of Association and the requirements provided in the resolutions of the Shareholders' General Meeting. The dividend distribution standards and proportion are clear and explicit, and the decision-making procedure and mechanism are complete. Minority shareholders can fully express their opinions and appeals, to completely safeguard their legitimate rights.

As approved at the Annual General Meeting for the Year 2020 held on 21 June 2021, the Bank distributed cash dividends of about RMB94,804 million, or RMB2.660 per ten shares (pre-tax) for the period from 1 January 2020 to 31 December 2020 to the ordinary shareholders whose names appeared on the share register after the close of market on 5 July 2021. The Bank will not declare or distribute interim dividends for 2021, nor will it convert any capital reserves to share capital.

For details on the distribution of dividends on preference shares of the Bank, please refer to the section headed "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Preference Shares".

Implementation of Share Incentive Plan and Employee Stock Ownership Plan during the Reporting Period

During the reporting period, the Bank did not implement any share incentive plan or any employee stock ownership plan.

Environmental and Social Responsibilities

Fulfillment of Corporate Social Responsibility

During the reporting period, the Bank carried out the target requirement of peak carbon dioxide emissions and carbon neutrality, and leveraged on the investment and financing toolkit of “loan, bond, stock, agency, lease and consultant” to vigorously promote innovation in green finance products and services and step up investment and financing support to green industries; it maintained an industry-leading position in terms of the total amount and increment of green investment and financing in forms of green loan, underwriting of and investment in green bonds, etc.; it also vigorously underwrote “carbon neutrality” bonds and actively pushed the issuance of green financial bonds; progress was made in approaching the national carbon emissions trading market about offering it comprehensive financial services; ICBC Credit Suisse, one of the Bank’s subsidiaries, launched an ESG-themed ETF that was the first one of the kind approved in the industry; the Bank accelerated financial supports for building the national pilot zone for green finance reform and innovation; innovation in green finance products and services was advanced from various perspectives, with new progress made in prospective studies.

Green Credit

The Bank continuously refined the green finance policy system, strengthened policy supports dedicated to green finance and pushed all-round adjustments in the investment and financing structure to make it greener; it intensified the management of environment (climate) and social risks, fully implemented the green-classified management of investment and financing business and actively advanced systematic control over environment (climate) and social risks of investment and financing. As at the end of June, the Bank recorded a balance of RMB2,154,458 million of loans granted to such green fields as energy saving and environmental protection, clean production, clean energy, ecological environment, green upgrade of infrastructures and green services, representing an increase of RMB308,739 million over the beginning of the year.

As at the end of June, green projects supported by the Bank’s green loans converted into savings of standard coal of 46.94 million tons, a reduction in carbon dioxide emissions of 95.62 million tons.

Green Bond

During the reporting period, it completed the issuance of 24 green bonds as lead underwriter, assisted other issuers in raising funds of RMB56,395 million and ranked No.1 in the market with a lead underwriting scale of RMB21,728

million. As at the end of June, the total amount of offshore green bonds issued by the Bank reached USD9.83 billion.

Green Office

Relying on the office information systems, the Bank adopted “paperless” office and promoted paperless meeting & training throughout the Bank. It tightened the use and management of corporate vehicles, strengthened regulated operation, maintenance and repair of corporate vehicles, timely replaced some of them with low-emission motor vehicles, and advocated green and low-carbon travels. A complete three-level network system for energy management was put in place, and electromechanical equipment and devices were made more power-efficient through routine maintenance and energy-saving technological renovation, integrating energy saving efforts into the whole process of safe operation and technological renovation of the equipment and devices. These efforts have scored sound economic and social effects.

Management of Environmental and Social Risks

The Bank continuously intensified the management of environmental and social risks in its investment and financing business and strictly complied with rigid constraints such as the red line of ecological protection, bottom line of environment quality, upper limit on resource consumption and constraints with respect to land, health and safety. Tapping into internal and external data, the Bank embedded information on enterprises’ environmental and social risks into its credit management system, gradually realizing system-based, automatic management of environmental and social risks.

International Exchange and Cooperation

In accordance with the guiding principles, goals and orientations of the Paris Agreement, the Bank stepped up international exchange and cooperation in various fields to jointly push the low-carbon transformation of the global economy. During the reporting period, the Bank took an active part in international governance for sustainable development, and carried out international exchange and cooperation in green finance by means of the Belt and Road Inter-bank Regular Cooperation Mechanism (BRBR); it actively participated in activities under the United Nations Environment Programme Finance Initiative (UNEP FI); it also jointly advanced promotion and cooperation with respect to the Green Investment Principles (GIP) for the Belt and Road; it substantially pushed forward the implementation of the framework developed by the Task Force on Climate-related Financial Disclosures (TCFD); it researched and released the Belt and Road Green Finance (Investment) Indexes.

Consolidation of Achievements in Poverty Alleviation and Services for Rural Revitalization

The Bank implemented the rural revitalization strategy. To “address the country’s needs, give full play to finance and tap into ICBC strengths”, the Bank formulated the Urban-Rural Collaborative Development Strategy and actively enhanced the role of finance in rural revitalization.

The institutional mechanism for poverty alleviation was enhanced for better coordinated efforts in this regard. The Bank founded the “Steering Group for Financial Services for Rural Revitalization”, “Committee for Promoting Financial Services for Rural Revitalization” and the “Office for Rural Revitalization” to coordinate bank-wide efforts in facilitating rural revitalization from various perspectives of policy, financing, product, service and technology to enhance the quality and efficiency of rural revitalization.

The path of urban-rural collaborative development was defined. The Bank formulated the Opinion of ICBC on Implementing the Urban-Rural Collaborative Development Strategy and Serving Rural Revitalization and the Action Plan of ICBC for Finance-backed Rural Revitalization, which, aiming at realizing “agro-prosperity”, outlined 15 action measures to support rural revitalization through financial services, with an emphasis on promoting “five enhancements” in financial supplies, green financial services, efficiency of intelligent financial services, FinTech supports and the capability of helping farmers, thus creating a new pattern of urban-rural collaborative development and finance-backed rural revitalization.

A uniform brand of rural financial service was created and a rural financial service system was built. The Bank launched a uniform brand of financial services for rural revitalization — “ICBC Xingnongtong”, and committed itself to constructing an all-round rural financial service system covering agriculture, rural areas and farmers. It offered rural customer groups with meticulous, warm and convenient customer experience, and delivered readily available, intelligent and wholehearted financial services to boost prosperity in rural areas, rural industries and livelihood of rural residents.

Investments in financing and investment were increased and the product system was enriched. As at the end of June, the Bank had outperformed the target of “a continued increase in agro-related loans” and “a growth rate of inclusive agro-related loans higher than the average growth rate of all loans”, extending nine tranches of “Rural Revitalization Bonds” worth of RMB15.6 billion to leading agro-enterprises. Meanwhile, the Bank also launched an online inclusive loan product, i.e. “ICBC Prosperous Agriculture Loan”, exclusively for agriculture-related small and micro customers, while continuously enriching and innovating financial products and deepening digital financial services for the rural areas. As at the end of June, the balance of the Bank’s agriculture-related loans amounted to RMB2,504,806 million, indicating an increase of RMB247,590 million over the year beginning.

Targeted assistance for poverty alleviation was continuously improved to help the targeted regions realize rural revitalization. The Bank formulated the Work Plan on Targeted Poverty Alleviation for 2021 to make overall arrangements for bank-wide efforts in targeted poverty alleviation. The Bank increased financial resource inputs into the targeted regions through continuously extending loans to infrastructure projects to support their infrastructure construction. In terms of educational assistance, the “Childlike Innocence Harbor” program was rolled out in the targeted regions to secure healthy growth of “left-behind children”. In terms of consumption-related assistance, the Bank fully tapped into the advantages of its e-commerce platform, exempted merchants from poverty-relieved regions from margin deposit and handling fees, provided them with preferential treatments with respect to marketing costs, offered online matchmaking services for agricultural commodities to counties that had just been lifted out of poverty and helped with the sales of agricultural produces from the poverty-eased regions.

Consumer Protection

The Bank implemented the laws, regulations and regulatory requirements regarding consumer protection, and took various measures to protect legal rights and interests of consumers. It continuously refined its policies and procedures related to consumer protection, conducted reviews on financial products in terms of consumer protection, actively protected consumer rights and enhanced consumer experience. Besides, it continuously enhanced financial services for elderly customers with a focus on making them more satisfied and happier with financial service.

Upholding the customer-centered business tenet, the Bank stepped up the management of consumer complaints in an all-round manner, and continuously enhanced the services for addressing consumer appeals and consumer experience in the process. It refined the longstanding mechanism for complaint management, smoothened the complaint acceptance channels, fulfilled the primary responsibility for handling customer complaints, increased the supportive role of IT system and effectively enhanced the standardized management of customer complaints.

Online and offline efforts were combined for consumer protection promotion activities such as “March 15th Consumer Protection Publicity Week” and “Spreading Financial Knowledge, Protecting Your Pocket”, where the efforts were especially directed at key contents and special groups with an aim to enhance consumers’ financial literacy and risk prevention capability. The Bank designed itself a consumer protection logo, enriched its library of consumer protection materials and continuously enhanced the standardization, quality and efficiency of consumer protection promotion endeavors. The Bank widely rolled out the “Chunxun Action” (“Spring Training Action”) for consumer protection to boost the bank-wide awareness and capability in consumer protection and promote the better effects of implementing regulatory policies in consumer protection.

Significant Events

Use of Proceeds from Fundraising Activities

The funds raised from the Bank's fundraising activities were used for the purposes as disclosed in the prospectuses, namely, strengthening the capital base to support the ongoing business growth of the Bank.

For future planning disclosed in the public disclosure documents such as previous offering prospectuses and fundraising prospectuses issued by the Bank which has continued during the reporting period, its implementation progress conformed to the planning as described after verification and analysis.

Occupation of the Bank's Fund by Controlling Shareholders and Other Related Parties for Non-Business Purposes

During the reporting period, none of the controlling shareholders and other related parties of the Bank occupied any fund of the Bank for non-business purposes.

Material Lawsuits or Arbitration Cases

During the reporting period, the Bank incurred no material lawsuits or arbitration cases. It was involved in several legal disputes in its ordinary course of business. Most of these cases were initiated by the Bank to recover non-performing loans, while some were related to disputes with clients. As at 30 June 2021, the amount of cases pending judgments or arbitration awards in which the Bank and/or its subsidiaries are defendants totaled RMB5,913 million, and the Bank does not expect any material adverse effect from the above-mentioned cases on the Bank's business, financial position or operating results.

Credit Standing During the reporting period, neither the Bank nor its controlling shareholding had ever failed to fulfil obligations provided in effective legal documents issued by court for material lawsuits, nor had there been any outstanding debt of significant amount.

Material Assets Acquisition, Sale and Merger

During the reporting period, the Bank had no material assets acquisition, sale and merger.

Material Related Party Transactions

During the reporting period, the Bank did not enter into any material related party transactions.

Please refer to "Note 42. to the Consolidated Financial Statements: Related Party Disclosures" for details of the related party transactions defined under the laws and regulations of China and the relevant accounting standards.

Material Contracts and Performance of Obligations thereunder

Material Trust, Sub-contract and Lease

During the reporting period, the Bank had not held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of assets of other corporations, which were subject to disclosure, and no other corporation had held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of the Bank's assets, which were subject to disclosure.

Material Guarantees The provision of guarantees is in the ordinary course of business of the Bank. During the reporting period, the Bank did not have any material guarantee that needs to be disclosed except for the financial guarantee services within the business scope as approved by PBC and CBIRC.

Other Material Contracts During the reporting period, the Bank did not have any other material contracts which were subject to disclosure.

External Guarantees During the reporting period, the Bank did not enter any guarantee contract against the resolution procedures for external guarantees that are prescribed by laws, administrative regulations or CSRC.

Significant Events

Commitments

As at 30 June 2021, all of the continuing commitments made by the shareholders were properly fulfilled, and were listed as follows:

Shareholder	Type of commitment	Time and term of commitment	Legal document under which the commitment is made	Commitment	Fulfillment of commitment
Huijin	Commitment of non-competition	October 2006/ No specific term	Prospectus of Industrial and Commercial Bank of China Limited on Initial Public Offering (A Share)	Provided that Huijin continues to hold any share of the Bank or is deemed as the controlling shareholder of the Bank or the related party of the controlling shareholder of the Bank according to the laws or listing rules of China or the listing place of the Bank, Huijin will not engage in or participate in any competitive commercial banking business including but not limited to granting loans, attracting deposits and providing settlement, fund custody, bank card and money exchange services. However, Huijin can engage in or participate in some competitive businesses by investing in other commercial banks. In this regard, Huijin has committed that it will: (1) fairly treat the investments in commercial banks and will not make any decision or judgment that will have adverse impact on the Bank or be beneficial to other commercial banks by taking advantage of the status of being a shareholder of the Bank or information obtained by taking advantage of the status of being a shareholder of the Bank; and (2) perform the shareholders' rights for the maximum interests of the Bank.	As at 30 June 2021, Huijin strictly fulfilled the above commitment and did not do anything in violation of the commitment.
		November 2010/ No specific term	Prospectus on A Share Rights Issue of Industrial and Commercial Bank of China Limited		
SSF	Commitment of performing the obligation of lock-up period for A shares	Taking effect from December 2019/ Above three years	Simplified Report of Changes in Equity of National Council for Social Security Fund	According to the Notice of the State Council on Issuing the Implementation Plan for Transferring Part of State-Owned Capital to Fortify Social Security Funds (Guo Fa [2017] No. 49), SSF shall perform the obligation of more than 3-year lock-up period as of the date of the receipt of transferred shares.	As at 30 June 2021, SSF strictly fulfilled the above commitment and did not do anything in violation of the commitment.

Disciplinary Actions During the reporting period, the Bank was not subject to any case filing investigation for suspected crime, nor was any of its controlling shareholders, Directors, Supervisors and Senior Management members subject to coercive measures for suspected crime; neither the Bank nor its controlling shareholders, Directors, Supervisors and Senior Management members were subject to any criminal penalty or any case filing investigation by CSRC for suspected illegality or irregularity or administrative penalty by CSRC or material administrative penalty by other competent authority; none of its controlling shareholders, Directors, Supervisors and Senior Management members was held in retention by the disciplinary inspection and supervision organ because of suspected serious illegality or irregularity or work-related crime, which affected their duty performance; none of its Directors, Supervisors and Senior Management members was subject to coercive measures taken by other competent authority for suspected illegality or irregularity, which affected their duty performance; neither the Bank nor any of its controlling shareholders, Directors, Supervisors and Senior Management members was subject to any administrative/regulatory measures taken by CSRC or disciplinary sanction imposed by stock exchanges.

Purchase, Sale and Redemption of Shares During the reporting period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any listed shares of the Bank.

Securities Transactions of Directors and Supervisors The Bank has adopted a set of codes of conduct concerning the securities transactions by directors and supervisors which are no less stringent than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules. After making enquiries to all Directors and Supervisors of the Bank, each Director and Supervisor confirmed that he/she has complied with the provisions of the aforesaid codes of conduct during the reporting period.

Interests in Shares, Underlying Shares, and Debentures Held by Directors and Supervisors As at 30 June 2021, none of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong) which have to be notified to the Bank and SEHK under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the Securities and Futures Ordinance of Hong Kong), or any interests or short positions which have to be recorded in the register under Section 352 of the Securities and Futures Ordinance of Hong Kong, or any interests or short positions which have to be notified to the Bank and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

Review of the Interim Report

The 2021 interim financial report prepared by the Bank in accordance with PRC GAAP and IFRSs have been reviewed by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu in accordance with Chinese and international standards on review engagements, respectively.

The Interim Report has been reviewed and approved by the Audit Committee of the Board of Directors of the Bank.

Disclosure of Losses on a Consolidated Basis That Exceed 10% of Net Assets during the Reporting Period, Reasons for Such Losses and Impacts on the Bank's Operation Capability and Solvency Not applicable.

Review Report and Interim Financial Report



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Report on Review of Consolidated Financial Statements

Deloitte.

德勤

To the board of directors of Industrial and Commercial Bank of China Limited

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

Introduction

We have reviewed the consolidated financial statements of Industrial and Commercial Bank of China Limited (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 85 to 174, which comprise the consolidated statement of financial position as of 30 June 2021 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"), issued by the International Accounting Standards Board. The directors of the Bank are responsible for the preparation and presentation of these consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the International Auditing and Assurance Standards Board. A review of these consolidated financial statements consists of making enquiries, 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 consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 August 2021

Consolidated Statement of Profit or Loss

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

	Notes	Six months ended 30 June	
		2021 (unaudited)	2020 (unaudited)
Interest income	3	563,802	543,132
Interest expense	3	(227,509)	(223,241)
NET INTEREST INCOME	3	336,293	319,891
Fee and commission income	4	83,232	82,207
Fee and commission expense	4	(7,289)	(6,649)
NET FEE AND COMMISSION INCOME	4	75,943	75,558
Net trading income/(expense)	5	6,047	(1,635)
Net gain on financial investments	6	2,952	7,987
Other operating income, net	7	5,171	545
OPERATING INCOME		426,406	402,346
Operating expenses	8	(94,991)	(87,925)
Impairment losses on assets	9	(124,547)	(125,456)
OPERATING PROFIT		206,868	188,965
Share of profits of associates and joint ventures		1,202	386
PROFIT BEFORE TAXATION		208,070	189,351
Income tax expense	10	(43,561)	(39,555)
PROFIT FOR THE PERIOD		164,509	149,796
Profit for the period attributable to:			
Equity holders of the parent company		163,473	148,790
Non-controlling interests		1,036	1,006
PROFIT FOR THE PERIOD		164,509	149,796
EARNINGS PER SHARE			
— Basic (RMB yuan)	12	0.46	0.42
— Diluted (RMB yuan)	12	0.46	0.42

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

	Note	Six months ended 30 June	
		2021 (unaudited)	2020 (unaudited)
Profit for the period		164,509	149,796
Other comprehensive income (after tax, net):	33		
(a) Items that will not be reclassified to profit or loss:			
(i) Changes in fair value of equity instruments designated as at fair value through other comprehensive income		993	(222)
(ii) Other comprehensive income recognised under equity method		2	(13)
(iii) Other		1	3
(b) Items that may be reclassified subsequently to profit or loss:			
(i) Changes in fair value of debt instruments measured at fair value through other comprehensive income		(982)	2,043
(ii) Credit losses of debt instruments measured at fair value through other comprehensive income		654	1,039
(iii) Reserve from cash flow hedging instruments		899	(869)
(iv) Other comprehensive income recognised under equity method		(98)	1,075
(v) Foreign currency translation differences		(4,089)	(2,535)
(vi) Other		383	(428)
Subtotal of other comprehensive income for the period		(2,237)	93
Total comprehensive income for the period		162,272	149,889
Total comprehensive income for the period attributable to:			
Equity holders of the parent company		161,200	148,850
Non-controlling interests		1,072	1,039
		162,272	149,889

Consolidated Statement of Financial Position

As at 30 June 2021
(In RMB millions, unless otherwise stated)

	Notes	30 June 2021 (unaudited)	31 December 2020 (audited)
ASSETS			
Cash and balances with central banks	13	3,652,276	3,537,795
Due from banks and other financial institutions	14	1,018,469	1,081,897
Derivative financial assets	15	111,102	134,155
Reverse repurchase agreements	16	1,014,726	739,288
Loans and advances to customers	17	19,452,291	18,136,328
Financial investments	18	8,845,650	8,591,139
— Financial investments measured at fair value through profit or loss		701,972	784,483
— Financial investments measured at fair value through other comprehensive income		1,609,127	1,540,988
— Financial investments measured at amortised cost		6,534,551	6,265,668
Investments in associates and joint ventures	19	43,015	41,206
Property and equipment	20	283,447	286,279
Deferred income tax assets	21	74,926	67,713
Other assets	22	640,382	729,258
TOTAL ASSETS		35,136,284	33,345,058

Consolidated Statement of Financial Position

As at 30 June 2021

(In RMB millions, unless otherwise stated)

	Notes	30 June 2021 (unaudited)	31 December 2020 (audited)
LIABILITIES			
Due to central banks		42,668	54,974
Financial liabilities designated as at fair value through profit or loss	23	88,383	87,938
Derivative financial liabilities	15	87,505	140,973
Due to banks and other financial institutions	24	2,977,531	2,784,259
Repurchase agreements	25	299,476	293,434
Certificates of deposit	26	305,517	335,676
Due to customers	27	26,602,333	25,134,726
Income tax payable		61,253	89,785
Deferred income tax liabilities	21	2,999	2,881
Debt securities issued	28	781,671	798,127
Other liabilities	29	840,141	712,770
TOTAL LIABILITIES		32,089,477	30,435,543
EQUITY			
Equity attributable to equity holders of the parent company			
Share capital	30	356,407	356,407
Other equity instruments	31	295,811	225,819
Reserves	32	799,230	800,718
Retained earnings		1,578,442	1,510,558
		3,029,890	2,893,502
Non-controlling interests		16,917	16,013
TOTAL EQUITY		3,046,807	2,909,515
TOTAL EQUITY AND LIABILITIES		35,136,284	33,345,058

Chen Siqing
Chairman

Liao Lin
Vice Chairman
and President

Liu Yagan
General Manager of
Finance and Accounting Department

Consolidated Statement of Changes in Equity

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

	Attributable to equity holders of the parent company													Non-controlling interests	Total equity
	Reserves											Retained earnings	Total		
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal					
Balance as at 1 January 2021	356,407	225,819	148,640	322,911	339,701	22,377	(27,882)	(4,725)	(304)	800,718	1,510,558	2,893,502	16,013	2,909,515	
Profit for the period	-	-	-	-	-	-	-	-	-	-	163,473	163,473	1,036	164,509	
Other comprehensive income (note 33)	-	-	-	-	-	520	(3,992)	913	286	(2,273)	-	(2,273)	36	(2,237)	
Total comprehensive income	-	-	-	-	-	520	(3,992)	913	286	(2,273)	163,473	161,200	1,072	162,272	
Dividends — ordinary shares 2020 final (note 11)	-	-	-	-	-	-	-	-	-	-	(94,804)	(94,804)	-	(94,804)	
Appropriation to surplus reserve (i)	-	-	-	240	-	-	-	-	-	240	(240)	-	-	-	
Appropriation to general reserve (ii)	-	-	-	-	193	-	-	-	-	193	(193)	-	-	-	
Capital injection by other equity instruments holders	-	69,992	-	-	-	-	-	-	-	-	-	69,992	-	69,992	
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(168)	(168)	
Other comprehensive income transferred to retained earnings	-	-	-	-	-	352	-	-	-	352	(352)	-	-	-	
Balance as at 30 June 2021 (unaudited)	356,407	295,811	148,640	323,151	339,894	23,249	(31,874)	(3,812)	(18)	799,230	1,578,442	3,029,890	16,917	3,046,807	

- (i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB56 million and RMB184 million, respectively.
- (ii) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB23 million and RMB170 million, respectively.

	Attributable to equity holders of the parent company													Non-controlling interests	Total equity
	Reserves											Retained earnings	Total		
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal					
Balance as at 1 January 2020	356,407	206,132	149,139	292,291	305,019	23,280	(18,568)	(4,453)	(1,597)	745,111	1,368,536	2,676,186	15,817	2,692,003	
Profit for the period	-	-	-	-	-	-	-	-	-	-	148,790	148,790	1,006	149,796	
Other comprehensive income (note 33)	-	-	-	-	-	2,809	(2,534)	(852)	637	60	-	60	33	93	
Total comprehensive income	-	-	-	-	-	2,809	(2,534)	(852)	637	60	148,790	148,850	1,039	149,889	
Dividends — ordinary shares 2019 final (note 11)	-	-	-	-	-	-	-	-	-	-	(93,664)	(93,664)	-	(93,664)	
Appropriation to surplus reserve (i)	-	-	-	477	-	-	-	-	-	477	(477)	-	-	-	
Appropriation to general reserve (ii)	-	-	-	-	129	-	-	-	-	129	(129)	-	-	-	
Change in shareholding in subsidiaries	-	-	(499)	-	-	-	-	-	-	(499)	-	(499)	(780)	(1,279)	
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(188)	(188)	
Other comprehensive income transferred to retained earnings	-	-	-	-	-	(6)	-	-	-	(6)	4	(2)	2	-	
Other	-	-	-	-	-	-	-	-	(5)	(5)	-	(5)	-	(5)	
Balance as at 30 June 2020 (unaudited)	356,407	206,132	148,640	292,768	305,148	26,083	(21,102)	(5,305)	(965)	745,267	1,423,060	2,730,866	15,890	2,746,756	

- (i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB67 million and RMB410 million, respectively.
- (ii) Includes the appropriation made by subsidiaries in the amount of RMB129 million.

Consolidated Statement of Changes in Equity

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

	Attributable to equity holders of the parent company													Non-controlling interests	Total equity
	Reserves											Retained earnings	Total		
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal					
Balance as at 1 January 2020	356,407	206,132	149,139	292,291	305,019	23,280	(18,568)	(4,453)	(1,597)	745,111	1,368,536	2,676,186	15,817	2,692,003	
Profit for the year	-	-	-	-	-	-	-	-	-	-	315,906	315,906	1,779	317,685	
Other comprehensive income	-	-	-	-	-	(672)	(15,753)	(272)	1,327	(15,370)	-	(15,370)	(469)	(15,839)	
Total comprehensive income	-	-	-	-	-	(672)	(15,753)	(272)	1,327	(15,370)	315,906	300,536	1,310	301,846	
Dividends — ordinary shares 2019 final	-	-	-	-	-	-	-	-	-	-	(93,664)	(93,664)	-	(93,664)	
Dividends to other equity instruments holders	-	-	-	-	-	-	-	-	-	-	(8,839)	(8,839)	-	(8,839)	
Appropriation to surplus reserve (i)	-	-	-	31,485	-	-	-	-	-	31,485	(31,485)	-	-	-	
Appropriation to general reserve (ii)	-	-	-	-	34,682	-	-	-	-	34,682	(34,682)	-	-	-	
Capital injection by other equity instruments holders	-	19,687	-	-	-	-	-	-	-	-	-	19,687	-	19,687	
Change in shareholding in subsidiaries	-	-	(499)	-	-	-	-	-	-	(499)	-	(499)	(780)	(1,279)	
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(337)	(337)	
Other comprehensive income transferred to retained earnings	-	-	-	-	-	(221)	-	-	-	(221)	218	(3)	3	-	
Other	-	-	-	(865)	-	(10)	6,439	-	(34)	5,530	(5,432)	98	-	98	
Balance as at 31 December 2020 (audited)	356,407	225,819	148,640	322,911	339,701	22,377	(27,882)	(4,725)	(304)	800,718	1,510,558	2,893,502	16,013	2,909,515	

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB101 million and RMB935 million, respectively.

(ii) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB11 million and RMB1,435 million, respectively.

Consolidated Statement of Cash Flows

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

	Notes	Six months ended 30 June	
		2021 (unaudited)	2020 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		208,070	189,351
Adjustments for:			
Share of profits of associates and joint ventures		(1,202)	(386)
Depreciation		13,382	13,645
Amortisation	8	1,267	1,171
Impairment losses on assets	9	124,547	125,456
Unrealised losses on foreign exchange		17,488	10,839
Interest expense on debt securities issued		13,939	13,244
Accreted interest on impaired loans		(735)	(941)
Net gain on financial investments		(9,272)	(5,869)
Interest income on financial investments		(127,855)	(120,447)
Net gain on changes in fair value		(1,329)	(6,751)
Net gain on disposal and overage of property and equipment and other assets (other than repossessed assets)		(873)	(730)
Dividend income	6	(1,326)	(1,054)
		236,101	217,528
Net (increase)/decrease in operating assets:			
Due from central banks		(179,968)	176,573
Due from banks and other financial institutions		177,811	23,905
Financial assets measured at fair value through profit or loss		30,416	(19,355)
Reverse repurchase agreements		(137,720)	70,931
Loans and advances to customers		(1,435,048)	(1,255,273)
Other assets		37,525	(174,316)
		(1,506,984)	(1,177,535)
Net (decrease)/increase in operating liabilities:			
Financial liabilities designated as at fair value through profit or loss		(502)	22,174
Due to central banks		(12,305)	31,427
Due to banks and other financial institutions		193,692	698,647
Repurchase agreements		6,153	(12,477)
Certificates of deposit		(29,847)	(16,537)
Due to customers		1,424,532	2,060,021
Other liabilities		145,449	133,077
		1,727,172	2,916,332
Net cash flows from operating activities before tax		456,289	1,956,325
Income tax paid		(78,743)	(82,592)
Net cash flows from operating activities		377,546	1,873,733

Consolidated Statement of Cash Flows

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

	Note	Six months ended 30 June	
		2021 (unaudited)	2020 (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other assets		(9,041)	(10,769)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)		2,139	981
Purchases of financial investments		(1,635,233)	(1,631,900)
Proceeds from sale and redemption of financial investments		1,296,712	967,154
Investment returns received		129,788	114,096
Investments in associates and joint ventures		(929)	(130)
Proceeds from disposal of associates and joint ventures		–	179
Net cash flows from investing activities		(216,564)	(560,389)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of other equity instruments		70,000	–
Proceeds from issuance of debt securities		417,449	441,364
Interest paid on debt securities		(11,418)	(13,772)
Repayment of debt securities		(430,449)	(449,224)
Acquisition of non-controlling interests		–	(1,279)
Dividends paid on ordinary shares		–	(70,854)
Dividends paid to non-controlling shareholders		(168)	(188)
Cash payment for other financing activities		(5,154)	(2,423)
Net cash flows from financing activities		40,260	(96,376)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		201,242	1,216,968
Cash and cash equivalents at beginning of the period		1,791,122	1,450,413
Effect of exchange rate changes on cash and cash equivalents		(12,797)	9,830
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	34	1,979,567	2,677,211
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		458,441	435,378
Interest paid		(173,129)	(209,678)

Notes to the Consolidated Financial Statements

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

1. CORPORATE INFORMATION

Industrial and Commercial Bank of China Limited (the “Bank”), which was previously known as Industrial and Commercial Bank of China (“ICBC”), used to be a wholly-state-owned commercial bank established on 1 January 1984 based on the authorisation of the State Council and the People’s Bank of China (the “PBOC”) of the People’s Republic of China (the “PRC”). On 28 October 2005, with the approval of the State Council, ICBC was restructured and incorporated as a joint-stock limited company. The joint-stock limited company undertook all the assets and liabilities of ICBC upon the restructuring. On 27 October 2006, the Bank was successfully listed on both Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

The Bank obtained authorisation to carry out banking business with an institution code of No. B0001H111000001 from the China Banking and Insurance Regulatory Commission (the “CBIRC”) of the PRC. The Bank obtained its business license with unified social credit code 91100000100003962T from the State Administration for Industry and Commerce of the PRC. The legal representative is Mr. Chen Siqing and the registered office is located at No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, the PRC.

The Bank’s stock codes of A Shares and H Shares listed on Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited are 601398 and 1398, respectively. The Bank’s offshore preference shares are listed on The Stock Exchange of Hong Kong Limited and the stock codes are 4604 and 4620. The Bank’s domestic preference shares are listed on Shanghai Stock Exchange and the stock codes are 360011 and 360036.

The principal activities of the Bank and its subsidiaries (collectively referred to as the “Group”) comprise corporate and personal financing, treasury operations, investment banking, asset management, trust, financial leasing, insurance and other financial services. Domestic establishments refer to the Head Office of the Bank, branches and subsidiaries established inside Chinese mainland. Overseas establishments refer to branches and subsidiaries established under local jurisdictions outside Chinese mainland.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (“IASB”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. It was approved by the board of directors on 27 August 2021.

The consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”), and should be read in conjunction with the Group’s last annual financial statements for the year ended 31 December 2020.

The consolidated financial statements have been reviewed by Deloitte Touche Tohmatsu in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* “.

Application of amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2
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Notes to the Consolidated Financial Statements

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

In addition, the Group has early applied the Amendment to IFRS 16 “COVID-19-Related Rent Concessions beyond 30 June 2021”. The application of this amendment has had no material impact on the Group’s financial positions and performance for the current and prior periods.

Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform — Phase 2”

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in IFRS 9 *Financial Instruments* on modification of a financial asset or a financial liability for additional changes to which the practical expedient does not apply.

Transition and summary of effects

The Group’s business impacted by interest rate benchmark reform are mainly those linked with London Interbank Offered Rate (LIBOR), consists of loans, debt investments and derivatives etc. The Group attached great importance and made coordinated efforts in the reform, and has developed capabilities to meet the needs of the client for loan, financial market investments, etc. with the new dominated alternative benchmark. After assessment, the Group considers the application of this amendment had no material impact on the Group’s financial positions and performance for the current period.

Significant accounting policies

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

Other than the application of the amendments to IFRSs mentioned above, the accounting policies and methods of computation used in the consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

Accounting judgements and estimates

The preparation of the consolidated financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and estimation uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2020.

3. NET INTEREST INCOME

	Six months ended 30 June	
	2021	2020
Interest income on:		
Loans and advances to customers:		
Corporate loans and advances	226,742	221,240
Personal loans (i)	171,427	155,002
Discounted bills	4,790	6,097
Financial investments	127,855	118,487
Due from banks and other financial institutions (ii)	12,071	21,379
Due from central banks	20,917	20,927
	563,802	543,132
Interest expense on:		
Due to customers	(190,688)	(177,272)
Due to banks and other financial institutions (iii)	(21,838)	(29,723)
Debt securities issued	(14,983)	(16,246)
	(227,509)	(223,241)
Net interest income	336,293	319,891

(i) According to the Notice on Strictly Implementing the Accounting Standards for Business Enterprises and Effectively Strengthening the 2020 Annual Report of Enterprises (Cai Kuai [2021] No. 2), the Bank reclassified credit card installment fee income for the six months ended 30 June 2020 to interest income.

(ii) Includes interest income on reverse repurchase agreements.

(iii) Includes interest expense on due to central banks and repurchase agreements.

The above interest income and expense are related to financial instruments which are not measured at fair value through profit or loss.

4. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2021	2020
Settlement, clearing business and cash management	21,949	20,216
Personal wealth management and private banking services (i)	16,354	15,274
Investment banking business	15,117	14,796
Bank card business	8,020	9,957
Guarantee and commitment business	7,256	7,672
Corporate wealth management services (i)	7,238	7,622
Asset custody business (i)	4,512	4,020
Trust and agency services (i)	1,196	1,057
Other	1,590	1,593
Fee and commission income	83,232	82,207
Fee and commission expense	(7,289)	(6,649)
Net fee and commission income	75,943	75,558

(i) Included in personal wealth management and private banking services, corporate wealth management services, asset custody business, and trust and agency services above for the period is an amount of RMB10,563 million (six months ended 30 June 2020: RMB8,451 million) with respect to custody and trust businesses.

Notes to the Consolidated Financial Statements

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

5. NET TRADING INCOME/(EXPENSE)

	Six months ended 30 June	
	2021	2020
Debt securities	3,265	3,107
Equity investments	1,100	2,012
Derivatives and other	1,682	(6,754)
	6,047	(1,635)

The above amounts mainly include gains and losses arising from the buying and selling of, the interest income and expense on, and the changes in the fair value of financial assets and liabilities held for trading.

6. NET GAIN ON FINANCIAL INVESTMENTS

	Six months ended 30 June	
	2021	2020
Dividend income from equity investments designated as at FVTOCI, including:	1,326	1,054
Derecognised during the period	–	–
Held at the end of current period	1,326	1,054
Gain on financial instruments measured at FVTPL, net, including:	526	5,358
Loss on financial instruments designated as at FVTPL	(10,391)	(1,398)
Gain on disposal of financial instruments measured at FVTOCI, net	1,124	1,504
Other	(24)	71
	2,952	7,987

Note: "FVTPL" stands for fair value through profit or loss.

"FVTOCI" stands for fair value through other comprehensive income.

7. OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2021	2020
Net premium income	23,479	29,933
Operating cost of insurance business	(26,227)	(32,242)
Net gain on disposal of property and equipment, repossessed assets and other	881	805
Other	7,038	2,049
	5,171	545

8. OPERATING EXPENSES

	Six months ended 30 June	
	2021	2020
Staff costs:		
Salaries and bonuses	40,186	38,692
Staff benefits	11,509	11,107
Post-employment benefits — defined contribution plans (i)	8,484	5,139
	60,179	54,938
Property and equipment expenses:		
Depreciation charge for property and equipment	7,291	6,773
Depreciation charge for right-of-use assets and other lease related expenses	4,056	4,088
Repairs and maintenance charges	1,001	962
Utility expenses	831	751
	13,179	12,574
Amortisation	1,267	1,171
Other administrative expenses	9,553	8,748
Taxes and surcharges	4,646	4,406
Other	6,167	6,088
	94,991	87,925

(i) Defined contribution plans include contributions to the state pension and the annuity plan.

9. IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2021	2020
Loans and advances to customers (note 17)	102,257	111,705
Other	22,290	13,751
	124,547	125,456

10. INCOME TAX EXPENSE**(a) Income tax expense**

	Six months ended 30 June	
	2021	2020
Current income tax expense:		
Chinese mainland	45,478	38,848
Hong Kong SAR and Macau SAR	998	1,103
Other overseas jurisdictions	1,263	1,795
	47,739	41,746
Deferred income tax expense	(4,178)	(2,191)
	43,561	39,555

Notes to the Consolidated Financial Statements

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

(b) Reconciliation between income tax and accounting profit

PRC income tax has been provided at the statutory rate of 25%. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries/regions in which the Group operates. A reconciliation of the income tax expense applicable to profit before taxation at the PRC statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

	Six months ended 30 June	
	2021	2020
Profit before taxation	208,070	189,351
Tax at the PRC statutory income tax rate	52,018	47,338
Effects of different applicable rates of tax prevailing in other countries/regions	(983)	(952)
Effects of non-deductible expenses (i)	15,867	13,387
Effects of non-taxable income (ii)	(22,958)	(20,015)
Effects of profits attributable to associates and joint ventures	(301)	(96)
Effects of other	(82)	(107)
Income tax expense	43,561	39,555

- (i) The non-deductible expenses mainly represent non-deductible impairment provision, write-offs, etc.
- (ii) The non-taxable income mainly represents interest income arising from the PRC government bonds and municipal debts, which is exempted from income tax.

11. DIVIDENDS

	Six months ended 30 June	
	2021	2020
Dividends on ordinary shares declared and paid or proposed:		
Final dividend on ordinary shares for 2020: RMB0.2660 per share (2019: RMB0.2628 per share)	94,804	93,664

12. EARNINGS PER SHARE

	Six months ended 30 June	
	2021	2020
Earnings:		
Profit for the period attributable to ordinary equity holders of the parent company	163,473	148,790
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	356,407	356,407
Basic earnings per share (RMB yuan)	0.46	0.42
Diluted earnings per share (RMB yuan)	0.46	0.42

Basic and diluted earnings per share was calculated using the profit for the period attributable to ordinary equity holders of the parent company divided by the weighted average number of ordinary shares in issue.

13. CASH AND BALANCES WITH CENTRAL BANKS

	30 June 2021	31 December 2020
Cash on hand	58,629	64,833
Balances with central banks		
Mandatory reserves (i)	2,667,118	2,601,657
Surplus reserves (ii)	560,889	619,968
Fiscal deposits and other	364,343	249,836
Accrued interest	1,297	1,501
	3,652,276	3,537,795

- (i) The Group is required to place mandatory reserve deposits and other restricted deposits with the PBOC and certain central banks of overseas countries or regions where it has operations. Mandatory reserve deposits with central banks and other restricted deposits are not available for use in the Group's daily operations. Mandatory reserve deposits mainly consist of deposits placed with the PBOC and central banks of overseas countries or regions. As at 30 June 2021, the mandatory deposit reserve ratios of the domestic branches of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Chinese mainland are determined by local jurisdictions.
- (ii) Surplus reserves with the PBOC include funds for the purpose of cash settlement and other kinds of unrestricted deposits.

14. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2021	31 December 2020
Deposits with banks and other financial institutions:		
Banks operating in Chinese mainland	333,929	433,575
Other financial institutions operating in Chinese mainland	39,051	2,728
Banks and other financial institutions operating outside Chinese mainland	65,137	82,807
Accrued interest	1,841	4,294
	439,958	523,404
Less: Allowance for impairment losses	(322)	(491)
	439,636	522,913
Placements with banks and other financial institutions:		
Banks operating in Chinese mainland	71,668	88,934
Other financial institutions operating in Chinese mainland	227,134	204,585
Banks and other financial institutions operating outside Chinese mainland	276,801	262,922
Accrued interest	3,940	3,279
	579,543	559,720
Less: Allowance for impairment losses	(710)	(736)
	578,833	558,984
	1,018,469	1,081,897

Notes to the Consolidated Financial Statements

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

15. DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument, the value of which changes in response to the changes in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments including forwards, swaps and options.

The notional amount of a derivative represents the amount of the specific financial instruments mentioned above. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date.

In accordance with the Group's accounting policies, certain derivative financial assets and derivative financial liabilities which meet the criteria for offsetting are presented net in the financial statements. As at 30 June 2021, derivative financial assets and derivative financial liabilities which meet the criteria for offsetting were RMB45,072 million (31 December 2020: RMB48,896 million) and RMB47,027 million (31 December 2020: RMB51,690 million) respectively; and the net derivative financial assets and net derivative financial liabilities after offsetting was RMB29,847 million (31 December 2020: RMB37,045 million) and RMB31,802 million (31 December 2020: RMB39,839 million) respectively.

The notional amounts and fair values of derivative financial instruments held by the Group are set out below:

	30 June 2021			31 December 2020		
	Notional amounts	Fair values		Notional amounts	Fair values	
		Assets	Liabilities		Assets	Liabilities
Exchange rate contracts	5,750,543	62,541	(51,966)	5,779,609	95,260	(91,559)
Interest rate contracts	1,887,446	17,352	(17,633)	2,199,849	23,002	(25,248)
Commodity derivatives and other	1,048,964	31,209	(17,906)	804,987	15,893	(24,166)
	8,686,953	111,102	(87,505)	8,784,445	134,155	(140,973)

Cash flow hedges

The Group's cash flow hedges consist of interest rate swap contracts, currency swap contracts and equity derivatives that are used to protect against exposures to variability of future cash flows.

Included in the above derivative financial instruments, those designated as hedging instruments in cash flow hedges are set out below:

	30 June 2021						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	287	5,185	7,864	240	13,576	6	(324)
Currency swap contracts	42,989	62,934	1,368	–	107,291	1,341	(952)
Equity derivatives	19	28	54	6	107	–	(17)
	43,295	68,147	9,286	246	120,974	1,347	(1,293)

	31 December 2020						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	209	15,909	8,730	239	25,087	61	(546)
Currency swap contracts	71,490	77,779	1,211	–	150,480	4,150	(1,243)
Equity derivatives	29	3	33	3	68	–	(15)
	71,728	93,691	9,974	242	175,635	4,211	(1,804)

Details of the Group's hedged risk exposures in cash flow hedges and the corresponding effect on equity are as follows:

	30 June 2021				
	Carrying amount of hedged items		Hedging instruments		
			Effect on other comprehensive income during the current period	Accumulated effect on other comprehensive income	Line items in the consolidated statement of financial position
	Assets	Liabilities			
Bonds	47,180	(83,841)	(121)	(152)	Financial investments measured at FVTOCI /Financial investments measured at amortised cost /Debt securities issued
Loans	5,030	–	89	7	Loans and advances to customers
Other	10,003	(34,961)	443	(4,081)	Due from banks and other financial institutions /Other assets /Due to banks and other financial institutions /Certificates of deposit /Due to customers /Other liabilities
	62,213	(118,802)	411	(4,226)	

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	31 December 2020				Line items in the consolidated statement of financial position
	Carrying amount of hedged items		Hedging instruments		
			Effect on other comprehensive income during the year	Accumulated effect on other comprehensive income	
	Assets	Liabilities			
Bonds	58,998	(14,779)	(62)	(31)	Financial investments measured at FVTOCI /Financial investments measured at amortised cost /Debt securities issued
Loans	2,278	-	(65)	(82)	Loans and advances to customers
Other	58,190	(308,298)	(19)	(4,524)	Due from banks and other financial institutions /Other assets /Due to banks and other financial institutions /Certificates of deposit /Due to customers /Other liabilities
	119,466	(323,077)	(146)	(4,637)	

There was no ineffectiveness recognised in profit or loss that arises from the cash flow hedges during the six months ended 30 June 2021 and 30 June 2020.

Fair value hedges

Fair value hedges are used by the Group to protect against changes in the fair value of financial assets and financial liabilities due to movements in market interest rates. Interest rate swaps are mainly used by the Group as hedging instruments to hedge the interest risk of financial assets and financial liabilities, respectively.

The Group assesses the effectiveness of hedges for the reporting period by monitoring changes in fair value of the hedging instruments and net gain or loss arising from the hedged risk relating to the hedged items:

	Six months ended 30 June	
	2021	2020
Gain/(loss) arising from fair value hedges, net:		
Hedging instruments	1,361	(2,661)
Hedged items relating to the hedged risk	(1,341)	2,623
	20	(38)

Included in the above derivative financial instruments, those designated as hedging instruments in fair value hedges are set out below:

	30 June 2021					Fair values		
	Notional amounts with remaining life of					Total	Assets	Liabilities
	Within three months	Over three months but within one year	Over one year but within five years	Over five years				
Interest rate swap contracts	3,532	26,422	40,056	19,503	89,513	378	(1,763)	

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	31 December 2020						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	3,074	31,267	38,119	24,984	97,444	277	(3,119)

Details of the Group's hedged risk exposures in fair value hedges are set out below:

	30 June 2021					Line items in the consolidated statement of financial position
	Carrying amount of hedged items		Accumulated adjustments to the fair value of hedged items			
	Assets	Liabilities	Assets	Liabilities		
Bonds	56,162	(2,404)	4,617	(19)	Financial investments measured at FVTOCI /Financial investments measured at amortised cost /Debt securities issued	
Loans	4,273	-	1,147	-	Loans and advances to customers	
Other	13,036	(12,904)	74	37	Reverse repurchase agreements /Due to banks and other financial institutions /Repurchase agreements /Certificates of deposit	
	73,471	(15,308)	5,838	18		

	31 December 2020					Line items in the consolidated statement of financial position
	Carrying amount of hedged items		Accumulated adjustments to the fair value of hedged items			
	Assets	Liabilities	Assets	Liabilities		
Bonds	58,827	(5,062)	6,908	(237)	Financial investments measured at FVTOCI /Financial investments measured at amortised cost /Debt securities issued	
Loans	5,435	-	1,462	-	Loans and advances to customers	
Other	13,289	(10,028)	166	68	Reverse repurchase agreements /Due to banks and other financial institutions /Repurchase agreements /Certificates of deposit	
	77,551	(15,090)	8,536	(169)		

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Net investment hedges

The Group's consolidated statement of financial position is affected by exchange differences between the functional currency of the Bank and functional currencies of its branches and subsidiaries. The Group hedges such exchange exposures only in limited circumstances. Hedging is undertaken using deposits taken in the same currencies as the functional currencies of related branches and subsidiaries which are accounted for as hedges of certain net investments in foreign operations.

As at 30 June 2021, an accumulated net gain from the hedging instrument of RMB1,224 million was recognised in "Other comprehensive income" on net investment hedges (31 December 2020: accumulated net gain of RMB889 million). As at 30 June 2021, there was no ineffectiveness in profit or loss that arises from the net investment hedges (31 December 2020: Nil).

Counterparty credit risk-weighted assets of derivative financial instruments

The credit risk-weighted assets in respect of the above derivatives of the Group as at the end of the reporting date are as follows:

	30 June 2021	31 December 2020
Counterparty credit default risk-weighted assets	151,634	147,747
Including: Non-netting settled credit default risk-weighted assets	73,754	76,703
Netting settled credit default risk-weighted assets	77,880	71,044
Credit value adjustment risk-weighted assets	40,156	48,366
Central counterparties credit risk-weighted assets	3,102	2,351
	194,892	198,464

The credit risk-weighted assets of derivative financial instruments were calculated with reference to Regulation Governing Capital of Commercial Banks (Provisional) issued by the CBIRC.

16. REVERSE REPURCHASE AGREEMENTS

Reverse repurchase agreements comprise reverse repurchases of bills, securities and cash advanced as collateral on securities borrowing.

	30 June 2021	31 December 2020
Measured at amortised cost:		
Reverse repurchase agreements-bills	111,788	186,189
Reverse repurchase agreements-securities	755,312	398,535
Accrued interest	78	69
Less: Allowance for impairment losses	(289)	(117)
	866,889	584,676
Measured at FVTPL:		
Reverse repurchase agreements-securities	122,398	126,192
Cash advanced as collateral on securities borrowing	25,439	28,420
	147,837	154,612
	1,014,726	739,288

- (i) Based on master repurchase agreements and related supplementary agreements, the Group offsets reverse repurchase agreements and repurchase agreements, and presents net positive (or negative) amounts as reverse repurchase agreements (or repurchase agreements) in the consolidated financial statements in accordance with accounting policy of offsetting. As at 30 June 2021, reverse repurchase agreements and repurchase agreements which met the criteria for offsetting were RMB250,843 million and RMB262,073 million respectively (31 December 2020: RMB203,791 million and RMB218,583 million respectively), and the net reverse repurchase agreements and net repurchase agreements after offsetting were RMB114,934 million and RMB126,164 million respectively (31 December 2020: RMB116,390 million and RMB131,182 million respectively).
- (ii) As part of the reverse repurchase agreements, the Group has received securities that it 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 approximately RMB153,799 million on such terms (31 December 2020: RMB184,324 million). Of these, securities with a fair value of approximately RMB120,355 million have been repledged under repurchase agreements (31 December 2020: RMB119,984 million). The Group has an obligation to return the securities to its counterparties at the maturity of the contract. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral.

17. LOANS AND ADVANCES TO CUSTOMERS

	30 June 2021	31 December 2020
Measured at amortised cost:		
Corporate loans and advances	12,083,248	11,087,741
— Loans	11,909,003	10,913,984
— Finance lease	174,245	173,757
Personal loans	7,575,803	7,115,279
Discounted bills	3,542	3,091
Accrued interest	45,615	42,311
	19,708,208	18,248,422
Less: Allowance for impairment losses of loans and advances to customers measured at amortised cost (note 17(a))	(590,101)	(530,300)
	19,118,107	17,718,122
Measured at FVTOCI:		
Corporate loans and advances		
— Loans	11,158	11,078
Discounted bills	319,167	403,205
Accrued interest	10	9
	330,335	414,292
Measured at FVTPL:		
Corporate loans and advances		
— Loans	3,849	3,914
	19,452,291	18,136,328

As at 30 June 2021, the Group's allowance for impairment losses on loans and advances to customers measured at FVTOCI was RMB848 million, see note 17(b) (31 December 2020: RMB861 million).

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Movements of the allowance for impairment losses on loans and advances to customers are as follows:

(a) Movements of the allowance for impairment losses on loans and advances to customers measured at amortised cost are as follows:

	Stage 1 (12-month expected credit loss ("ECL")	Stage 2 (Lifetime ECL not credit-impaired)	Stage 3 (Lifetime ECL credit-impaired)	Total
Balance at 1 January 2021	223,703	89,151	217,446	530,300
Transfer:				
— to stage 1	23,820	(19,264)	(4,556)	—
— to stage 2	(12,263)	20,412	(8,149)	—
— to stage 3	(3,737)	(37,362)	41,099	—
Charge for the period	59,375	20,392	22,500	102,267
Write-offs and transfer out	—	—	(44,901)	(44,901)
Recoveries of loans and advances previously written off	—	—	3,969	3,969
Other movements	(269)	(363)	(902)	(1,534)
Balance at 30 June 2021	290,629	72,966	226,506	590,101

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	215,316	78,494	184,688	478,498
Transfer:				
— to stage 1	24,002	(22,507)	(1,495)	—
— to stage 2	(6,913)	9,311	(2,398)	—
— to stage 3	(4,838)	(53,754)	58,592	—
(Reverse)/charge for the year	(2,984)	78,244	95,941	171,201
Write-offs and transfer out	—	(7)	(120,317)	(120,324)
Recoveries of loans and advances previously written off	—	—	4,977	4,977
Other movements	(880)	(630)	(2,542)	(4,052)
Balance at 31 December 2020	223,703	89,151	217,446	530,300

(b) Movements of the allowance for impairment losses on loans and advances to customers measured at FVTOCI are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	211	—	650	861
Transfer:				
— to stage 1	—	—	—	—
— to stage 2	—	—	—	—
— to stage 3	—	—	—	—
Reverse for the period	(10)	—	—	(10)
Other movements	(3)	—	—	(3)
Balance at 30 June 2021	198	—	650	848

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	227	–	5	232
Transfer:				
— to stage 1	–	–	–	–
— to stage 2	–	–	–	–
— to stage 3	–	–	–	–
(Reverse)/charge for the year	(16)	–	645	629
Other movements	–	–	–	–
Balance at 31 December 2020	211	–	650	861

18. FINANCIAL INVESTMENTS

		30 June 2021	31 December 2020
Financial investments measured at FVTPL	(a)	701,972	784,483
Financial investments measured at FVTOCI	(b)	1,609,127	1,540,988
Financial investments measured at amortised cost	(c)	6,534,551	6,265,668
		8,845,650	8,591,139

(a) Financial investments measured at FVTPL

	30 June 2021	31 December 2020
Financial investments held for trading		
Debt securities, analysed by type of issuers:		
Governments and central banks	137,801	73,219
Policy banks	16,191	14,794
Banks and other financial institutions	60,875	56,114
Corporate entities	91,540	102,630
	306,407	246,757
Equity investments	11,077	10,497
	317,484	257,254
Financial investments designated as at FVTPL		
Debt securities, analysed by type of issuers:		
Governments and central banks	12,686	12,858
Policy banks	–	1,755
Banks and other financial institutions	–	3,370
Corporate entities	–	19
	12,686	18,002
Funds and other investments	73,433	154,776
	86,119	172,778

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	30 June 2021	31 December 2020
Other financial investments measured at FVTPL		
Debt securities, analysed by type of issuers:		
Policy banks	11,320	11,082
Banks and other financial institutions	130,136	188,144
Corporate entities	3,390	1,827
	144,846	201,053
Equity investments	77,327	83,231
Funds and other investments	76,196	70,167
	298,369	354,451
	701,972	784,483
Analysed into:		
Debt securities:		
Listed in Hong Kong SAR	3,181	2,802
Listed outside Hong Kong SAR	28,172	30,847
Unlisted	432,586	432,163
	463,939	465,812
Equity investments:		
Listed in Hong Kong SAR	2,307	2,493
Listed outside Hong Kong SAR	20,521	20,122
Unlisted	65,576	71,113
	88,404	93,728
Funds and other investments:		
Listed in Hong Kong SAR	3,312	3,349
Listed outside Hong Kong SAR	1,070	1,226
Unlisted	145,247	220,368
	149,629	224,943
	701,972	784,483

(b) Financial investments measured at FVTOCI

	30 June 2021	31 December 2020
Debt securities, analysed by type of issuers:		
Governments and central banks	436,175	479,505
Policy banks	166,216	169,478
Banks and other financial institutions	377,353	281,215
Corporate entities	520,444	509,422
Accrued interest	17,530	19,398
	1,517,718	1,459,018
Equity investments (i)	91,409	81,970
	1,609,127	1,540,988
Analysed into:		
Debt securities:		
Listed in Hong Kong SAR	133,526	172,667
Listed outside Hong Kong SAR	217,422	219,291
Unlisted	1,166,770	1,067,060
	1,517,718	1,459,018
Equity investments:		
Listed in Hong Kong SAR	2,719	2,385
Listed outside Hong Kong SAR	11,732	8,569
Unlisted	76,958	71,016
	91,409	81,970
	1,609,127	1,540,988

- (i) The Group designates certain non-trading equity investments as financial investments measured at FVTOCI. During the reporting period, dividend income from such equity investments was RMB1,326 million (six months ended 30 June 2020: RMB1,054 million). There was no dividend income from equity investments derecognised during the reporting period (six months ended 30 June 2020: Nil). The value of equity investments disposed of was RMB65 million (six months ended 30 June 2020: RMB83 million) and the cumulative loss transferred into retained earnings from other comprehensive income after disposal was RMB352 million during the reporting period (six months ended 30 June 2020: cumulative gain of RMB6 million).

Movements of the allowance for impairment losses on financial investments measured at FVTOCI are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	2,206	22	240	2,468
Transfer:				
— to stage 1	—	—	—	—
— to stage 2	—	—	—	—
— to stage 3	—	—	—	—
Charge for the period	676	—	11	687
Other movements	(32)	—	(5)	(37)
Balance at 30 June 2021	2,850	22	246	3,118

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	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	1,778	80	198	2,056
Transfer:				
— to stage 1	78	(78)	—	—
— to stage 2	(2)	2	—	—
— to stage 3	—	—	—	—
Charge for the year	406	18	48	472
Other movements	(54)	—	(6)	(60)
Balance at 31 December 2020	2,206	22	240	2,468

Allowance for impairment losses on financial investments measured at FVTOCI is recognised in other comprehensive income without decreasing the carrying amount of financial investments presented in the consolidated statement of financial position, and any impairment gain or loss is recognised in the profit or loss.

(c) Financial investments measured at amortised cost

	30 June 2021	31 December 2020
Debt securities, analysed by type of issuers:		
Governments and central banks	5,325,862	5,205,346
Including: Special government bond (i)	85,000	85,000
Policy banks	563,303	528,587
Banks and other financial institutions	469,871	370,300
Including: Huarong bonds (ii)	90,309	90,309
Corporate entities	53,211	46,759
Accrued interest	88,897	78,888
	6,501,144	6,229,880
Other investments (iii)	39,659	40,699
Accrued interest	156	162
	39,815	40,861
	6,540,959	6,270,741
Less: Allowance for impairment losses	(6,408)	(5,073)
	6,534,551	6,265,668
Analysed into:		
Debt securities:		
Listed in Hong Kong SAR	21,960	42,226
Listed outside Hong Kong SAR	136,346	79,031
Unlisted	6,339,249	6,106,393
	6,497,555	6,227,650
Other investments:		
Unlisted	36,996	38,018
	36,996	38,018
	6,534,551	6,265,668
Market value of listed securities	159,049	123,820

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Movements of the allowance for impairment losses on financial investments measured at amortised cost are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	2,234	2,718	121	5,073
Transfer:				
— to stage 1	2	(2)	—	—
— to stage 2	—	—	—	—
— to stage 3	—	—	—	—
Charge/(reverse) for the period	1,423	(79)	—	1,344
Other movements	(7)	—	(2)	(9)
Balance at 30 June 2021	3,652	2,637	119	6,408

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	2,255	1,339	127	3,721
Transfer:				
— to stage 1	3	(3)	—	—
— to stage 2	(19)	19	—	—
— to stage 3	—	—	—	—
Charge/(reverse) for the year	16	1,572	(1)	1,587
Other movements	(21)	(209)	(5)	(235)
Balance at 31 December 2020	2,234	2,718	121	5,073

- (i) The special government bond represents a non-negotiable bond with a nominal value of RMB85,000 million issued by the Ministry of Finance of the People's Republic of China (the "MOF") to the Bank in 1998. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum.
- (ii) The Huarong bonds are a series of long-term bonds issued by China Huarong Asset Management Co., Ltd. ("Huarong") in the year of 2000 and 2001 to the Bank, with an aggregate amount of RMB312,996 million. The proceeds from the issuance of the bonds were used to purchase non-performing loans of the Bank. The bonds are non-negotiable, with a tenure of 10 years and bear interest at a fixed rate of 2.25% per annum. In 2010, the Bank received a notice from the MOF that the maturity dates of the Huarong bonds were extended for ten years. In January 2021, the Bank received notice to further extend the Huarong bonds to 12 December 2031 from the MOF. The MOF will continue to provide funding to support the repayment of the principal and interest of the bonds. In 2020, the Bank received a notice from the MOF to adjust the interest rate of the Huarong bonds, which will be determined on yearly basis with reference to the average level of five-year government bond yield in the previous year. As at 30 June 2021, the Bank received accumulated early repayments amounting to RMB222,687 million (31 December 2020: RMB222,687 million).
- (iii) Other investments include debt investment plans, asset management plans and trust plans with fixed or determinable payments. They will mature from July 2021 to November 2032 and bear interest rates ranging from 4.32% to 6.60% per annum.

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19. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	30 June 2021	31 December 2020
Interest in associates	41,711	39,776
Interest in joint ventures	1,304	1,430
	43,015	41,206

	30 June 2021	31 December 2020
Share of net assets	33,819	32,110
Goodwill	9,544	9,444
	43,363	41,554
Less: Allowance for impairment losses	(348)	(348)
	43,015	41,206

(a) Particulars of the Group's associates and joint ventures are as follows:

	30 June 2021	31 December 2020
Standard Bank	26,302	25,415
Other	16,713	15,791
	43,015	41,206

(i) Details of the Group's material associates and joint ventures are as follows:

Name	Percentage of equity interest		Voting rights	Place of registration	Principal activities	Issued capital
	30 June 2021 %	31 December 2020 %	30 June 2021 %			
Associate directly held by the Bank						
Standard Bank	20.06	20.06	20.06	Johannesburg, Republic of South Africa	Commercial banking	ZAR162 million

Standard Bank Group Limited ("Standard Bank") is a listed commercial bank in the Republic of South Africa and a strategic partner of the Group.

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(ii) Financial information of the Group's only material associate is as follows:

The accounting policies of Standard Bank are consistent with those of the Group, and the summarised financial information is as follows:

	As at/ six months ended 30 June 2021	As at/ year ended 31 December 2020
The associate		
Assets	1,143,564	1,129,310
Liabilities	1,042,884	1,033,331
Net assets	100,680	95,979
Profit from continuing operations	5,244	5,459
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate attributable to the parent company	85,453	81,530
Group's effective interest	20.06%	20.06%
Group's share of net assets of the associate	17,142	16,355
Goodwill	9,508	9,408
Balance of the Group's interest in Standard Bank in the consolidated financial statements	26,650	25,763

(b) Movements of associates and joint ventures investments of the Group are as follows:

Name of investee	Balance at the beginning of the period	Movements during the period						Balance at the end of the period	Balance of provision for impairment at the end of the period
		Increase in capital	Decrease in capital	Investment income recognised under equity method	Other comprehensive income	Declared distribution of cash dividends or profits	Others		
Joint ventures	1,430	2	(36)	12	3	(102)	(5)	1,304	-
Associates									
Standard Bank	25,763	-	-	1,015	(99)	(348)	319	26,650	(348)
Other	14,361	926	-	175	-	(16)	(37)	15,409	-
Subtotal	40,124	926	-	1,190	(99)	(364)	282	42,059	(348)
Total	41,554	928	(36)	1,202	(96)	(466)	277	43,363	(348)

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20. PROPERTY AND EQUIPMENT

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment and motor vehicles	Aircrafts and vessels	Total
Cost:						
At 1 January 2020	161,359	39,752	11,928	76,898	164,941	454,878
Additions	1,221	12,277	1,108	10,012	11,128	35,746
CIP transfer in/(out)	7,806	(16,517)	–	138	8,573	–
Disposals	(2,077)	(301)	(211)	(7,163)	(15,469)	(25,221)
At 31 December 2020 and 1 January 2021	168,309	35,211	12,825	79,885	169,173	465,403
Additions	79	1,965	384	1,187	5,220	8,835
CIP transfer in/(out)	1,899	(4,212)	–	15	2,298	–
Disposals	(473)	(439)	(35)	(1,613)	(1,630)	(4,190)
At 30 June 2021	169,814	32,525	13,174	79,474	175,061	470,048
Accumulated depreciation and impairment:						
At 1 January 2020	65,704	38	9,983	61,791	30,801	168,317
Depreciation charge for the year	6,099	–	907	6,683	5,554	19,243
Impairment charge for the year	–	–	–	–	3,691	3,691
Disposals	(979)	–	(104)	(6,960)	(4,084)	(12,127)
At 31 December 2020 and 1 January 2021	70,824	38	10,786	61,514	35,962	179,124
Depreciation charge for the period	3,125	–	443	3,723	2,433	9,724
Impairment charge for the period	–	–	–	1	730	731
Disposals	(373)	–	(31)	(1,610)	(964)	(2,978)
At 30 June 2021	73,576	38	11,198	63,628	38,161	186,601
Carrying amount:						
At 31 December 2020	97,485	35,173	2,039	18,371	133,211	286,279
At 30 June 2021	96,238	32,487	1,976	15,846	136,900	283,447

As at 30 June 2021, the process of obtaining the legal titles for the Group's properties and buildings with an aggregate carrying amount of RMB9,298 million (31 December 2020: RMB11,203 million) was still in progress. Management is of the view that the aforesaid matter would neither affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

As at 30 June 2021, the carrying amount of aircrafts and vessels leased out by the Group under operating leases was RMB136,900 million (31 December 2020: RMB133,211 million).

As at 30 June 2021, the carrying amount of aircrafts and vessels owned by the Group that have been pledged as security for liabilities due to banks and other financial institutions was RMB87,699 million (31 December 2020: RMB77,858 million).

21. DEFERRED INCOME TAX ASSETS AND LIABILITIES**(a) Analysed by nature**

Deferred income tax assets:

	30 June 2021		31 December 2020	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Allowance for impairment losses	318,700	79,206	281,442	70,094
Change in fair value of financial instruments measured at FVTPL	(14,927)	(3,731)	(9,858)	(2,470)
Change in fair value of financial instruments measured at FVTOCI	(15,281)	(3,794)	(21,224)	(5,417)
Accrued staff costs	22,801	5,700	26,512	6,628
Other	(9,025)	(2,455)	(5,106)	(1,122)
	302,268	74,926	271,766	67,713

Deferred income tax liabilities:

	30 June 2021		31 December 2020	
	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)
Allowance for impairment losses	(3,484)	(959)	(3,273)	(937)
Change in fair value of financial instruments measured at FVTPL	8,932	1,918	7,236	1,809
Change in fair value of financial instruments measured at FVTOCI	665	343	4,823	1,149
Other	6,697	1,697	3,465	860
	12,810	2,999	12,251	2,881

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(b) Movements of deferred income tax

Deferred income tax assets:

	1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	30 June 2021
Allowance for impairment losses	70,094	9,112	–	79,206
Change in fair value of financial instruments measured at FVTPL	(2,470)	(1,261)	–	(3,731)
Change in fair value of financial instruments measured at FVTOCI	(5,417)	–	1,623	(3,794)
Accrued staff costs	6,628	(928)	–	5,700
Other	(1,122)	(1,821)	488	(2,455)
	67,713	5,102	2,111	74,926

Deferred income tax liabilities:

	1 January 2021	Recognised in profit or loss	Recognised in other comprehensive income	30 June 2021
Allowance for impairment losses	(937)	(22)	–	(959)
Change in fair value of financial instruments measured at FVTPL	1,809	109	–	1,918
Change in fair value of financial instruments measured at FVTOCI	1,149	–	(806)	343
Other	860	837	–	1,697
	2,881	924	(806)	2,999

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Deferred income tax assets:

	1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2020
Allowance for impairment losses	62,888	7,206	–	70,094
Change in fair value of financial instruments measured at FVTPL	(851)	(1,619)	–	(2,470)
Change in fair value of financial instruments measured at FVTOCI	(5,781)	–	364	(5,417)
Accrued staff costs	6,290	338	–	6,628
Other	(10)	(1,005)	(107)	(1,122)
	62,536	4,920	257	67,713

Deferred income tax liabilities:

	1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2020
Allowance for impairment losses	(535)	(402)	–	(937)
Change in fair value of financial instruments measured at FVTPL	636	1,173	–	1,809
Change in fair value of financial instruments measured at FVTOCI	1,357	–	(208)	1,149
Other	415	445	–	860
	1,873	1,216	(208)	2,881

The Group did not have significant unrecognised deferred income tax assets and liabilities at the end of the reporting period.

22. OTHER ASSETS

	30 June 2021	31 December 2020
Precious metals	275,561	278,429
Settlement and clearing balances	195,621	349,590
Right-of-use assets (i)	32,834	34,068
Land use rights	15,869	16,225
Goodwill (ii)	8,748	8,945
Reposessed assets	7,209	7,357
Advance payments	6,646	8,878
Interest receivable	1,685	1,985
Other	102,718	28,858
	646,891	734,335
Less: Allowance for impairment losses	(6,509)	(5,077)
	640,382	729,258

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(i) Right-of-use assets

	Leased properties and buildings	Leased aircrafts and vessels	Leased office equipment and motor vehicles	Total
Cost:				
At 1 January 2020	22,463	16,534	1,628	40,625
Additions	9,317	1,357	93	10,767
Disposals	(1,251)	(1,341)	(775)	(3,367)
At 31 December 2020 and 1 January 2021	30,529	16,550	946	48,025
Additions	3,188	–	64	3,252
Disposals	(1,011)	(516)	(19)	(1,546)
At 30 June 2021	32,706	16,034	991	49,731
Accumulated depreciation:				
At 1 January 2020	5,720	1,143	104	6,967
Depreciation charge for the year	7,089	623	91	7,803
Disposals	(714)	(39)	(60)	(813)
At 31 December 2020 and 1 January 2021	12,095	1,727	135	13,957
Depreciation charge for the period	3,327	276	55	3,658
Disposals	(615)	(92)	(11)	(718)
At 30 June 2021	14,807	1,911	179	16,897
Impairment:				
At 1 January 2020	24	173	–	197
Impairment charge for the year	18	101	–	119
At 31 December 2020 and 1 January 2021	42	274	–	316
Disposals	(3)	(43)	–	(46)
At 30 June 2021	39	231	–	270
Carrying amount:				
At 31 December 2020	18,392	14,549	811	33,752
At 30 June 2021	17,860	13,892	812	32,564

(ii) Goodwill

	Six months ended 30 June 2021	2020
At 1 January	8,945	9,517
Exchange difference	(197)	(572)
Subtotal	8,748	8,945
Less: Allowance for impairment losses	(355)	(359)
Net carrying amount	8,393	8,586

Goodwill arising from business combinations has been allocated to the Group's cash-generating-units ("CGU"), which is not larger than the reportable segment of the Group, for impairment testing.

The recoverable amount of the CGU is determined based on the discounted future cash flows of the CGU. The cash flow projections are based on financial forecasts approved by management of the subsidiaries. The average growth rates are projected based on the similar rates which do not exceed the long-term average growth rate for the business in which the CGU operates. The discount rate is the pre-tax rate and reflects the specific risk associated with the CGU.

23. FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

		30 June 2021	31 December 2020
Interbank wealth management products	(i)	1,033	4,889
Financial liabilities related to precious metals and account-based investment products	(ii)	65,177	60,704
Debt securities issued	(ii)	11,810	11,574
Other		10,363	10,771
		88,383	87,938

- (i) The principal-guaranteed interbank wealth management products issued by the Group and the financial assets which the aforesaid products hold form part of a group of financial instruments that are managed together on a fair value basis, and are classified as financial liabilities and financial assets designated as at FVTPL, respectively. As at 30 June 2021, the fair value of the interbank wealth management products was approximately the same as the amount that the Group would be contractually required to pay to the holders of the wealth management products upon maturity (31 December 2020: approximately the same).
- (ii) Financial liabilities related to precious metals, account-based investment products, and issued debt securities have been matched with precious metals and derivative by the Group as part of a documented risk management strategy to mitigate market risk, such as interest rate risk. An accounting mismatch would arise if these financial liabilities were accounted at amortised cost, whereas the related precious metals and derivative were measured at fair value with movements in the fair value taken through the statement of profit or loss. By designating these financial liabilities at FVTPL, the movement in their fair values is recorded in the statement of profit or loss. As at 30 June 2021 and 31 December 2020, the difference between the fair value of the financial liabilities related to precious metals, account-based investment products and issued debt securities and the amount that the Group would be contractually required to pay to the holders of the financial liabilities related to precious metals, account-based investment products and issued debt securities upon maturity was not significant.

For the six months ended 30 June 2021 and 30 June 2020, there were no significant changes in the credit spread of the Group and therefore the amounts of changes in fair value of the financial liabilities arising from changes in credit risk and the accumulated amounts were not considered significant. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.

24. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2021	31 December 2020
Deposits:		
Banks and other financial institutions operating in Chinese mainland	2,322,852	2,179,522
Banks and other financial institutions operating outside Chinese mainland	127,535	134,346
Accrued interest	1,491	1,775
	2,451,878	2,315,643
Money market takings:		
Banks and other financial institutions operating in Chinese mainland	209,770	159,590
Banks and other financial institutions operating outside Chinese mainland	311,943	304,413
Accrued interest	3,940	4,613
	525,653	468,616
	2,977,531	2,784,259

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25. REPURCHASE AGREEMENTS

	30 June 2021	31 December 2020
Repurchase agreements-bills	7,056	7,874
Repurchase agreements-securities	281,973	274,446
Cash received as collateral on securities lending	10,368	10,924
Accrued interest	79	190
	299,476	293,434

26. CERTIFICATES OF DEPOSIT

Certificates of deposit issued by certain of the Bank's overseas branches and subsidiaries were measured at amortised cost.

27. DUE TO CUSTOMERS

	30 June 2021	31 December 2020
Demand deposits:		
Corporate customers	7,901,533	7,455,160
Personal customers	5,355,230	5,196,607
	13,256,763	12,651,767
Time deposits:		
Corporate customers	5,613,136	5,489,700
Personal customers	7,131,930	6,463,929
	12,745,066	11,953,629
Other	290,810	261,389
Accrued interest	309,694	267,941
	26,602,333	25,134,726

28. DEBT SECURITIES ISSUED

		30 June 2021	31 December 2020
Subordinated bonds and Tier 2 capital bonds issued by	(a)		
The Bank		448,882	419,032
Subsidiaries		4,185	4,285
Accrued interest		8,699	6,747
		461,766	430,064
Other debt securities issued by	(b)		
The Bank		192,045	232,356
Subsidiaries		125,622	134,038
Accrued interest		2,238	1,669
		319,905	368,063
		781,671	798,127

As at 30 June 2021, the amount of debt securities issued due within one year was RMB130,818 million (31 December 2020: RMB120,429 million).

(a) Subordinated bonds and Tier 2 capital bonds

The Bank:

As approved by the PBOC and the CBIRC, the Bank issued callable subordinated bonds and Tier 2 capital bonds through open market bidding. These subordinated bonds and Tier 2 capital bonds were traded on the National Interbank Bond Market. The relevant information is set out below:

Name	Issue date	Issue price	Amount	Ending balance	Coupon rate	Value date	Maturity date	Circulation date
		(In RMB)	(In RMB)	(In RMB)				
			(million)	(million)				
11 ICBC 01	29/06/2011	100 Yuan	38,000	38,000	5.56%	30/06/2011	30/06/2031	30/08/2011
11 ICBC 02	29/12/2011	100 Yuan	50,000	50,000	5.50%	30/12/2011	30/12/2026	17/01/2012
12 ICBC 01	11/06/2012	100 Yuan	20,000	20,000	4.99%	13/06/2012	13/06/2027	13/07/2012
17 ICBC 01 Tier 2 Bond	06/11/2017	100 Yuan	44,000	44,000	4.45%	08/11/2017	08/11/2027	10/11/2017
17 ICBC 02 Tier 2 Bond	20/11/2017	100 Yuan	44,000	44,000	4.45%	22/11/2017	22/11/2027	23/11/2017
19 ICBC 01 Tier 2 Bond	21/03/2019	100 Yuan	45,000	45,000	4.26%	25/03/2019	25/03/2029	26/03/2019
19 ICBC 02 Tier 2 Bond	21/03/2019	100 Yuan	10,000	10,000	4.51%	25/03/2019	25/03/2034	26/03/2019
19 ICBC 03 Tier 2 Bond	24/04/2019	100 Yuan	45,000	45,000	4.40%	26/04/2019	26/04/2029	28/04/2019
19 ICBC 04 Tier 2 Bond	24/04/2019	100 Yuan	10,000	10,000	4.69%	26/04/2019	26/04/2034	28/04/2019
20 ICBC 01 Tier 2 Bond	22/09/2020	100 Yuan	60,000	60,000	4.20%	24/09/2020	24/09/2030	25/09/2020
20 ICBC 02 Tier 2 Bond	12/11/2020	100 Yuan	30,000	30,000	4.15%	16/11/2020	16/11/2030	17/11/2020
20 ICBC 03 Tier 2 Bond	12/11/2020	100 Yuan	10,000	10,000	4.45%	16/11/2020	16/11/2035	17/11/2020
21 ICBC 01 Tier 2 Bond	19/01/2021	100 Yuan	30,000	30,000	4.15%	21/01/2021	21/01/2031	22/01/2021

The Bank has the option to redeem these bonds on specific dates at par value in future upon the approval of the relevant regulatory authorities.

In 2015, the Bank issued Tier 2 capital bonds denominated in USD. Approved by the Stock Exchange of Hong Kong Limited for listing and dealing, the bonds are listed on the Stock Exchange of Hong Kong Limited. The relevant information is set out below:

Name	Issue date	Currency	Issue price	Amount	Ending balance	Coupon rate	Value date	Maturity date	Circulation date
				(original currency)	(In RMB)				
				(million)	(million)				
15 USD Tier 2 capital bonds	21/09/2015	USD	99.189	2,000	12,900	4.875%	21/09/2015	21/09/2025	22/09/2015

The Bonds cannot be redeemed before maturity.

The Bank has not had any defaults in respect of payments of principal or interest or other breaches with respect to the subordinated bonds and Tier 2 capital bonds during the reporting period (2020: None).

Subsidiaries:

On 23 March 2018, ICBC Thailand issued a Tier 2 capital bonds with an aggregate nominal amount of THB5,000 million, bearing a fixed interest rate of 3.5%. The bond was issued with maturity due on 23 September 2028.

On 12 September 2019, ICBC Macau issued a Tier 2 capital bonds with an aggregate nominal amount of USD500 million, bearing a fixed interest rate of 2.875% per annum. The bond was issued with maturity due on 12 September 2029.

The above Tier 2 capital bonds are separately listed on the Thai Bond Market Association and the Stock Exchange of Hong Kong Limited. ICBC Thailand and ICBC Macau have not had any defaults of principal or interest or other breaches with respect to the Tier 2 capital bonds during the period (2020: None).

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(b) Other debt securities issued

The Bank:

- (i) Head Office issued debt securities amounting to RMB10,000 million denominated in RMB with maturity in 2023 at fixed interest rates.
- (ii) Sydney Branch issued notes and interbank certificates of deposit amounting to RMB16,415 million denominated in AUD, RMB, HKD, USD and EUR with maturities between the second half of 2021 and 2026 at fixed or floating interest rates.
- (iii) Singapore Branch issued notes amounting to RMB44,854 million denominated in RMB, USD and EUR with maturities between the second half of 2021 and 2025 at fixed or floating interest rates.
- (iv) Tokyo Branch issued notes amounting to RMB2,017 million denominated in JPY with maturities between July 2021 and August 2021 at fixed interest rates.
- (v) New York Branch issued notes amounting to RMB29,346 million denominated in USD with maturities between the second half of 2021 and 2027 at fixed interest rates.
- (vi) Luxembourg Branch issued notes amounting to RMB14,764 million denominated in USD and EUR with maturities between 2022 and 2024 at fixed or floating interest rates.
- (vii) Dubai (DIFC) Branch issued notes amounting to RMB14,081 million denominated in USD with maturities between the second half of 2021 and 2024 at floating interest rates.
- (viii) Hong Kong Branch issued notes amounting to RMB44,436 million denominated in USD and HKD with maturities between the second half of 2021 and 2025 at fixed or floating interest rates.
- (ix) London Branch issued notes amounting to RMB23,714 million denominated in GBP, USD and EUR with maturities between the second half of 2021 and 2023 at floating interest rates.
- (x) Macau Branch issued notes amounting to RMB1,695 million denominated in MOP with maturity in 2022 at fixed interest rates.

Subsidiaries:

- (i) ICBC Asia issued medium-term debt securities and notes amounting to RMB11,266 million denominated in RMB, USD and HKD with maturities between the second half of 2021 and 2023 at fixed or floating interest rates.
- (ii) ICBC Financial Leasing issued medium-term debt securities and notes amounting to RMB67,925 million denominated in RMB and USD with maturities between the second half of 2021 and 2027 at fixed or floating interest rates.
- (iii) ICBC Thailand issued debt securities amounting to RMB8,734 million denominated in THB with maturities between the second half of 2021 and 2026 at fixed interest rates.
- (iv) ICBC International issued medium-term debt securities and notes amounting to RMB9,043 million denominated in USD with maturities between 2022 and 2025 at fixed interest rates.
- (v) ICBC New Zealand issued medium-term debt securities and notes amounting to RMB3,242 million denominated in NZD with maturities between the second half of 2021 and 2024 at fixed or floating interest rates.
- (vi) ICBC Financial Asset Investment issued medium-term debt securities and notes amounting to RMB28,000 million denominated in RMB with maturities between 2022 and 2025 at fixed interest rates.

29. OTHER LIABILITIES

	30 June 2021	31 December 2020
Settlement and clearing balances	325,432	394,880
Dividend payables	94,804	–
Provisions for credit commitments	29,031	26,710
Lease liabilities (i)	28,834	29,825
Salaries, bonuses, allowances and subsidies payables (ii)	19,925	24,807
Sundry tax payables	16,210	15,595
Promissory notes	806	1,193
Early retirement benefits	480	490
Other	324,619	219,270
	840,141	712,770

(i) Maturity analysis of lease liabilities

	30 June 2021	31 December 2020
Less than one year	9,649	8,090
One to two years	7,557	6,515
Two to three years	4,718	5,658
Three to five years	5,329	6,008
More than five years	5,374	6,221
Undiscounted lease liabilities	32,627	32,492
Ending balance of lease liabilities	28,834	29,825

(ii) There were no overdue payment for staff salaries, bonuses, allowances, subsidies payable as at 30 June 2021 (31 December 2020: Nil).

30. SHARE CAPITAL

	30 June 2021		31 December 2020	
	Number of shares (millions)	Nominal value	Number of shares (millions)	Nominal value
Issued and fully paid:				
H shares of RMB1 Yuan each	86,795	86,795	86,795	86,795
A shares of RMB1 Yuan each	269,612	269,612	269,612	269,612
	356,407	356,407	356,407	356,407

Except for the dividends for H shares which are payable in Hong Kong dollars, all of the ordinary A shares and H shares rank pari passu with each other in respect of dividends on ordinary shares.

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31. OTHER EQUITY INSTRUMENTS

(1) Preference shares

(a) Preference shares outstanding at the end of the period (“Preference Shares”):

Financial instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (million shares)	In original currency (million)	In RMB (million)	Maturity	Conversion condition	Conversion
Offshore Preference Shares:										
EUR	2014-12-10	Equity	6.00%	15EUR/Share	40	600	4,558	None	Mandatory	No
USD	2020-09-23	Equity	3.58%	20USD/Share	145	2,900	19,716	None	Mandatory	No
Domestic Preference Shares:										
RMB2015	2015-11-18	Equity	4.58%	100RMB/Share	450	45,000	45,000	None	Mandatory	No
RMB2019	2019-09-19	Equity	4.20%	100RMB/Share	700	70,000	70,000	None	Mandatory	No
Total					1,335		139,274			
Less: Issue fees							118			
Book value							139,156			

(b) Main Clauses

a. Dividend

Dividend is set at fixed rate for a certain period (7 years for Offshore EUR tranche, 5 years for Offshore USD tranche and 5 years for Domestic tranche) after issuance, and is reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread.

The fixed spread will be equal to the spread between the initial dividend rate and the benchmark rate at the time of issuance. The fixed spread will remain unchanged throughout the term of the Preference Shares.

Dividend is paid annually.

b. Conditions to distribution of dividends

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratios meet regulatory requirements. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends. The paying order of Domestic Preference Shares is equal to Offshore Preference Shares. The Group may elect to cancel all or part of a dividend and this shall not constitute a default for any purpose by the Bank, but such cancellation will require a shareholder's resolution to be passed.

c. Dividend stopper

If the Group cancels all or part of the dividends to the preference shareholders, the Group shall not make any dividend distribution to ordinary shareholders before the Group pays the dividends to the preference shareholders in full for the current dividend period.

d. Order of distribution and liquidation method

The domestic preference shareholders, offshore EUR preference shareholders as well as the offshore USD preference shareholders will rank equally for payment. The preference shareholders will be subordinated to the depositors, ordinary creditors and holders of convertible bonds, holders of subordinated debt, holders of Tier 2 capital bonds and holders of other Tier 2 capital instruments of the Group, but will be senior to the ordinary shareholders of the Group.

e. Mandatory conversion trigger events

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Group falling to 5.125% or below), the Group shall have the right to convert all or part of the Offshore EUR Preference Shares into H shares or Domestic Preference Shares into A shares, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Group to above 5.125%. If Offshore EUR Preference Shares were converted into H shares or Domestic Preference Shares were converted into A shares, they cannot be converted to Preference Shares again under any conditions.

Upon the occurrence of a Tier 2 Capital Trigger Event, the Group shall have the right to convert all Offshore EUR Preference Shares into H shares or Domestic Preference Shares into A shares. If Offshore EUR Preference Shares were converted into H shares or Domestic Preference Shares were converted into A-share, they cannot be converted to Preference Shares again under any conditions.

Upon the occurrence of any Non-Viability Trigger Event, the Group shall have the right to irrevocably and compulsorily convert all or part of the Offshore USD Preference Shares into H shares under the consent of the CBIRC but without the need for the consent of the preference shareholders or the ordinary shareholders. If the Offshore USD Preference Shares were converted into H shares, they cannot be converted to Preference Shares again under any conditions.

The initial mandatory conversion prices are EUR0.4793 for Offshore EUR Preference Shares per share; HKD5.73 for Offshore USD Preference Shares per H share; RMB3.44 for Domestic 2015 Preference Shares and RMB5.43 for Domestic 2019 Preference Shares. In case of stock dividends distribution of H or A shares of the Bank or other circumstances, the Bank will make cumulative adjustment to the compulsory conversion price in turn.

f. Redemption

Subject to obtaining the approval of the CBIRC and satisfying the conditions of redemption, the Group has the right to redeem all or part of the Offshore Preference Shares at the first call date and subsequent any dividend payment date. Redemption price is equal to liquidation price plus accrued dividend in current period. The first redemption date of the Offshore EUR Preference Shares is seven years after issuance, and the first redemption date of Offshore USD Preference Shares is five years after issuance.

Under the premise of obtaining the approval of the CBIRC and compliance with regulatory requirements, the Group has the right to redeem all or part of Domestic Preference Shares, after five years having elapsed since the date of issuance/the date of issue termination. The redemption period of preference shares ranges from the start date of redemption to the date of full redemption or conversion. Redemption price is equal to book value plus accrued dividend in current period.

g. Dividend setting mechanism

Non-cumulative dividend is a dividend on Preference Shares which does not cumulate upon omission of payment and the passed or omitted dividend of one year is not carried to the following year. After receiving dividend at agreed dividend rate, preference shareholders of the Group will not participate in the distribution of residual profits with ordinary shareholders.

The Group shall distribute dividends for the Preference Shares in cash, based on the liquidation preference for the issued and outstanding Offshore Preference Shares or total amount of issued and outstanding Domestic Preference Shares during the corresponding period (i.e. the product of the issue price of Preference Shares and the number of the issued and outstanding preference shares). Interest on the preference shares is paid annually.

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(c) Changes in preference shares outstanding

Financial instrument outstanding	1 January 2021			Movement during the period			30 June 2021		
	Amount (million shares)	In original currency (million)	In RMB (million)	Amount (million shares)	In original currency (million)	In RMB (million)	Amount (million shares)	In original currency (million)	In RMB (million)
Offshore									
EUR	40	600	4,558	-	-	-	40	600	4,558
USD	145	2,900	19,716	-	-	-	145	2,900	19,716
Domestic									
RMB2015	450	45,000	45,000	-	-	-	450	45,000	45,000
RMB2019	700	70,000	70,000	-	-	-	700	70,000	70,000
Total	1,335	N/A	139,274	-	-	-	1,335	N/A	139,274

Note: The RMB amounts of Offshore Preference Shares in Euro and U.S. dollar as at 30 June 2021 are translated at the spot exchange rate on issuance date.

(2) Perpetual Bond

(a) Perpetual Bond outstanding

Financial instrument outstanding	Issue date	Accounting classification	Interest rate	Issue price	Amount (million units)	In original currency (million)	In RMB (million)	Maturity	Conversion condition	Conversion
USD										
Perpetual bond (i)	2016-07-21	Equity	4.25%	1,000USD/Unit	1	1,000	6,691	None	None	No
RMB										
2019 Perpetual bond	2019-07-26	Equity	4.45%	100RMB/Unit	800	80,000	80,000	None	None	No
2021 Perpetual bond Series 1	2021-06-04	Equity	4.04%	100RMB/Unit	700	70,000	70,000	None	None	No
Total					1,501		156,691			
Less:										
Issue fees							36			
Book value							156,655			

(i) The Group exercised its call option to redeem all of the outstanding USD Perpetual Bonds on 21 July 2021.

(b) Main Clauses for Perpetual Bond

With the approvals by relevant regulatory authorities, the Bank issued (RMB80 billion undated capital bonds on 26 July 2019 and RMB70 billion undated capital bonds on 4 June 2021 (hereinafter referred to as “2019 Domestic Perpetual Bond” and “2021 Domestic Perpetual Bond Series 1” respectively) in the National Interbank Bond Market. Each Domestic Perpetual Bond has a par value of RMB100, and the annual coupon rate of the Bonds for the first five years are 4.45% for 2019 Domestic Perpetual Bond and 4.04% for 2021 Domestic Perpetual Bond Series 1, resetting every 5 years. The rates are determined by a benchmark rate plus a fixed spread. The fixed spreads are the difference between the interest rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined during the duration period.

2019 Domestic Perpetual Bond and 2021 Domestic Perpetual Bond Series 1 are referred collectively to as “Domestic Perpetual Bond”.

The duration of the Domestic Perpetual Bond is the same as the continuing operation of the Bank. Five years after the issuance date of the Domestic Perpetual Bond, the Bank shall have the right to redeem the Domestic Perpetual Bond in whole or in part on each distribution payment date (including the fifth distribution payment date since the issuance). Upon the issuance of the Domestic Perpetual Bond, in the event that the Domestic Perpetual Bond is not classified as other Tier 1 capital bonds due to unpredictable changes in regulations, the Bank shall have the right to redeem the Domestic Perpetual Bond fully instead of partly.

The claims in respect of the Domestic Perpetual Bond will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that rank senior to the Domestic Perpetual Bond; will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other Additional Tier 1 Capital instruments of the Bank that rank pari passu with the perpetual bond.

For 2019 Domestic Perpetual Bond, upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Bank falling to 5.125% or below), with the consent of the CBIRC and without the consent of the bondholders, the Bank has the right to write down all or part of the total nominal amount of the perpetual bond issued and outstanding at that time, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Bank to above 5.125%. Upon the occurrence of a Tier 2 Capital Trigger Event, the Bank has the right to write down all the above perpetual bond issued and outstanding at that time up to the total nominal value without the consent of the bondholders.

For 2021 Domestic Perpetual Bond Series 1, upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write down all or part of the nominal amount of the perpetual bond issued and outstanding at that time without the consent of the bondholders.

The interest for the Domestic Perpetual Bond is non-cumulative. The Bank shall have the right to cancel, in whole or in part, distributions on the Domestic Perpetual Bond 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. However, the Bank shall not distribute profits to ordinary shareholders until resumption of full interest payment.

The funds raised by the Bank from the above Domestic Perpetual Bond will be required to be approved by applicable regulatory agencies to supplement other Tier 1 capital of the Bank.

(c) Changes in perpetual bond outstanding

Financial instrument outstanding	1 January 2021			Movement during the period			30 June 2021		
	Amount (million units)	In original currency (million)	In RMB (million)	Amount (million units)	In original currency (million)	In RMB (million)	Amount (million units)	In original currency (million)	In RMB (million)
USD Perpetual bond	1	1,000	6,691	-	-	-	1	1,000	6,691
RMB 2019 Perpetual bond	800	80,000	80,000	-	-	-	800	80,000	80,000
2021 Perpetual bond Series 1	-	-	-	700	70,000	70,000	700	70,000	70,000
Total	801	N/A	86,691	700	70,000	70,000	1,501	N/A	156,691

Note: The RMB amount of USD perpetual bond as at 30 June 2021 is translated at the spot exchange rate on issuance date.

(3) Interests attributable to equity instruments' holders

Items	30 June 2021	1 January 2021
1. Total equity attributable to equity holders of the parent company	3,029,890	2,893,502
(1) Equity attributable to ordinary equity holders of the parent company	2,734,079	2,667,683
(2) Equity attributable to other equity instruments holders of the parent company	295,811	225,819
2. Total equity attributable to non-controlling interests	16,917	16,013
(1) Equity attributable to non-controlling interests of ordinary shares	16,917	16,013
(2) Equity attributable to non-controlling interests of other equity instruments	-	-

32. RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserves

(i) Statutory surplus reserve

The Bank is required to appropriate 10% of its profit for the year, as determined under the Accounting Standards for Business Enterprises and other relevant requirements ("PRC GAAP"), pursuant to the Company Law of the PRC and the Articles of the Bank to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

(ii) Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under PRC GAAP to the discretionary surplus reserve upon approval by the shareholders in general meetings. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

(iii) Other surplus reserve

The Bank's overseas entities appropriate their profits to surplus reserve and statutory reserves in accordance with the relevant regulations promulgated by the local regulatory bodies.

(c) General reserve

In accordance with the "Administrative Measures for the Provision of Reserves of Financial Enterprises" (Cai Jin [2012] No. 20) issued by the MOF, the Bank maintains a general reserve within equity, through the appropriation of profit, which should not be less than 1.5% of the period-end balance of its risk assets, to partially cover unidentified possible losses.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

(d) Investment revaluation reserve

The investment revaluation reserve records the fair value changes and impairment provision of financial investments measured at FVTOCI.

(e) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries and branches incorporated outside Chinese mainland.

(f) Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the gain or loss on the hedging instrument.

(g) Other reserves

Other reserves represent reserves of subsidiaries and share of reserves of associates and joint ventures other than the items listed above.

(h) Distributable profits

The Bank's distributable profits are based on the retained earnings of the Bank as determined under PRC GAAP and IFRSs, whichever is lower. The amount that the Bank's subsidiaries can legally distribute is determined by referring to their profits as reflected in their financial statements prepared in accordance with the accounting regulations and principles promulgated by the local regulatory bodies. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

33. OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2021	2020
(a) Items that will not be reclassified to profit or loss:		
(i) Changes in fair value of equity instruments designated as at FVTOCI	993	(222)
(ii) Other comprehensive income recognised under equity method	2	(13)
(iii) Other	1	3
(b) Items that may be reclassified subsequently to profit or loss:		
(i) Changes in fair value of debt instruments measured at FVTOCI	(3)	3,434
Less: Amount transferred to profit or loss from other comprehensive income	(1,124)	(293)
Income tax effect	145	(1,098)
	(982)	2,043
(ii) Credit losses of debt instruments measured at FVTOCI	654	1,039
(iii) Reserve from cash flow hedging instruments		
Gain/(losses) during the period	411	(553)
Less: Income tax effect	488	(316)
	899	(869)
(iv) Other comprehensive income recognised under equity method	(98)	1,075
(v) Foreign currency translation differences	(4,089)	(2,535)
(vi) Other	383	(428)
	(2,237)	93

34. CASH AND CASH EQUIVALENTS

	30 June 2021	30 June 2020
Cash on hand	58,629	72,938
Balances with central banks other than restricted deposits	560,889	717,683
Deposits with banks and other financial institutions with original maturity of three months or less	334,830	359,200
Placements with banks and other financial institutions with original maturity of three months or less	261,687	323,205
Reverse repurchase agreements with original maturity of three months or less	763,532	1,204,185
	1,979,567	2,677,211

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35. INTERESTS IN STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the products issued by these structured entities. Such structured entities include investment funds, wealth management products, asset management plans and asset-backed securities, trust plans and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and are financed through the issuance of investment products to investors.

The following table sets out an analysis of the carrying amounts and maximum exposure of interests held by the Group in the structured entities sponsored by third party institutions:

	30 June 2021		31 December 2020	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Investment funds	30,797	30,797	32,100	32,100
Wealth management products	–	–	311	311
Asset management plans and asset-backed securities	129,714	129,714	257,977	257,977
Trust plans	21,069	21,069	44,204	44,204
	181,580	181,580	334,592	334,592

The maximum loss exposures in the above investment funds, wealth management products, asset management plans and asset-backed securities, trust plans are the carrying amounts which are measured at amortised cost or in fair value of the investments held by the Group at the reporting date.

The following table sets out an analysis of the line items in the consolidated statement of financial position in which assets were recognised relating to the Group's interests in structured entities sponsored by third party institutions:

	30 June 2021		
	Financial investments measured at FVTPL	Financial investments measured at FVTOCI	Financial investments measured at amortised cost
Investment funds	30,797	–	–
Asset management plans and asset-backed securities	81,176	1,695	46,843
Trust plans	1,427	–	19,642
	113,400	1,695	66,485

	31 December 2020		
	Financial investments measured at FVTPL	Financial investments measured at FVTOCI	Financial investments measured at amortised cost
Investment funds	32,100	–	–
Wealth management products	311	–	–
Asset management plans and asset-backed securities	204,344	7,975	45,658
Trust plans	22,807	–	21,397
	259,562	7,975	67,055

(b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products and investment funds. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of investment products to investors. Interest held by the Group includes investments in the products issued by these structured entities and fees charged for providing management services. As at 30 June 2021 and 31 December 2020, the carrying amounts of the investments in the products issued by these structured entities and fee receivables being recognised are not material in the consolidated statement of financial positions.

As at 30 June 2021, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and investment funds, which are sponsored by the Group, were RMB2,371,379 million (31 December 2020: RMB2,708,427 million) and RMB1,550,358 million (31 December 2020: RMB1,462,393 million) respectively.

For the six months ended 30 June 2021, the amount of the average exposure of financing transactions through placements and reverse repurchase agreements from the Group with non-principal-guaranteed wealth management products sponsored by the Group was RMB38,808 million (six months ended 30 June 2020: RMB70,863 million). The transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

(c) Consolidated structured entities

The consolidated structured entities of the Group are primarily the principal-guaranteed wealth management products and certain investment funds and asset-backed securities issued or established by the Group. The Group controls these entities because the Group has power over, is exposed to, or has rights 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.

36. TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Repurchase transactions and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements and debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities sold under repurchase agreements in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional cash collateral. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

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The following table analyses the carrying amount of the aforementioned financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

	30 June 2021		31 December 2020	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	41,900	39,941	42,124	40,760
Securities lending agreements	167,162	–	255,660	–
	209,062	39,941	297,784	40,760

Securitisation transactions

The Group transfers credit assets to structured entities which issue asset-backed securities to investors. The Group may acquire some asset-backed securities at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the Group recognises the assets on the consolidated statement of financial position in accordance with the Group's continuing involvement and the rest is derecognised. The extent of the Group's continuing involvement is the extent of the risks and rewards undertaken by the Group with value changes of the transferred financial assets. As at 30 June 2021, loans with an original carrying amount of RMB552,953 million (31 December 2020: RMB521,314 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. The carrying amount of assets that the Group continues to recognise on the consolidated statement of financial position was RMB67,087 million as at 30 June 2021 (31 December 2020: RMB63,808 million).

As at 30 June 2021, the carrying amount of asset-backed securities held by the Group in securitisation transactions that were qualified for derecognition was RMB1,021 million (31 December 2020: RMB1,029 million), and its maximum exposure approximates to the carrying amount.

With respect to the securitisation of financial assets that do not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration received is recorded as a financial liability. As at 30 June 2021, the Group did not have transferred credit assets that were not qualified for derecognition (31 December 2020: Nil).

37. SHARE APPRECIATION RIGHTS PLAN

The Bank's share appreciation rights plan was approved in 2006, which allows share appreciation rights to be granted to eligible participants including directors, supervisors, senior management and other key personnel designated by the board of directors. The share appreciation rights will be granted and exercised based on the price of the Bank's H shares and will be valid for 10 years. As at the approval date of this interim financial report, no share appreciation rights have been granted.

38. COMMITMENTS AND CONTINGENT LIABILITIES**(a) Capital commitments**

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

	30 June 2021	31 December 2020
Contracted but not provided for	47,221	42,797

(b) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and undrawn credit card limit are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the reporting period had the counterparties failed to perform as contracted.

	30 June 2021	31 December 2020
Bank acceptances	399,816	343,233
Guarantees issued		
— Financing letters of guarantees	67,067	54,361
— Non-financing letters of guarantees	432,683	446,460
Sight letters of credit	65,791	51,517
Usance letters of credit and other commitments	137,670	129,015
Loan commitments		
— With an original maturity of under one year	81,946	91,410
— With an original maturity of one year or over	569,231	574,420
Undrawn credit card limit	1,106,123	1,021,038
	2,860,327	2,711,454

	30 June 2021	31 December 2020
Credit risk-weighted assets of credit commitments	1,110,298	1,106,377

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(c) Operating leases

At the end of the reporting period, the Group leased certain aircrafts and vessels to third parties under operating lease arrangements, and the total future minimum lease receivables in respect of non-cancellable operating leases with its tenants were as follows:

	30 June 2021	31 December 2020
Within one year	15,488	17,218
Over one year but within five years	58,356	67,210
Over five years	58,656	73,626
Total	132,500	158,054

(d) Legal proceedings

The Group has been involved in lawsuits during its normal course of operations. As at 30 June 2021, there were a number of legal proceedings and arbitrations outstanding against the Bank and/or its subsidiaries with a total claimed amount of RMB5,913 million (31 December 2020: RMB4,928 million).

In the opinion of management, the Group has made adequate allowance for any probable losses based on the current facts and circumstances, and the ultimate outcome of these lawsuits and arbitrations will not have a significant impact on the financial position or operations of the Group.

(e) Redemption commitments of government bonds

As an underwriting agent of the MOF, the Bank underwrites certain PRC government bonds and sells the bonds to the general public. The Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. The MOF will not provide funding for the early redemption of these PRC government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity. The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 30 June 2021 were RMB77,950 million (31 December 2020: RMB81,112 million). Management expects that the redemption obligation of these PRC government bonds by the Bank prior to maturity will not be material.

(f) Underwriting obligations

As at 30 June 2021, the Group had no unexpired security-underwriting obligations (31 December 2020: Nil).

39. DESIGNATED FUNDS AND LOANS

	30 June 2021	31 December 2020
Designated funds	2,548,869	2,361,366
Designated loans	2,548,629	2,361,289

The designated funds represent the funding that the trustors have instructed the Group to use to make loans to third parties as designated by them. The credit risk remains with the trustors.

The designated loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrust agreements signed by the Group and the trustors. The Group does not bear any risk.

40. ASSETS PLEDGED AS SECURITY

Financial assets of the Group including securities and bills have been pledged as collateral for liabilities or contingent liabilities, mainly for repurchase agreements and derivative contracts. As at 30 June 2021, the carrying amount of the financial assets of the Group pledged as collateral amounted to approximately RMB258,552 million (31 December 2020: approximately RMB249,499 million).

41. FIDUCIARY ACTIVITIES

The Group provides custody, trust and asset management services to third parties. Revenue from such activities is included in “net fee and commission income” set out in note 4. Those assets held in a fiduciary capacity are not included in the Group’s consolidated statement of financial position.

42. RELATED PARTY DISCLOSURES

In addition to the transactions detailed elsewhere in this interim financial report, the Group had the following transactions with related parties during the period:

(a) Shareholders with significant influence

(i) The MOF

The MOF is a ministry under the State Council of the PRC, primarily responsible for, among others, state fiscal revenues, expenses and taxation policies. As at 30 June 2021, the MOF directly owned approximately 31.14% (31 December 2020: approximately 31.14%) of the issued share capital of the Bank. The Group enters into banking transactions with the MOF in its normal course of business. Details of the major transactions are as follows:

	30 June 2021	31 December 2020
Balances at end of the period/year:		
The PRC government bonds and the special government bond	1,384,370	1,495,673
	Six months ended 30 June	
	2021	2020
Transactions during the period:		
Interest income on bonds	22,233	24,177

Other related party transactions between the Group and enterprises under the control or joint control of the MOF are disclosed in note 42(g) “transactions with state-owned entities in the PRC”.

(ii) Huijin

As at 30 June 2021, Central Huijin Investment Ltd. (“Huijin”) directly owned approximately 34.71% (31 December 2020: approximately 34.71%) of the issued share capital of the Bank. Huijin is a state-owned investment company established on 16 December 2003 under the Company Law of the PRC. Huijin has a total registered and paid-in capital of RMB828,209 million. Huijin is a wholly-owned subsidiary of China Investment Corporation, and in accordance with the authorisation by the State Government, Huijin makes equity investments in major state-owned financial enterprises, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State Government in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not conduct any other business or commercial activity. It does not intervene in the day-to-day business operations of the financial enterprises in which it invests.

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As at 30 June 2021, bonds issued by Huijin (“the Huijin Bonds”) held by the Group are of an aggregate face value of RMB59.09 billion (31 December 2020: RMB71.39 billion), with terms ranging from one to thirty years and coupon rates ranging from 2.15% to 4.38% per annum. The Huijin Bonds are government-backed bonds, short-term financing bills and medium-term notes. The Group’s subscription of the Huijin Bonds was conducted in the ordinary course of business, in compliance with relevant regulatory requirements and the corporate governance of the Group.

The Group entered into banking transactions with Huijin in the ordinary course of business under normal commercial terms and at the market rates. Details of the major transactions are as follows:

	30 June 2021	31 December 2020
Balances at end of the period/year:		
Debt securities purchased	60,261	72,472
Loans and advances to customers	4,064	4,005
Due to customers	48,907	15,957

	Six months ended 30 June	
	2021	2020
Transactions during the period:		
Interest income on debt securities purchased	1,158	1,237
Interest income on loans and advances to customers	65	381
Interest expense on amounts due to customers	169	31

Huijin holds equity interests in certain other banks and financial institutions under the direction of the State Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business under normal commercial terms. Management considers that these banks and financial institutions are competitors of the Group. Details of major transactions during the period conducted with these banks and financial institutions are as follows:

	30 June 2021	31 December 2020
Balances at end of the period/year:		
Debt securities purchased	574,232	633,728
Due from banks and other financial institutions	278,139	251,578
Loans and advances to customers	8,679	10,610
Derivative financial assets	12,874	20,669
Due to banks and other financial institutions	217,355	299,691
Derivative financial liabilities	13,026	20,007
Due to customers	1,324	1,065
Credit commitments	5,297	12,690

	Six months ended 30 June	
	2021	2020
Transactions during the period:		
Interest income on debt securities purchased	9,748	13,925
Interest income on amounts due from banks and other financial institutions	410	419
Interest income on loans and advances to customers	19	29
Interest expense on amounts due to banks and other financial institutions	383	928
Interest expense on amounts due to customers	6	42

(b) Subsidiaries

	30 June 2021	31 December 2020
Balances at end of the period/year:		
Financial investments	32,093	30,425
Due from banks and other financial institutions	387,640	375,028
Loans and advances to customers	44,110	45,958
Derivative financial assets	7,928	4,945
Due to banks and other financial institutions	146,869	183,059
Derivative financial liabilities	7,722	5,004
Credit commitments	66,525	53,161
	Six months ended 30 June	
	2021	2020
Transactions during the period:		
Interest income on financial investments	554	539
Interest income on amounts due from banks and other financial institutions	249	344
Interest income on loans and advances to customers	311	559
Interest expense on amounts due to banks and other financial institutions	298	672
Fee and commission income	4,239	3,093

The major balances and transactions with subsidiaries have been eliminated in the consolidated financial statements.

(c) Associates and affiliates

	30 June 2021	31 December 2020
Balances at end of the period/year:		
Debt securities purchased	10,729	12,680
Due from banks and other financial institutions	14,213	8,549
Loans and advances to customers	1,496	983
Derivative financial assets	2,001	3,244
Due to banks and other financial institutions	16,238	6,051
Due to customers	2	3
Derivative financial liabilities	2,063	3,283
Credit commitments	2,971	3,023
	Six months ended 30 June	
	2021	2020
Transactions during the period:		
Interest income on debt securities purchased	91	379
Interest income on amounts due from banks and other financial institutions	116	55
Interest income on loans and advances to customers	15	69
Interest expense on amounts due to banks and other financial institutions	62	170
Interest expense on amounts due to customers	0	0

Transactions between the Group and the associates and their affiliates were conducted under normal commercial terms and conditions.

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(d) Joint ventures and affiliates

	30 June 2021	31 December 2020
Balances at end of the period/year:		
Loans and advances to customers	10	65
Due to customers	23	7

	Six months ended 30 June	
	2021	2020
Transactions during the period:		
Interest expense on amounts due to customers	0	2

In the opinion of management, the transactions between the Group and the aforementioned parties were conducted in the ordinary course of business under normal terms and conditions and at market rates.

(e) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the board of supervisors and executive officers.

The aggregate compensation of key management personnel for the period is as follows:

	Six months ended 30 June	
	2021	2020
	In RMB'000	In RMB'000
Salaries, bonuses and short-term employment benefits	5,911	4,810
Post-employment benefits	276	109
	6,187	4,919

Related parties of the Group include key management personnel of the Group and their close relatives, as well as companies controlled or jointly controlled by key management personnel or their close relatives and companies that these related parties have significant influence on.

During the reporting period, there were no other material transactions and balances with key management personnel on an individual basis. The Group enters into banking transactions with key management personnel in the normal course of business.

The aggregated balance of loans and credit card overdrafts to the persons who are considered as related parties according to the relevant rules of Shanghai Stock Exchange was RMB18.03 million as at 30 June 2021 (31 December 2020: RMB15.29 million).

In the opinion of management, the transactions between the Group and the aforementioned parties were conducted in the ordinary course of business under normal terms and conditions and at market rates.

(f) Annuity Fund

Apart from the obligations for defined contributions to the Annuity Fund, Annuity Fund holds A shares of the Bank with market value of RMB19.97 million (31 December 2020: RMB39.17 million), and bonds issued by the Bank of RMB40.63 million as at 30 June 2021 (31 December 2020: RMB10.00 million).

(g) Transactions with state-owned entities in the 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 reporting period, the Group entered into extensive banking transactions with these state-owned entities including, but not limited to, lending and deposit taking, taking and placing of interbank balances, entrusted lending and the provision of intermediary services, the sale, purchase, underwriting and redemption of bonds issued by other state-owned entities, and the sale, purchase, and leasing of properties and other assets.

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 those 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.

(h) Proportion of major related party transactions

The major balances and transactions with subsidiaries have been eliminated in the consolidated financial statements. When calculating the proportion of related party transactions, transactions with the subsidiaries are not involved.

	30 June 2021		31 December 2020	
	Balance	%	Balance	%
Financial investments	2,029,592	22.94%	2,214,553	25.78%
Due from banks and other financial institutions	292,352	28.71%	260,127	24.04%
Loans and advances to customers	14,249	0.07%	15,663	0.09%
Derivative financial assets	14,875	13.39%	23,913	17.82%
Due to banks and other financial institutions	233,593	7.85%	305,742	10.98%
Derivative financial liabilities	15,089	17.24%	23,290	16.52%
Due to customers	50,256	0.19%	17,032	0.07%
Credit commitments	8,268	0.29%	12,690	0.43%

	Six months ended 30 June			
	2021		2020	
	Amount	%	Amount	%
Interest income	33,855	6.00%	40,671	7.68%
Interest expense	620	0.27%	1,173	0.53%

43. SEGMENT INFORMATION

(a) Operating segments

For management purposes, the Group is organised into different operating segments, namely corporate banking, personal banking and treasury operations, based on internal organisation structure, management requirement and internal reporting system.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit-taking activities, corporate wealth management services, custody activities and various types of corporate intermediary services, etc.

Personal banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, card business, personal wealth management services and various types of personal intermediary services, etc.

Treasury operations

The treasury operations segment covers the Group's treasury operations which include money market transactions, investment securities, foreign exchange transactions and the holding of derivative positions, for its own accounts or on behalf of customers, etc.

Other

This segment covers the Group's assets, liabilities, income and expenses that are not directly attributable or cannot be allocated to a segment on a reasonable basis.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting this interim financial report of the Group.

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as "internal net interest income/expense". Net interest income and expense relating to third parties are referred to as "external net interest income/expense".

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Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The basis for allocation is mainly based on occupation of or contribution to resources. Income taxes are managed on a group basis and are not allocated to operating segments.

	Six months ended 30 June 2021				
	Corporate banking	Personal banking	Treasury operations	Other	Total
External net interest income	142,390	72,344	121,559	–	336,293
Internal net interest income/(expense)	10,308	70,280	(80,588)	–	–
Net fee and commission income	47,114	28,030	799	–	75,943
Other income/(expense), net (i)	6,157	(1,284)	7,119	2,178	14,170
Operating income	205,969	169,370	48,889	2,178	426,406
Operating expenses	(36,928)	(47,624)	(7,554)	(2,885)	(94,991)
Impairment losses on assets	(96,195)	(24,452)	(3,708)	(192)	(124,547)
Operating profit/(loss)	72,846	97,294	37,627	(899)	206,868
Share of profits of associates and joint ventures	–	–	–	1,202	1,202
Profit before taxation	72,846	97,294	37,627	303	208,070
Income tax expense					(43,561)
Profit for the period					164,509
Other segment information:					
Depreciation	4,071	5,588	1,066	116	10,841
Amortisation	588	488	167	38	1,281
Capital expenditure	5,202	6,965	1,352	158	13,677
30 June 2021					
Segment assets	12,175,880	7,989,937	14,726,417	244,050	35,136,284
Including: Investments in associates and joint ventures	–	–	–	43,015	43,015
Property and equipment	94,014	129,534	24,756	35,143	283,447
Other non-current assets (ii)	44,102	21,127	5,363	11,711	82,303
Segment liabilities	16,249,456	11,147,902	4,383,160	308,959	32,089,477
Other segment information:					
Credit commitments	1,782,322	1,078,005	–	–	2,860,327

- (i) Includes net trading income/(expense), net gain on financial investments and other net operating income.
- (ii) Includes long-term receivables, intangible assets, goodwill, long-term deferred expenses, right-of-use assets and other non-current assets.

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	Six months ended 30 June 2020				
	Corporate banking	Personal banking	Treasury operations	Other	Total
External net interest income	144,725	60,090	115,076	–	319,891
Internal net interest income/(expense)	316	77,460	(77,776)	–	–
Net fee and commission income	52,823	21,692	1,043	–	75,558
Other income/(expense), net (i)	2,909	(2,354)	4,133	2,209	6,897
Operating income	200,773	156,888	42,476	2,209	402,346
Operating expenses	(39,059)	(38,453)	(7,174)	(3,239)	(87,925)
Impairment losses on assets	(84,101)	(40,312)	(1,001)	(42)	(125,456)
Operating profit/(loss)	77,613	78,123	34,301	(1,072)	188,965
Share of profits of associates and joint ventures	–	–	–	386	386
Profit before taxation	77,613	78,123	34,301	(686)	189,351
Income tax expense					(39,555)
Profit for the period					149,796
Other segment information:					
Depreciation	4,894	3,889	1,277	114	10,174
Amortisation	625	379	187	7	1,198
Capital expenditure	10,324	7,989	2,728	229	21,270
31 December 2020					
Segment assets	11,339,394	7,454,567	14,366,145	184,952	33,345,058
Including: Investments in associates and joint ventures	–	–	–	41,206	41,206
Property and equipment	110,846	101,573	37,244	36,616	286,279
Other non-current assets (ii)	42,553	18,012	6,601	15,357	82,523
Segment liabilities	13,766,666	12,167,001	4,391,690	110,186	30,435,543
Other segment information:					
Credit commitments	1,716,094	995,360	–	–	2,711,454

- (i) Includes net trading income/(expense), net gain on financial investments and other net operating income.
- (ii) Includes long-term receivables, intangible assets, goodwill, long-term deferred expenses, right-of-use assets and other non-current assets.

(b) Geographical information

The Group operates principally in Chinese mainland, and also has branches and subsidiaries operating outside Chinese mainland. The distribution of the geographical areas is as follows:

Chinese mainland (Head Office and domestic branches)

Head Office (“HO”):	the HO business divisions (including institutions directly managed by the HO and its offices);
Yangtze River Delta:	including Shanghai, Jiangsu, Zhejiang and Ningbo;
Pearl River Delta:	including Guangdong, Shenzhen, Fujian and Xiamen;
Bohai Rim:	including Beijing, Tianjin, Hebei, Shandong and Qingdao;
Central China:	including Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan;
Western China:	including Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet; and
Northeastern China:	including Liaoning, Heilongjiang, Jilin and Dalian.

Overseas and other

Branches located outside Chinese mainland, domestic and overseas subsidiaries, and investments in associates and joint ventures.

	Six months ended 30 June 2021									
	Chinese mainland (HO and domestic branches)									Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and other	Eliminations	
External net interest income	129,164	38,894	40,993	12,774	38,008	51,483	6,136	18,841	–	336,293
Internal net interest (expense)/income	(95,315)	18,667	5,128	49,900	9,261	6,016	7,258	(915)	–	–
Net fee and commission income	21,706	13,469	8,923	11,785	6,305	7,278	1,440	5,905	(868)	75,943
Other income/(expense), net (i)	11,746	(2,494)	(1,576)	(1,411)	(908)	(1,787)	(204)	9,986	818	14,170
Operating income	67,301	68,536	53,468	73,048	52,666	62,990	14,630	33,817	(50)	426,406
Operating expenses	(13,777)	(13,072)	(10,624)	(15,073)	(12,833)	(14,689)	(4,674)	(10,299)	50	(94,991)
Impairment losses on assets	(34,401)	(15,692)	(15,355)	(18,698)	(13,583)	(16,410)	(6,828)	(3,580)	–	(124,547)
Operating profit	19,123	39,772	27,489	39,277	26,250	31,891	3,128	19,938	–	206,868
Share of profits of associates and joint ventures	–	–	–	–	–	–	–	1,202	–	1,202
Profit before taxation	19,123	39,772	27,489	39,277	26,250	31,891	3,128	21,140	–	208,070
Income tax expense	–	–	–	–	–	–	–	–	–	(43,561)
Profit for the period	–	–	–	–	–	–	–	–	–	164,509
Other segment information:										
Depreciation	1,605	1,533	1,163	1,749	1,448	1,748	633	962	–	10,841
Amortisation	251	142	114	178	190	180	75	151	–	1,281
Capital expenditure	1,028	1,260	772	1,506	1,115	1,234	354	6,408	–	13,677

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	30 June 2021											
	Chinese mainland (HO and domestic branches)									Overseas and others	Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China					
Assets by geographical areas	10,439,814	7,206,165	5,314,761	5,287,217	3,652,410	4,655,882	1,342,627	4,004,400	(6,841,918)	35,061,358		
Including: Investments in associates and joint ventures	-	-	-	-	-	-	-	43,015	-	43,015		
Property and equipment	12,501	32,493	12,375	20,713	18,005	22,461	8,729	156,170	-	283,447		
Other non-current assets (ii)	15,048	7,897	5,983	7,515	8,389	9,723	2,716	25,032	-	82,303		
Unallocated assets										74,926		
Total assets										35,136,284		
Liabilities by geographical areas	7,492,845	8,643,917	5,314,334	7,567,268	3,464,595	4,066,152	1,490,355	827,677	(6,841,918)	32,025,225		
Unallocated liabilities										64,252		
Total liabilities										32,089,477		
Other segment information:												
Credit commitments	1,140,567	1,091,108	748,305	909,853	388,113	587,720	173,383	658,110	(2,836,832)	2,860,327		

- (i) Includes net trading income/(expense), net gain on financial investments and other net operating income.
- (ii) Includes long-term receivables, intangible assets, goodwill, long-term deferred expenses, right-of-use assets and other non-current assets.

	Six months ended 30 June 2020											
	Chinese mainland (HO and domestic branches)									Overseas and other	Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China					
External net interest income	129,638	35,113	36,622	11,702	34,864	47,253	7,710	16,989	-	319,891		
Internal net interest (expense)/ income	(101,540)	18,796	6,367	53,023	9,531	6,762	6,068	993	-	-		
Net fee and commission income	20,706	14,579	9,733	9,423	6,542	8,283	1,540	5,593	(841)	75,558		
Other income/(expense), net (i)	7,025	(2,024)	(853)	(2,821)	(1,094)	(1,444)	292	7,024	792	6,897		
Operating income	55,829	66,464	51,869	71,327	49,843	60,854	15,610	30,599	(49)	402,346		
Operating expenses	(10,396)	(12,377)	(10,082)	(14,104)	(12,264)	(13,897)	(4,673)	(10,187)	55	(87,925)		
Impairment losses on assets	(25,936)	(21,187)	(14,227)	(20,973)	(16,193)	(17,060)	(4,787)	(5,093)	-	(125,456)		
Operating profit	19,497	32,900	27,560	36,250	21,386	29,897	6,150	15,319	6	188,965		
Share of profits of associates and joint ventures	-	-	-	-	-	-	-	386	-	386		
Profit before taxation	19,497	32,900	27,560	36,250	21,386	29,897	6,150	15,705	6	189,351		
Income tax expense										(39,555)		
Profit for the period										149,796		
Other segment information:												
Depreciation	1,030	1,430	1,140	1,711	1,467	1,719	649	1,028	-	10,174		
Amortisation	350	125	103	142	161	157	52	108	-	1,198		
Capital expenditure	1,063	1,671	1,375	3,408	1,382	1,780	587	10,004	-	21,270		

	31 December 2020									Total
	Chinese mainland (HO and domestic branches)							Overseas and other	Eliminations	
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China			
Assets by geographical areas	9,665,936	7,183,515	4,935,763	4,994,061	3,334,445	4,249,027	1,246,742	4,024,527	(6,356,671)	33,277,345
Including: Investments in associates and joint ventures	-	-	-	-	-	-	-	41,206	-	41,206
Property and equipment	13,929	32,725	12,791	21,477	18,374	23,164	9,088	154,731	-	286,279
Other non-current assets (ii)	14,352	7,817	6,065	7,534	8,580	9,950	2,256	25,969	-	82,523
Unallocated assets										67,713
Total assets										33,345,058
Liabilities by geographical areas	7,250,493	7,840,257	4,886,621	7,507,515	3,203,936	3,811,490	1,360,916	838,331	(6,356,682)	30,342,877
Unallocated liabilities										92,666
Total liabilities										30,435,543
Other segment information:										
Credit commitments	1,077,366	999,018	683,005	785,796	371,823	565,802	145,460	675,725	(2,592,541)	2,711,454

- (i) Includes net trading income/(expense), net gain on financial investments and other net operating income.
- (ii) Includes long-term receivables, intangible assets, goodwill, long-term deferred expenses, right-of-use assets and other non-current assets.

44. FINANCIAL INSTRUMENT RISK MANAGEMENT

A description and an analysis of the major risks faced by the Group are as follows:

The board of directors (the "Board") has the ultimate responsibility for risk management and oversees the Group's risk management functions through the Risk Management Committee and the Audit Committee of the Board.

The President supervises the risk management strategies and reports directly to the Board. He chairs two management committees including the Risk Management Committee and the Asset and Liability Management Committee, which formulate and make recommendations in respect of risk management strategies and policies through the President to the Risk Management Committee of the Board. The Chief Risk Officer assists the President to supervise the Bank's risk management.

The Group has also assigned departments to monitor financial risks within the Group, including the Credit and Investment Management Department to monitor credit risk, the Risk Management Department together with the Asset and Liability Management Department to monitor market and liquidity risks, and the Internal Control and Compliance Department to monitor operational risk. The Risk Management Department is primarily responsible for establishing and coordinating a comprehensive risk management framework, preparing consolidated reports on credit risk, market risk and operational risk and reporting directly to the Chief Risk Officer.

The Bank maintains a dual-reporting structure at the branch level for risk management purposes. Under this structure, the risk management departments of the branches report to both the Group risk management department and the management of the branches.

(a) Credit risk

Definition and scope

Credit risk is the risk of loss arising from a borrower or counterparty's failure to perform its obligations. Operational failures which result in unauthorised or inappropriate guarantees, financial commitments or investments by the Group may also give rise to credit risk. The Group's credit risk is mainly attributable to its loans, due from banks and other financial institutions and financial investments.

The Group is also exposed to credit risk in other areas in addition to the credit risk arising from the Group's loans, due from banks and other financial institutions and financial investments. The credit risk arising from derivative financial instruments is limited to derivative financial assets recorded in the consolidated statement of financial position. In addition, the Group provides guarantees for customers and may therefore be required to make payments on their behalf. These payments will be recovered from customers in accordance with the terms of the agreement. Therefore, the Group assumes a credit risk similar to that arising from loans and applies the same risk control procedures and policies to reduce risks.

Credit risk assessment method

Stage of financial instruments

The Group classifies financial instruments into three stages and makes provisions for expected credit losses accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition.

The three stages are defined as follows:

Stage 1: For a financial instrument of which the credit risk has not significantly increased since initial recognition, the amount equal to 12-month expected credit losses is recognised as loss allowance.

Stage 2: For a financial instrument with a significant increase in credit risk since initial recognition but not considered to be credit-impaired, the amount equal to lifetime expected credit losses is recognised as loss allowance.

Stage 3: For a financial instrument considered to be credit-impaired as at end of the reporting period, the amount equal to lifetime expected credit losses is recognised as low allowance.

Significant increase in credit risk

The assessment of significant increase since initial recognition in the credit risk is performed at least on a quarterly basis for financial instruments held by the Group. The Group takes into consideration all reasonable and supportable information (including forward-looking information) that reflects significant change in credit risk for the purposes of classifying financial instruments. The main considerations are regulatory and operating environment, internal and external credit risk grading, debt-servicing capacity, operating capabilities, contractual terms, and repayment records. The Group compares the risk of default of a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics as at the end of the reporting period and its risk of default at the date of initial application to determine changes in the risk of default during the lifetime of a financial instrument or a portfolio of financial instruments. In determining whether credit risk of a financial instrument has increased significantly since initial recognition, the Group considers factors indicating whether the probability of default has risen sharply, whether the financial instrument has been past due for more than 30 days, whether the market price has been falling to assess deterioration.

Since the outbreak of the COVID-19 pandemic, the Group has provided credit facilities for temporary deferral in principal repayment and interest payment to some of the borrowers affected by the pandemic in accordance with the government's regulations. The Group classified the credit risk based on the actual situation of the borrower and the judgment of the substantive risk of the business for those loans with deferred principal repayment and interest payment. However, the temporary deferral in principal repayment and interest payment was not considered as an automatic trigger event in a significant increase of credit risk.

Definition of default

The Group defines a corporate borrower as in default when it meets one or more of the following criteria at the time of recognition:

- (i) The principal or interest of loan is past due more than 90 days to the Group.
- (ii) The corporate borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidation against collateral.
- (iii) The corporate borrower has the matters refer to in (i) or (ii) above in other financial institutions.

The Group defines a retail business borrower as in default when single credit assets of borrowers meets one or more of the following criteria:

- (i) The principal or interest of loan is past due more than 90 days to the Group.
- (ii) Write-offs.
- (iii) The Group considers the borrower is unlikely to pay its credit obligations to the Group in full.

Impairment assessment

Generally, a financial asset is considered to be credit-impaired if:

- It has been overdue for more than 90 days;
- In light of economic, legal or other factors, the Group has made concessions to a borrower in financial difficulties, which would otherwise have been impossible under normal circumstances;
- The borrower is probable to be insolvent or carry out other financial restructurings;
- Due to serious financial difficulties, the financial asset cannot continue to be traded in an active market;
- There are other objective evidences that indicate the financial asset is impaired.

Description of parameters, assumptions, and estimation techniques

ECL for a financial instrument is measured at an amount equal to 12-month ECL or lifetime ECL depending on whether a significant increase in credit risk on that financial instrument has occurred since initial recognition or whether an asset is considered to be credit-impaired. The loss allowance for loans and advances to customers, other than those corporate loans and advance to customers which are credit-impaired, is measured using the risk parameters method. The key parameters include Probability of Default ("PD"), Loss Given Default ("LGD"), and Exposure at Default ("EAD"), considering the time value of money.

PD is the possibility that a customer will default on its obligation within a certain period of time in light of forward-looking information. The Group's PD is adjusted based on the results of the Internal Ratings-Based Approach under the New Basel Capital Accord, taking the forward-looking information into account and deducting the prudential adjustment to reflect the debtor's point-in-time ("PIT") PD under the current macroeconomic environment.

LGD is the magnitude of the likely loss if there is a default in light of forward-looking information. The LGD is depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, taking the forward-looking information into account.

EAD refers to the total amount of on- and off-balance sheet exposures in the event of default and is determined based on the historical repayment records.

The assumptions underlying the ECL calculation, such as how the PDs and LGDs of different maturity profiles change are monitored and reviewed on a quarterly basis by the Group.

There have been no significant changes in estimation techniques or significant assumptions adopted in ECL calculation during the reporting period.

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The impairment loss on credit-impaired corporate loans and advance to customers applied discounted cash flow method. If there is objective evidence that an impairment loss on a loan or advance has incurred, the amount of the loss is measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The allowance for impairment loss is deducted in the carrying amount. The impairment loss is recognised in the consolidated statement of profit or loss. In determining allowances on an individual basis, the following factors are considered:

- The sustainability of the borrower's business plan;
- The borrower's ability to improve performance once a financial difficulty has arisen;
- The estimated recoverable cash flows from projects and liquidation;
- The availability of other financial support and the realisable value of collateral; and
- The timing of the expected cash flows.

It may not be possible to identify a single, or discrete events that result in the impairment, but it may be possible to identify impairment through the combined effect of several events. The impairment losses are evaluated at the end of each reporting period, unless unforeseen circumstances require more careful attention.

Forward-looking information contained in ECL

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), Purchasing Managers' Index ("PMI") and other macroeconomic indicators as having impact on the ECL for each portfolio. The impact of these economic variables on the PD and LGD has been determined by performing statistical regression analysis to understand the correlations among the historical changes of the economic variables, PD and LGD. Forecasts of these economic variables are carried out quarterly by the Group at least that provide the best estimate view of the economy over the next year.

When calculating the weighted average ECL, the optimistic, neutral and pessimistic scenarios and their weightings as determined by a combination of macro-statistical analysis and expert judgment are taken into account by the Group.

In the first half of 2021, the Group has taken into account different macroeconomic scenarios, combined with the impact of factors such as the COVID-19 pandemic on economic development trends, and made forward-looking forecasts of macroeconomic indicators. Among others, the year-on-year GDP growth rate used to estimate ECL ranges from 6% to 7% in the neutral scenario for 2021.

Contractual modification of financial assets

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such rescheduling activities include extended payment term arrangements, payment holidays, payment forgiveness, among others. Rescheduling policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. Such rescheduling activities are especially common in the management of medium-term loans. The classification of rescheduled loan shall not be upgraded unless it has met certain criteria and after an observation period of at least 6 months.

The following table includes carrying amount of rescheduled loans and advance to customers:

	30 June 2021	31 December 2020
Rescheduled loans and advances to customers	17,602	11,960
Impaired loans and advances to customers included in above	8,147	4,504

Collaterals and other credit enhancements

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. Guidelines are in place specifying the types of collateral and valuation parameters which can be accepted.

Reverse repurchase business is mainly collateralised by bills and investment securities. As part of the reverse repurchase agreements, the Group has received securities that it is allowed to sell or repledge in the absence of default by their owners.

Corporate loans and discounted bills are mainly collateralised by properties or other assets. As at 30 June 2021, the gross carrying amount of corporate loans and discounted bills amounted to RMB12,420,964 million (31 December 2020: RMB11,509,029 million), of which credit exposure covered by collateral amounted to RMB3,111,471 million (31 December 2020: RMB3,534,852 million).

Retail loans are mainly collateralised by residential properties. As at 30 June 2021, the gross carrying amount of retail loans amounted to RMB7,575,803 million (31 December 2020: RMB7,115,279 million), of which credit exposure covered by collateral amounted to RMB6,700,267 million (31 December 2020: RMB6,269,321 million).

The Group prefers more liquid collateral with relatively stable market value and does not accept collateral that is illiquid, with difficulties in registration or high fluctuations in market value. The value of collateral should be assessed and confirmed by the Group or valuation agents engaged by the Group. The value of collateral should adequately cover the outstanding balance of loans. The Group takes into consideration the types of collateral, usage condition, liquidity, price volatility and realisation cost to determine the loan-to-value ratio of collateral. All collateral have to be registered in accordance with the relevant laws and regulations. The credit officers inspect the collateral and assess the changes in the value of collateral regularly.

Management monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement when it is considered necessary.

It is the Group's policy to dispose of repossessed assets in an orderly manner. In general, the Group does not occupy repossessed assets for business use.

During the reporting period, the Group took possession of collateral held as security with a carrying amount of RMB16 million (six months ended 30 June 2020: RMB333 million).

(i) Maximum exposure to credit risk without taking into account of any collateral and other credit enhancements

As at the end of the reporting period, the maximum credit risk exposure of the Group without taking into account of any collateral and other credit enhancements is set out below:

	30 June 2021	31 December 2020
Balances with central banks	3,593,647	3,472,962
Due from banks and other financial institutions	1,018,469	1,081,897
Derivative financial assets	111,102	134,155
Reverse repurchase agreements	1,014,726	739,288
Loans and advances to customers	19,452,291	18,136,328
Financial investments		
— Financial investments measured at FVTPL	556,599	638,485
— Financial investments measured at FVTOCI	1,517,718	1,459,018
— Financial investments measured at amortised cost	6,534,551	6,265,668
Other	273,036	377,563
	34,072,139	32,305,364
Credit commitments	2,860,327	2,711,454
Total maximum credit risk exposure	36,932,466	35,016,818

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(ii) Risk concentrations

Credit risk is often greater when counterparties are concentrated in one single industry or geographic location or have comparable economic features. In addition, different geographic areas and industrial sectors have their unique characteristics in terms of economic development, and could present a different credit risk.

(1) Loans and advances to customers

By geographical distribution

The composition of the Group's gross loans and advances to customers (excluding accrued interest) by geographical distribution is analysed as follows:

	30 June 2021		31 December 2020	
	Amount	Percentage	Amount	Percentage
Head Office	794,453	3.97%	772,372	4.15%
Yangtze River Delta	3,927,712	19.65%	3,582,682	19.24%
Pearl River Delta	2,981,859	14.91%	2,746,019	14.74%
Bohai Rim	3,235,457	16.18%	3,030,552	16.27%
Central China	3,003,454	15.02%	2,789,085	14.98%
Western China	3,606,447	18.04%	3,369,916	18.09%
Northeastern China	874,830	4.37%	841,595	4.52%
Overseas and other	1,572,555	7.86%	1,492,087	8.01%
Total	19,996,767	100.00%	18,624,308	100.00%

By industry distribution

The composition of the Group's gross loans and advances to customers (excluding accrued interest) by industry is analysed as follows:

	30 June 2021	31 December 2020
Transportation, storage and postal services	2,866,856	2,659,916
Manufacturing	1,886,087	1,718,400
Leasing and commercial services	1,681,006	1,517,265
Water, environment and public utility management	1,335,069	1,177,193
Production and supply of electricity, heating, gas and water	1,108,868	1,085,151
Real estate	996,106	958,314
Wholesale and retail	622,656	549,412
Construction	361,794	292,748
Finance	356,980	310,559
Science, education, culture and sanitation	304,302	272,189
Mining	235,146	219,701
Other	343,385	341,885
Subtotal for corporate loans	12,098,255	11,102,733
Personal mortgage and business loans	6,690,619	6,249,953
Other	885,184	865,326
Subtotal for personal loans	7,575,803	7,115,279
Discounted bills	322,709	406,296
Total for loans and advances to customers	19,996,767	18,624,308

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By collaterals

The composition of the Group's gross loans and advances to customers (excluding accrued interest) by collaterals is analysed as follows:

	30 June 2021	31 December 2020
Unsecured loans	6,847,147	6,259,230
Guaranteed loans	2,521,203	2,260,445
Loans secured by mortgages	9,135,017	8,703,068
Pledged loans	1,493,400	1,401,565
Total	19,996,767	18,624,308

Overdue loans and advances to customers

The composition of the Group's gross overdue loans and advances to customers (excluding accrued interest) by collaterals is analysed as follows:

	30 June 2021				Total
	Overdue for 1 to 90 days	Overdue for 90 days to 1 year	Overdue for 1 to 3 years	Overdue for over 3 years	
Unsecured loans	20,992	31,902	21,944	2,415	77,253
Guaranteed loans	16,015	31,327	17,417	4,904	69,663
Loans secured by mortgages	25,257	40,990	30,942	7,889	105,078
Pledged loans	2,409	5,939	5,442	995	14,785
Total	64,673	110,158	75,745	16,203	266,779

	31 December 2020				Total
	Overdue for 1 to 90 days	Overdue for 90 days to 1 year	Overdue for 1 to 3 years	Overdue for over 3 years	
Unsecured loans	34,753	23,590	16,796	4,107	79,246
Guaranteed loans	19,315	20,100	18,985	7,639	66,039
Loans secured by mortgages	40,909	27,878	31,687	8,161	108,635
Pledged loans	3,986	3,252	4,999	1,350	13,587
Total	98,963	74,820	72,467	21,257	267,507

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(2) Debt securities investments

By issuers distribution

The following tables present an analysis of debt securities (excluding accrued interest) by types of issuers and investments:

	30 June 2021			Total
	Financial investments measured at	Financial investments measured at	Financial investments measured at	
	FVTPL	FVTOCI	amortised cost	
Governments and central banks	150,487	436,175	5,324,425	5,911,087
Policy banks	27,511	166,216	563,222	756,949
Banks and other financial institutions	191,011	377,353	467,966	1,036,330
Corporate entities	94,930	520,444	53,046	668,420
	463,939	1,500,188	6,408,659	8,372,786

	31 December 2020			Total
	Financial investments measured at	Financial investments measured at	Financial investments measured at	
	FVTPL	FVTOCI	amortised cost	
Governments and central banks	86,077	479,505	5,203,858	5,769,440
Policy banks	27,631	169,478	528,516	725,625
Banks and other financial institutions	247,628	281,215	369,815	898,658
Corporate entities	104,476	509,422	46,572	660,470
	465,812	1,439,620	6,148,761	8,054,193

By rating distribution

The Group adopts a credit rating approach to manage the credit risk of the debt securities portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of debt securities are located. The carrying amounts of debt securities investments (excluding accrued interest) analysed by rating as at the end of the reporting period are as follows:

	30 June 2021					Total
	Unrated	AAA	AA	A	Below A	
Debt securities (analysed by type of issuers):						
Governments and central banks	3,636,203	2,236,220	8,887	16,704	13,073	5,911,087
Policy banks	716,204	25,813	1,975	12,354	603	756,949
Banks and other financial institutions	503,184	372,933	14,905	84,794	60,514	1,036,330
Corporate entities	187,861	363,196	3,498	62,588	51,277	668,420
	5,043,452	2,998,162	29,265	176,440	125,467	8,372,786

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	31 December 2020					Total
	Unrated	AAA	AA	A	Below A	
Debt securities (analysed by type of issuers):						
Governments and central banks	1,826,872	3,878,911	13,444	23,941	26,272	5,769,440
Policy banks	710,867	–	1,703	11,822	1,233	725,625
Banks and other financial institutions	333,991	372,867	23,110	95,765	72,925	898,658
Corporate entities	141,253	369,783	5,317	81,893	62,224	660,470
	3,012,983	4,621,561	43,574	213,421	162,654	8,054,193

(iii) Analysis on the credit quality of financial instruments

The Group's credit risk stages of financial instruments are as follows:

	30 June 2021							
	Gross carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and balances with central banks	3,652,276	–	–	3,652,276	–	–	–	–
Due from banks and other financial institutions	1,019,461	–	40	1,019,501	(992)	–	(40)	(1,032)
Reverse repurchase agreements	867,178	–	–	867,178	(289)	–	–	(289)
Loans and advances to customers	19,083,014	318,022	307,172	19,708,208	(290,629)	(72,966)	(226,506)	(590,101)
Financial investments	6,533,183	7,618	158	6,540,959	(3,652)	(2,637)	(119)	(6,408)
Precious metal leasing and lending	169,149	861	23	170,033	(415)	(107)	(21)	(543)
Total	31,324,261	326,501	307,393	31,958,155	(295,977)	(75,710)	(226,686)	(598,373)

Note: As the simplified approach is applied to other financial assets measured at amortised cost, the three-stage model is not applicable.

	30 June 2021							
	Carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at FVTOCI								
Loans and advances to customers	329,676	–	659	330,335	(198)	–	(650)	(848)
Financial investments	1,517,337	328	53	1,517,718	(2,850)	(22)	(246)	(3,118)
Total	1,847,013	328	712	1,848,053	(3,048)	(22)	(896)	(3,966)
Credit commitments	2,847,088	12,874	365	2,860,327	(26,701)	(2,167)	(163)	(29,031)

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	31 December 2020							
	Gross carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and balances with central banks	3,537,795	-	-	3,537,795	-	-	-	-
Due from banks and other financial institutions	1,073,777	9,347	-	1,083,124	(1,214)	(13)	-	(1,227)
Reverse repurchase agreements	584,793	-	-	584,793	(117)	-	-	(117)
Loans and advances to customers	17,580,020	375,083	293,319	18,248,422	(223,703)	(89,151)	(217,446)	(530,300)
Financial investments	6,262,762	7,819	160	6,270,741	(2,234)	(2,718)	(121)	(5,073)
Precious metal leasing and lending	177,581	951	161	178,693	(479)	(120)	(104)	(703)
Total	29,216,728	393,200	293,640	29,903,568	(227,747)	(92,002)	(217,671)	(537,420)

Note: As the simplified approach is applied to other financial assets measured at amortised cost, the three-stage model is not applicable.

	31 December 2020							
	Carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at FVTOCI								
Loans and advances to customers	413,633	-	659	414,292	(211)	-	(650)	(861)
Financial investments	1,458,639	326	53	1,459,018	(2,206)	(22)	(240)	(2,468)
Total	1,872,272	326	712	1,873,310	(2,417)	(22)	(890)	(3,329)
Credit commitments	2,682,556	24,509	4,389	2,711,454	(22,021)	(2,957)	(1,732)	(26,710)

(b) Liquidity risk

Liquidity risk is the risk that capital will not be sufficient or funds will not be raised at a reasonable cost in a timely manner to meet the need of asset growth or repayment of debts due, although the Group remains solvent. This may arise from amount or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims at:

- Optimising the structure of assets and liabilities;
- Maintaining the stability of the deposit base;
- Projecting cash flows and evaluating the level of current assets; and
- In terms of liquidity of the branches, maintaining an efficient internal fund transfer mechanism.

(i) Maturity analysis of assets and liabilities

The tables below summarise the maturity profile of the Group's assets and liabilities. The Group's expected remaining maturity of its 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.

	30 June 2021							Total
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	Over five years	Undated (***)	
Assets:								
Cash and balances with central banks	970,260	3,415	3,446	5,400	2,637	–	2,667,118	3,652,276
Due from banks and other financial institutions (*)	279,159	1,133,932	252,625	294,012	73,204	263	–	2,033,195
Derivative financial assets	469	23,444	32,170	34,627	13,655	6,737	–	111,102
Loans and advances to customers	28,435	1,014,089	737,768	3,232,151	3,212,777	11,117,258	109,813	19,452,291
Financial investments								
— Financial investments measured at FVTPL	82,071	96,882	52,734	191,284	43,274	147,171	88,556	701,972
— Financial investments measured at FVTOCI	34	58,674	139,515	296,023	687,960	335,512	91,409	1,609,127
— Financial investments measured at amortised cost	–	136,917	158,193	529,963	2,915,919	2,793,340	219	6,534,551
Investments in associates and joint ventures	–	–	–	–	–	–	43,015	43,015
Property and equipment	–	–	–	–	–	–	283,447	283,447
Other	162,740	90,469	64,852	164,211	87,537	51,845	93,654	715,308
Total assets	1,523,168	2,557,822	1,441,303	4,747,671	7,036,963	14,452,126	3,377,231	35,136,284
Liabilities:								
Due to central banks	53	22,723	1,120	16,562	2,210	–	–	42,668
Financial liabilities designated as at FVTPL	66,369	1,453	139	1,731	14,086	4,605	–	88,383
Derivative financial liabilities	266	15,608	23,278	26,898	14,068	7,387	–	87,505
Due to banks and other financial institutions (**)	2,349,938	395,373	170,868	278,666	57,361	24,801	–	3,277,007
Certificates of deposit	–	63,946	106,963	125,614	8,994	–	–	305,517
Due to customers	14,104,087	1,491,299	2,468,533	4,123,898	4,305,797	108,719	–	26,602,333
Debt securities issued	–	10,894	20,158	99,766	197,199	453,654	–	781,671
Other	137,109	184,060	93,290	293,876	134,519	61,539	–	904,393
Total liabilities	16,657,822	2,185,356	2,884,349	4,967,011	4,734,234	660,705	–	32,089,477
Net liquidity gap	(15,134,654)	372,466	(1,443,046)	(219,340)	2,302,729	13,791,421	3,377,231	3,046,807

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(***) Undated loans and advances to customers and financial investments are impaired or not impaired but overdue for more than one month.

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	31 December 2020							Total
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	Over five years	Undated (***)	
Assets:								
Cash and balances with central banks	910,499	2,101	3,238	20,301	–	–	2,601,656	3,537,795
Due from banks and other financial institutions (*)	227,610	866,392	339,155	345,966	36,773	5,289	–	1,821,185
Derivative financial assets	1,139	20,613	25,841	59,392	16,793	10,377	–	134,155
Loans and advances to customers	36,494	943,639	743,562	2,603,777	3,038,875	10,659,555	110,426	18,136,328
Financial investments								
— Financial investments measured at FVTPL	10,868	21,033	27,728	244,359	79,888	240,195	160,412	784,483
— Financial investments measured at FVTOCI	–	77,937	102,340	269,234	683,550	325,957	81,970	1,540,988
— Financial investments measured at amortised cost	–	108,859	199,800	642,382	2,751,810	2,560,607	2,210	6,265,668
Investments in associates and joint ventures	–	–	–	–	–	–	41,206	41,206
Property and equipment	–	–	–	–	–	–	286,279	286,279
Other	324,947	179,867	138,401	28,909	18,471	39,108	67,268	796,971
Total assets	1,511,557	2,220,441	1,580,065	4,214,320	6,626,160	13,841,088	3,351,427	33,345,058
Liabilities:								
Due to central banks	51	–	555	52,373	1,995	–	–	54,974
Financial liabilities designated as at FVTPL	60,714	1,669	5,268	1,212	14,535	4,540	–	87,938
Derivative financial liabilities	1,738	21,579	32,207	58,840	15,722	10,887	–	140,973
Due to banks and other financial institutions (**)	2,130,667	390,573	202,816	272,281	54,030	27,326	–	3,077,693
Certificates of deposit	–	59,478	111,560	154,694	9,944	–	–	335,676
Due to customers	13,499,762	1,233,220	1,336,721	3,849,682	5,194,433	20,908	–	25,134,726
Debt securities issued	–	10,717	19,554	90,158	258,867	418,831	–	798,127
Other	128,581	167,625	81,164	298,621	95,489	33,956	–	805,436
Total liabilities	15,821,513	1,884,861	1,789,845	4,777,861	5,645,015	516,448	–	30,435,543
Net liquidity gap	(14,309,956)	335,580	(209,780)	(563,541)	981,145	13,324,640	3,351,427	2,909,515

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(***) Undated loans and advances to customers and financial investments are impaired or not impaired but overdue for more than one month.

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(ii) Maturity analysis of contractual undiscounted cash flows

The tables below summarise the maturity profile of the Group's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the consolidated statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group's expected cash flows on these 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.

	30 June 2021							Total
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	Over five years	Undated (***)	
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	970,260	3,415	3,446	5,539	2,704	–	2,667,118	3,652,482
Due from banks and other financial institutions (*)	279,159	1,135,288	253,692	300,688	76,428	298	–	2,045,553
Loans and advances to customers (**)	34,759	1,131,672	907,936	3,909,696	6,099,156	18,535,355	511,815	31,130,389
Financial investments								
— Financial investments measured at FVTPL	82,456	96,925	54,431	198,155	71,864	171,287	89,257	764,375
— Financial investments measured at FVTOCI	34	59,774	142,118	333,721	782,377	394,953	91,409	1,804,386
— Financial investments measured at amortised cost	–	156,012	194,234	682,012	3,659,388	3,368,158	3,029	8,062,833
Other	255,861	77,011	60,982	145,871	6,036	686	31	546,478
	1,622,529	2,660,097	1,616,839	5,575,682	10,697,953	22,470,737	3,362,659	48,006,496

(*) Includes reverse repurchase agreements.

(**) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(***) Undated loans and advances to customers and financial investments are impaired or not impaired but overdue for more than one month.

	30 June 2021							Total
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	Over five years	Undated	
Non-derivative cash flows:								
Financial liabilities:								
Due to central banks	59	22,739	1,120	16,692	2,210	–	–	42,820
Financial liabilities designated as at FVTPL	66,369	1,455	139	1,732	14,087	4,606	–	88,388
Due to banks and other financial institutions (*)	2,349,938	395,554	171,370	281,301	60,434	29,868	–	3,288,465
Certificates of deposit	–	63,958	107,172	126,582	9,260	–	–	306,972
Due to customers	14,104,099	1,492,109	2,473,856	4,167,171	4,658,160	130,858	–	27,026,253
Debt securities issued	–	10,896	20,229	100,008	198,302	454,353	–	783,788
Other	158,076	45,731	9,612	120,124	24,444	15,310	–	373,297
	16,678,541	2,032,442	2,783,498	4,813,610	4,966,897	634,995	–	31,909,983
Derivative cash flows:								
Derivative financial instruments settled on net basis	–	5,902	6,535	(3,156)	(3,354)	(5)	–	5,922
Derivative financial instruments settled on gross basis								
Including: Cash inflow	60,160	1,155,473	543,668	854,792	163,263	29,589	–	2,806,945
Cash outflow	(56,769)	(1,129,681)	(532,251)	(849,799)	(167,225)	(29,012)	–	(2,764,737)
	3,391	25,792	11,417	4,993	(3,962)	577	–	42,208

(*) Includes repurchase agreements.

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	31 December 2020							Total
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	Over five years	Undated (***)	
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	910,499	2,101	6,750	20,301	–	–	2,601,656	3,541,307
Due from banks and other financial institutions (*)	227,824	867,500	341,302	352,359	40,478	298,328	–	2,127,791
Loans and advances to customers (**)	41,245	1,041,610	983,897	3,570,003	6,424,534	17,121,574	527,557	29,710,420
Financial investments								
— Financial investments measured at FVTPL	10,953	21,431	28,274	227,824	115,710	271,393	150,441	826,026
— Financial investments measured at FVTOCI	–	82,953	104,163	290,770	765,296	386,509	75,956	1,705,647
— Financial investments measured at amortised cost	–	109,760	207,927	761,694	3,331,990	3,136,236	3,150	7,550,757
Other	595,580	27,405	19,349	8,449	9,248	88	791	660,910
	1,786,101	2,152,760	1,691,662	5,231,400	10,687,256	21,214,128	3,359,551	46,122,858

(*) Includes reverse repurchase agreements.

(**) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(***) Undated loans and advances to customers and financial investments are impaired or not impaired but overdue for more than one month.

	31 December 2020							Total
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	Over five years	Undated	
Non-derivative cash flows:								
Financial liabilities:								
Due to central banks	52	–	526	52,403	1,987	–	–	54,968
Financial liabilities designated as at FVTPL	61,159	1,671	5,278	1,212	14,658	4,540	–	88,518
Due to banks and other financial institutions (*)	2,167,704	391,443	203,992	276,707	58,071	32,352	–	3,130,269
Certificates of deposit	–	59,707	113,008	154,446	10,474	–	–	337,635
Due to customers	13,506,194	1,233,820	1,376,867	3,957,547	5,401,402	21,395	–	25,497,225
Debt securities issued	–	11,012	23,469	112,222	353,643	495,458	–	995,804
Other	498,427	9,467	5,647	14,894	62,143	28,620	–	619,198
	16,233,536	1,707,120	1,728,787	4,569,431	5,902,378	582,365	–	30,723,617
Derivative cash flows:								
Derivative financial instruments settled on net basis	–	2,743	(1,860)	6,822	(581)	(47)	–	7,077
Derivative financial instruments settled on gross basis								
Including: Cash inflow	97,545	980,305	655,210	1,119,090	189,256	26,883	–	3,068,289
Cash outflow	(95,502)	(873,719)	(494,113)	(846,380)	(179,399)	(25,437)	–	(2,514,550)
	2,043	106,586	161,097	272,710	9,857	1,446	–	553,739

(*) Includes repurchase agreements.

(iii) Analysis of credit commitments by contractual expiry date

Management does not expect all of the commitments to be drawn down before the expiry of the commitments.

	30 June 2021						Total
	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	Over five years	
Credit commitments	1,248,993	106,931	199,986	493,791	429,225	381,401	2,860,327

	31 December 2020						Total
	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	Over five years	
Credit commitments	1,179,024	113,370	214,884	528,653	361,217	314,306	2,711,454

(c) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. The analysis of the interest rate risk in the banking book is disclosed in note 44(d).

The Group's currency risk mainly results from the risk arising from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign exchange assets and liabilities, and off-balance sheet foreign exchange positions arising from derivative transactions.

The Group considers the market risk arising from stock prices fluctuations in respect of its investment portfolios as immaterial.

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group. The Bank monitors market risk separately in respect of trading and other non-trading portfolios. The Value-at-risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolios. The following sections include a VaR analysis by risk type of the Group's trading portfolios and a sensitivity analysis based on the Group's currency risk exposure and interest rate risk exposure (both trading and non-trading portfolios).

(i) VaR

VaR analysis is a statistical technique which estimates the potential maximum losses that could occur on risk positions taken due to movements in interest rates, foreign exchange rates or prices over a specified time horizon and at a specified level of confidence. The Bank adopts a historical simulation model to calculate and monitor trading portfolio VaR with 250 days' historical market data (with a 99% confidence level, and one-day holding period) on a daily basis.

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A summary of VaRs by risk type of trading portfolios is as follows:

	Six months ended 30 June 2021			
	30 June 2021	Average	Maximum	Minimum
Interest rate risk	78	109	153	70
Currency risk	197	237	288	163
Commodity risk	40	55	105	32
Total portfolio VaR	215	267	347	164

	Six months ended 30 June 2020			
	30 June 2020	Average	Maximum	Minimum
Interest rate risk	60	45	71	29
Currency risk	147	101	152	62
Commodity risk	40	31	87	14
Total portfolio VaR	178	114	210	73

VaR for each risk factor is the derived largest potential loss due to fluctuations solely in that risk factor. As there is a diversification effect due to the correlation amongst the risk factors, the individual VaRs do not add up to the total portfolio VaR.

Although VaR is an important tool for measuring market risk under normal market environment, the assumptions on which the model is based do give rise to some limitations, mainly including the following:

- (1) VaR does not reflect liquidity risk. In the VaR model, a one-day holding period assumes that it is possible to hedge or dispose of positions within that period without restriction, the price of the financial instruments will fluctuate in the specified range, and the correlation between these market prices will remain unchanged. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;
- (2) Even though positions may change throughout the day, VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level; and
- (3) VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, especially those of an exceptional nature due to significant market moves.

(ii) Currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD, and other currencies to a lesser extent. The exchange rate of RMB to USD is managed under a floating exchange rate system. The HKD exchange rate has been pegged to the USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD. Transactions in foreign currencies mainly arise from the Group's treasury operations, foreign exchange dealings and overseas investments.

The Group manages its currency risk through various methods, including limit management and risk hedging to hedge currency risk, and performs currency risk sensitivity analysis and stress testing regularly.

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The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on and off the balance sheet on its monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before taxation and equity. A negative amount in the table reflects a potential net reduction in profit before taxation or equity, while a positive amount reflects a potential net increase. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the end of the reporting period are kept unchanged and, therefore, have not incorporated actions that would be taken by the Group to mitigate the adverse impact of this currency risk.

Currency	Change in currency rate	Effect on profit before taxation		Effect on equity	
		30 June 2021	31 December 2020	30 June 2021	31 December 2020
USD	-1%	(173)	(155)	(445)	(402)
HKD	-1%	366	306	(1,319)	(1,552)

While the table above indicates the effect on profit before taxation and equity of a 1% depreciation of USD and HKD, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

A breakdown of the assets and liabilities analysed by currency is as follows:

	30 June 2021				
	RMB	USD (in RMB equivalent)	HKD (in RMB equivalent)	Other (in RMB equivalent)	Total (in RMB equivalent)
Assets:					
Cash and balances with central banks	3,289,368	174,982	63,202	124,724	3,652,276
Due from banks and other financial institutions (*)	1,289,777	603,211	26,697	113,510	2,033,195
Derivative financial assets	54,363	39,328	7,455	9,956	111,102
Loans and advances to customers	17,931,077	856,288	343,889	321,037	19,452,291
Financial investments					
— Financial investments measured at FVTPL	648,357	43,553	6,000	4,062	701,972
— Financial investments measured at FVTOCI	1,051,553	408,803	37,697	111,074	1,609,127
— Financial investments measured at amortised cost	6,370,177	68,109	5,349	90,916	6,534,551
Investments in associates and joint ventures	15,318	987	154	26,556	43,015
Property and equipment	144,705	135,938	685	2,119	283,447
Other	428,434	38,566	7,432	240,876	715,308
Total assets	31,223,129	2,369,765	498,560	1,044,830	35,136,284
Liabilities:					
Due to central banks	38,544	323	—	3,801	42,668
Financial liabilities designated as at FVTPL	4,071	7,570	—	76,742	88,383
Derivative financial liabilities	32,253	37,704	7,562	9,986	87,505
Due to banks and other financial institutions (**)	2,304,153	729,266	47,431	196,157	3,277,007
Certificates of deposit	24,003	192,408	26,486	62,620	305,517
Due to customers	24,853,648	1,011,087	426,686	310,912	26,602,333
Debt securities issued	518,023	223,587	4,753	35,308	781,671
Other	736,802	124,498	24,806	18,287	904,393
Total liabilities	28,511,497	2,326,443	537,724	713,813	32,089,477
Net long/(short) position	2,711,632	43,322	(39,164)	331,017	3,046,807
Credit commitments	2,230,478	412,158	57,725	159,966	2,860,327

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

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	31 December 2020				
	RMB	USD (in RMB equivalent)	HKD (in RMB equivalent)	Other (in RMB equivalent)	Total (in RMB equivalent)
Assets:					
Cash and balances with central banks	3,258,416	143,125	21,381	114,873	3,537,795
Due from banks and other financial institutions (*)	1,083,840	591,437	23,981	121,927	1,821,185
Derivative financial assets	77,834	31,640	10,693	13,988	134,155
Loans and advances to customers	16,643,324	822,891	337,456	332,657	18,136,328
Financial investments					
— Financial investments measured at FVTPL	736,199	30,251	5,377	12,656	784,483
— Financial investments measured at FVTOCI	1,089,386	311,551	29,136	110,915	1,540,988
— Financial investments measured at amortised cost	6,078,227	107,089	10,743	69,609	6,265,668
Investments in associates and joint ventures	14,354	1,019	169	25,664	41,206
Property and equipment	147,506	136,037	713	2,023	286,279
Other	381,037	157,713	6,613	251,608	796,971
Total assets	29,510,123	2,332,753	446,262	1,055,920	33,345,058
Liabilities:					
Due to central banks	50,796	523	—	3,655	54,974
Financial liabilities designated as at FVTPL	13,183	6,207	179	68,369	87,938
Derivative financial liabilities	84,174	32,326	10,787	13,686	140,973
Due to banks and other financial institutions (**)	2,182,407	686,933	32,959	175,394	3,077,693
Certificates of deposit	39,224	178,537	23,957	93,958	335,676
Due to customers	23,571,992	883,119	377,699	301,916	25,134,726
Debt securities issued	478,569	272,067	4,744	42,747	798,127
Other	583,037	196,560	11,170	14,669	805,436
Total liabilities	27,003,382	2,256,272	461,495	714,394	30,435,543
Net long/(short) position	2,506,741	76,481	(15,233)	341,526	2,909,515
Credit commitments	2,001,018	464,057	70,784	175,595	2,711,454

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(d) Interest rate risk in the banking book

Interest rate risk in the banking book is defined as the risk of loss in the overall gain and the economic value of the banking book arising from adverse movements in interest rate and term structure, etc. This type of risk may occur in the following situations:

- The repricing period of different financial instruments is different when the interest rate changes;
- Despite the similarities in maturity periods, changes in the benchmark interest rate vary among on and off balance sheet business with different pricing benchmark interest rate;
- The Bank or the counterparty can elect to change the level or the maturity of future cash flows of financial instruments when the Bank holds equity derivative or when there are embedded option terms or implied options in the on- and off-banking book businesses; and
- Due to changes in expected default levels or market liquidity, the market's assessment of the credit quality of financial instruments changes, leading to changes in credit spreads.

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The Group manages the interest rate risk of banking book through the Asset and Liability Management Department, and the following methods have been adopted:

- Interest rate prediction: analysing the macroeconomic factors that may impact the PBOC benchmark interest rates and market interest rates;
- Duration management: optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities;
- Pricing management: managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities and the benchmark interest rates or market interest rates;
- Limit management: optimising the positions of interest-generating assets and interest-bearing liabilities and controlling the impact on profit or loss and equity; and
- Derivative trading: using interest rate derivatives for hedging management in a timely manner.

The Group manages the interest rate risk mainly by monitoring the sensitivity of projected net interest income under various interest rate scenarios (simulation modeling). The Group aims to mitigate the impact of prospective interest rate movements which might reduce future net interest income, while balancing the cost of such hedging on the current revenue.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's net interest income and equity.

The effect of the net interest income is the effect of the assumed changes in interest rates on the net interest income, arising from the financial assets and financial liabilities held at the end of the period that are subject to repricing within the coming year, including the effect of hedging instruments. The effect of equity is the effect of the assumed changes in interest rates on other comprehensive income, calculated by revaluing fixed rate financial assets measured at FVTOCI held at the end of the period, including the effect of any associated hedges.

Currency	30 June 2021			
	Increased by 100 basis points		Decreased by 100 basis points	
	Effect on	Effect on	Effect on	Effect on
	net interest income	equity	net interest income	equity
RMB	(37,398)	(31,182)	37,398	34,099
USD	(5,674)	(6,582)	5,674	6,940
HKD	(604)	(103)	604	104
Other	791	(1,877)	(791)	1,930
Total	(42,885)	(39,744)	42,885	43,073

Currency	31 December 2020			
	Increased by 100 basis points		Decreased by 100 basis points	
	Effect on	Effect on	Effect on	Effect on
	net interest income	equity	net interest income	equity
RMB	(27,286)	(31,709)	27,286	34,753
USD	(169)	(7,340)	169	7,345
HKD	(1,734)	(68)	1,734	68
Other	(30)	(1,766)	30	1,769
Total	(29,219)	(40,883)	29,219	43,935

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The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the expected movements in net interest income and equity based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of all maturities move by the same degree and, therefore, do not reflect the potential impact on net interest income and equity in the case where some rates change while others remain unchanged.

The tables below summarise the contractual repricing or maturity dates, whichever is earlier, of the Group's assets and liabilities.

	30 June 2021					Total
	Less than three months	Three months to one year	One to five years	Over five years	Non-interest bearing	
Assets:						
Cash and balances with central banks	3,265,813	–	–	–	386,463	3,652,276
Due from banks and other financial institutions (*)	1,642,506	292,222	70,883	263	27,321	2,033,195
Derivative financial assets	–	–	–	–	111,102	111,102
Loans and advances to customers	6,368,595	12,310,484	386,991	341,946	44,275	19,452,291
Financial investments						
— Financial investments measured at FVTPL	139,995	140,014	29,796	140,097	252,070	701,972
— Financial investments measured at FVTOCI	249,649	304,713	634,901	328,455	91,409	1,609,127
— Financial investments measured at amortised cost	413,454	550,985	2,843,725	2,726,387	–	6,534,551
Investments in associates and joint ventures	–	–	–	–	43,015	43,015
Property and equipment	–	–	–	–	283,447	283,447
Other	–	–	–	–	715,308	715,308
Total assets	12,080,012	13,598,418	3,966,296	3,537,148	1,954,410	35,136,284
Liabilities:						
Due to central banks	23,897	16,560	–	–	2,211	42,668
Financial liabilities						
designated as at FVTPL	1,135	3,111	8,693	–	75,444	88,383
Derivative financial liabilities	–	–	–	–	87,505	87,505
Due to banks and other financial institutions (**)	2,901,815	268,501	21,394	3,994	81,303	3,277,007
Certificates of deposit	173,805	125,614	6,098	–	–	305,517
Due to customers	17,391,006	4,120,852	4,304,086	108,284	678,105	26,602,333
Debt securities issued	146,337	59,063	127,271	449,000	–	781,671
Other	2,177	6,450	15,562	4,749	875,455	904,393
Total liabilities	20,640,172	4,600,151	4,483,104	566,027	1,800,023	32,089,477
Interest rate mismatch	(8,560,160)	8,998,267	(516,808)	2,971,121	N/A	N/A

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

The data set out in the above tables includes trading book's data.

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	31 December 2020					Total
	Less than three months	Three months to one year	One to five years	Over five years	Non- interest- bearing	
Assets:						
Cash and balances with central banks	3,190,119	–	–	–	347,676	3,537,795
Due from banks and other financial institutions (*)	1,405,431	345,048	35,806	5,289	29,611	1,821,185
Derivative financial assets	–	–	–	–	134,155	134,155
Loans and advances to customers	6,912,607	10,463,879	406,172	336,693	16,977	18,136,328
Financial investments						
— Financial investments measured at FVTPL	117,682	130,810	71,188	147,550	317,253	784,483
— Financial investments measured at FVTOCI	272,625	258,282	614,011	314,100	81,970	1,540,988
— Financial investments measured at amortised cost	384,141	638,819	2,688,862	2,553,846	–	6,265,668
Investments in associates and joint ventures	–	–	–	–	41,206	41,206
Property and equipment	–	–	–	–	286,279	286,279
Other	3,121	70	–	–	793,780	796,971
Total assets	12,285,726	11,836,908	3,816,039	3,357,478	2,048,907	33,345,058
Liabilities:						
Due to central banks	574	52,373	1,992	–	35	54,974
Financial liabilities						
designated as at FVTPL	4,972	63	11,618	14	71,271	87,938
Derivative financial liabilities	–	–	–	–	140,973	140,973
Due to banks and other financial institutions (**)	2,715,947	268,836	52,264	27,239	13,407	3,077,693
Certificates of deposit	174,300	154,366	7,010	–	–	335,676
Due to customers	15,597,045	3,808,680	5,137,289	20,242	571,470	25,134,726
Debt securities issued	169,119	60,501	149,678	418,829	–	798,127
Other	2,625	5,987	16,703	6,426	773,695	805,436
Total liabilities	18,664,582	4,350,806	5,376,554	472,750	1,570,851	30,435,543
Interest rate mismatch	(6,378,856)	7,486,102	(1,560,515)	2,884,728	N/A	N/A

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

The data set out in the above tables includes trading book's data.

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(e) Capital management

The Group has set the following capital management objectives:

- Maintain sound capital adequacy to meet regulatory requirements on capital, keep stable capital base to ensure the Group's business growth and the implementation of business development and strategic plans in order to achieve diverse, balanced, and sustainable development;
- Adopt the advanced capital measurement approaches, improve the internal capital adequacy assessment process (ICAAP), publicly disclose information on capital management, covering all material risks, and ensure stable operations of the Group;
- Integrate the Group's quantitative assessments of material risks into day-to-day risk management, establish a bank-wide value management mechanism with a core of economic capital, improve the aligned policies, processes, and applications in business management, strengthen the capital constraints and capital incentives mechanism, enhance the product pricing and decision-making support, and improve the capital allocation efficiency; and
- Make effective use of various capital instruments, continuously enhance capital strengths, refine the capital structure, improve capital quality, reduce capital costs, and maximise shareholders' returns.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the risk profiles of its business operations. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policies, issue or repurchase own shares, qualified additional Tier 1 capital instruments, qualified Tier 2 capital instruments, and convertible bonds, etc.

The management monitors the capital adequacy ratios regularly based on regulations issued by the CBIRC. The required information is semi-annually and quarterly filed with the CBIRC by the Group and the Bank.

Since 1 January 2013, the Group commenced calculating the capital adequacy ratios in accordance with the Regulations Governing Capital Management of Commercial Banks (Provisional) and other relevant regulations. In April 2014, the CBIRC officially approved the Bank to adopt the advanced capital management approaches. Within the approved scope of risk exposures that meet the regulatory requirements, the Bank can adopt the foundation internal ratings-based (IRB) approach for its corporate credit risk exposures, the IRB approach for its retail credit risk exposures, the internal model approach (IMA) for its market risk exposures, and the standardised approach for its operational risk exposures.

For domestic systemically important banks, the minimum core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio should reach 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, corresponding minimum ratios should reach 7.50%, 8.50% and 10.50%, respectively. Where a domestic systemically important bank is identified as a global systemically important bank, the capital surcharge applied to the bank shall not be lower than that required by the Basel Committee on Banking Supervision. In addition, overseas entities are directly regulated by local banking regulators, and the required capital adequacy ratios differ by countries or regions.

The Group calculates the following core Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio in accordance with the Regulation Governing Capital Management of Commercial Banks (Provisional) and relevant requirements. The requirements pursuant to these regulations may have certain differences comparing to those applicable in Hong Kong SAR and other jurisdictions.

The capital adequacy ratios and related components of the Group are calculated based on the statutory financial statements of the Group prepared under the PRC GAAP. During the period, the Group has complied in full with all its externally imposed regulatory capital requirements.

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The capital adequacy ratios calculated after implementation of the advanced capital measurement approaches approved by the CBIRC are as follows:

	30 June 2021	31 December 2020
Core Tier 1 capital	2,735,240	2,669,055
Paid-in capital	356,407	356,407
Valid portion of capital reserve	148,534	148,534
Surplus reserve	322,933	322,692
General reserve	339,678	339,486
Retained profits	1,576,014	1,508,562
Valid portion of minority interests	4,028	3,552
Other	(12,354)	(10,178)
Core Tier 1 capital deductions	15,498	16,053
Goodwill	7,914	8,107
Other intangible assets other than land use rights	3,796	4,582
Cash flow hedge reserve that relates to the hedging of items that are not fair valued on the balance sheet	(4,192)	(4,616)
Investments in core Tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	7,980
Net core Tier 1 capital	2,719,742	2,653,002
Additional Tier 1 capital	289,899	219,790
Additional Tier 1 capital instruments and related premiums	289,135	219,143
Valid portion of minority interests	764	647
Net Tier 1 capital	3,009,641	2,872,792
Tier 2 capital	574,512	523,394
Valid portion of Tier 2 capital instruments and related premiums	361,131	351,568
Surplus provision for loan impairment	212,134	170,712
Valid portion of minority interests	1,247	1,114
Net capital base	3,584,153	3,396,186
Risk-weighted assets (i)	21,076,877	20,124,139
Core Tier 1 capital adequacy ratio	12.90%	13.18%
Tier 1 capital adequacy ratio	14.28%	14.28%
Capital adequacy ratio	17.01%	16.88%

(i) Refers to risk-weighted assets after the capital floor and adjustments.

45. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: valuation techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: valuation techniques which use inputs that have a significant effect on the recorded fair value are not based on observable market data.

The Group has established policies and internal controls with respect to the measurement of fair values, specifically the framework of fair value measurement of financial instrument, fair value measurement methodologies and procedures. Fair value measurement policies specify valuation techniques, parameter selection and relevant concepts, models and parameter solutions. Operating procedures specify measurement procedures, valuation date, market parameter selection and corresponding allocation of responsibilities. In the process of fair value measurement, front office is responsible for daily transactions management. Financial Accounting Department plays a lead role of developing accounting policies of fair value measurement, valuation methodologies and system implementation. Risk Management Department is responsible for verifying trade details and valuation models.

The following is a description of the fair value of financial instruments recorded at fair value which are determined using valuation techniques. They incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Financial investments

Valuation techniques are used for the valuation of financial investments including debt securities, asset-backed securities, equity instruments and fund investments. The Group values such securities by incorporating either only observable data or both observable and non-observable data. Observable inputs include assumptions regarding current interest rates; unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts.

A majority of the financial investments classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, foreign exchange forwards, swaps and options, etc. The most frequently applied valuation techniques include discounted cash flow model and Black-Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc.

Structured products are mainly valued using dealer's quotations.

Loans and advances to customers

The loans and advances to customers valued by the valuation technology are mainly the bill business and the discounted cash flow model is used. For the bank acceptance bill, based on the different credit risk of the acceptor, the interest rate curve is set up with the actual transaction data in the market as the sample; for the commercial bill, based on the interbank offered rate, the interest rate curve is constructed according to the credit risk and liquidity point difference adjustment.

Other liabilities designated as at fair value through profit or loss

For unquoted other liabilities designated as at FVTPL, the discounted cash flow model is used based on current yield curve appropriate for the remaining term to maturity adjusted for market liquidity and credit spreads; and Heston model is applied based on yield curves, foreign exchange forward rates, foreign exchange rate volatilities, etc., which is calibrated by active market quotes of standard European options with the same underlying.

(a) Financial instruments measured at fair value

The following tables show an analysis of financial instruments measured at fair value on a recurring basis by level of the fair value hierarchy:

	30 June 2021			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Derivative financial assets	7,479	102,358	1,265	111,102
Reverse repurchase agreements measured at FVTPL	–	147,837	–	147,837
Loans and advances to customers measured at FVTPL	–	3,536	313	3,849
Loans and advances to customers measured at FVTOCI	–	330,335	–	330,335
Financial investments measured at FVTPL				
Debt securities	30,792	430,256	2,891	463,939
Equity investments	17,080	3,514	67,810	88,404
Funds and other investments	22,999	96,800	29,830	149,629
	70,871	530,570	100,531	701,972
Financial investments measured at FVTOCI				
Debt securities	350,948	1,166,770	–	1,517,718
Equity investments	12,348	12,059	67,002	91,409
	363,296	1,178,829	67,002	1,609,127
	441,646	2,293,465	169,111	2,904,222
Financial liabilities:				
Due to customers	–	728,189	–	728,189
Financial liabilities designated as at FVTPL	229	87,527	627	88,383
Derivative financial liabilities	7,276	79,535	694	87,505
	7,505	895,251	1,321	904,077

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2021
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	31 December 2020			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Derivative financial assets	4,691	127,773	1,691	134,155
Reverse repurchase agreements measured at FVTPL	–	154,612	–	154,612
Loans and advances to customers measured at FVTPL	–	3,586	328	3,914
Loans and advances to customers measured at FVTOCI	–	414,292	–	414,292
Financial investments measured at FVTPL				
Debt securities	7,580	392,186	66,046	465,812
Equity investments	17,300	2,718	73,710	93,728
Funds and other investments	24,128	175,252	25,563	224,943
	49,008	570,156	165,319	784,483
Financial investments measured at FVTOCI				
Debt securities	349,978	1,108,576	464	1,459,018
Equity investments	8,504	14,250	59,216	81,970
	358,482	1,122,826	59,680	1,540,988
	412,181	2,393,245	227,018	3,032,444
Financial liabilities:				
Due to customers	–	693,173	–	693,173
Financial liabilities designated as at FVTPL	331	86,992	615	87,938
Derivative financial liabilities	5,846	133,531	1,596	140,973
	6,177	913,696	2,211	922,084

Notes to the Consolidated Financial Statements

For the six months ended 30 June 2021
(In RMB millions, unless otherwise stated)**(b) Movement in level 3 financial instruments measured at fair value**

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and financial liabilities which are measured at fair value and the movement during the reporting period:

	1 January 2021	Total gains/(losses) recorded in profit or loss	Total losses recorded in other comprehensive income	Additions	Disposals and settlements	Transfer in/(out) of level 3	30 June 2021
Financial assets:							
Derivative financial assets	1,691	47	-	23	(330)	(166)	1,265
Loans and advances to customers measured at FVTPL	328	(11)	-	-	(4)	-	313
Financial investments measured at FVTPL							
Debt securities	66,046	8	-	194	(58)	(63,299)	2,891
Equity investments	73,710	291	-	146	(5,703)	(634)	67,810
Funds and other investments	25,563	1,774	-	4,127	(1,634)	-	29,830
Financial investments measured at FVTOCI							
Debt securities	464	-	-	-	(464)	-	-
Equity investments	59,216	-	(690)	7,364	(1,018)	2,130	67,002
	227,018	2,109	(690)	11,854	(9,211)	(61,969)	169,111
Financial liabilities:							
Financial liabilities designated as at FVTPL	(615)	(12)	-	-	-	-	(627)
Derivative financial liabilities	(1,596)	(109)	-	(10)	111	910	(694)
	(2,211)	(121)	-	(10)	111	910	(1,321)

	1 January 2020	Total gains/(losses) recorded in profit or loss	Total losses recorded in other comprehensive income	Additions	Disposals and settlements	Transfer in/(out) of level 3	31 December 2020
Financial assets:							
Derivative financial assets	1,010	782	-	33	(345)	211	1,691
Loans and advances to customers measured at FVTPL	1,149	(61)	-	-	(760)	-	328
Financial investments measured at FVTPL							
Debt securities	52,913	1,679	-	13,909	(2,436)	(19)	66,046
Equity investments	64,172	1,319	-	12,604	(2,203)	(2,182)	73,710
Funds and other investments	55,444	(117)	-	6,575	(24,268)	(12,071)	25,563
Financial investments measured at FVTOCI							
Debt securities	47	-	-	464	(47)	-	464
Equity investments	44,895	-	(528)	18,298	(2,025)	(1,424)	59,216
	219,630	3,602	(528)	51,883	(32,084)	(15,485)	227,018
Financial liabilities:							
Financial liabilities designated as at FVTPL	(592)	(23)	-	-	-	-	(615)
Derivative financial liabilities	(1,052)	108	-	(2)	377	(1,027)	(1,596)
	(1,644)	85	-	(2)	377	(1,027)	(2,211)

Notes to the Consolidated Financial Statements

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

Net gains or losses on level 3 financial instruments for the period are set out below:

	Six months ended 30 June 2021		
	Realised	Unrealised	Total
Net gains for the period	222	1,766	1,988

	Six months ended 30 June 2020		
	Realised	Unrealised	Total
Net gains for the period	1,718	3,584	5,302

(c) Transfers between levels

(i) Transfers between level 1 and level 2

Due to changes in market conditions for certain securities, quoted prices in active markets were available for these securities. Therefore, these securities were transferred from level 2 to level 1 of the fair value hierarchy as at the end of the reporting period.

Due to changes in market conditions for certain securities, quoted prices in active markets were no longer available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities were transferred from level 1 to level 2 of the fair value hierarchy as at the end of the reporting period.

During the reporting period, the transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities of the Group were not significant.

(ii) Transfers between level 2 and level 3

At the end of the reporting period, certain financial instruments were transferred out from level 2 to level 3 of the fair value hierarchy for financial assets and liabilities when significant inputs used in their fair value measurements, which was previously observable became unobservable.

At the end of the reporting period, certain financial instruments were transferred out from level 3 to level 2 of the fair value hierarchy for financial assets and liabilities when significant inputs used in their fair value measurements, which was previously unobservable became observable.

(d) Valuation of financial instruments with significant unobservable inputs

Financial instruments valued with significant unobservable inputs are primarily certain structured derivatives, certain debt securities and asset-backed securities. These financial instruments are valued using discounted cash flow model. The models incorporate various non-observable assumptions such as discount rates and market rate volatilities.

As at 30 June 2021, the effects of changing the significant unobservable assumptions to reasonably possible alternative assumptions were not significant.

(e) Fair value of financial assets and financial liabilities not carried at fair value

No significant difference between the carrying amount and the fair value of the financial assets and financial liabilities not measured at fair value, except for the following items:

	30 June 2021				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost	6,534,551	6,602,690	158,942	6,235,719	208,029
Financial liabilities					
Subordinated bonds and Tier 2 Capital Bonds	461,766	469,789	–	469,789	–

	31 December 2020				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost	6,265,668	6,299,526	88,094	6,072,770	138,662
Financial liabilities					
Subordinated bonds and Tier 2 Capital Bonds	430,064	432,954	–	432,954	–

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain financial assets and financial liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these financial assets and financial liabilities:

- (i) The fair values of financial investments measured at amortised cost relating to the restructuring of the Bank are estimated on the basis of the stated interest rates and the consideration of the relevant special clauses of the instruments evaluated in the absence of any other relevant observable market data, and the fair values approximate to their carrying amounts. The fair values of financial investments measured at amortised cost irrelevant to the restructuring of the Bank are determined based on the available market values. If quoted market prices are not available, fair values are estimated on the basis of pricing models or discounted cash flows.
- (ii) The fair values of subordinated bonds and Tier 2 capital bonds are determined with reference to the available market values. If quoted market prices are not available, fair values are estimated on the basis of pricing models or discounted cash flows.

All of the aforementioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's financial assets and financial liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

Notes to the Consolidated Financial Statements

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

46. EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period.

47. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current period's presentation.

48. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on 27 August 2021.

Supplementary Information To The Consolidated Financial Statements

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

(a) Statement of differences between the financial statements prepared under IFRSs and those prepared in accordance with PRC GAAP

There are no differences between the profit attributable to equity holders of the parent company under PRC GAAP and IFRSs for the six months ended 30 June 2021 and 2020. There are no differences between the equity attributable to equity holders of the parent company under PRC GAAP and IFRSs as at 30 June 2021 and 31 December 2020.

(b) Currency concentrations

	30 June 2021			
	USD	HKD	Other	Total
Spot assets	2,232,840	497,721	1,016,155	3,746,716
Spot liabilities	(2,310,398)	(537,724)	(712,823)	(3,560,945)
Forward purchases	2,365,980	244,089	387,027	2,997,096
Forward sales	(2,360,639)	(117,761)	(696,772)	(3,175,172)
Net option position	(18,392)	5,760	156	(12,476)
Net (short)/long position	(90,609)	92,085	(6,257)	(4,781)
Net structural position	120,880	839	27,685	149,404

	31 December 2020			
	USD	HKD	Other	Total
Spot assets	2,195,697	445,380	1,028,233	3,669,310
Spot liabilities	(2,240,038)	(461,495)	(713,341)	(3,414,874)
Forward purchases	2,856,506	327,221	457,654	3,641,381
Forward sales	(2,864,682)	(208,738)	(754,429)	(3,827,849)
Net option position	(14,060)	3,651	(1,597)	(12,006)
Net (short)/long position	(66,577)	106,019	16,520	55,962
Net structural position	120,822	882	26,634	148,338

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority. The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

- property and equipment, net of depreciation charges;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries, associates and joint ventures.

Supplementary Information To The Consolidated Financial Statements

For the six months ended 30 June 2021
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(c) Loans and advances to customers (excludes accrued interest)

(i) Overdue loans and advances to customers

	30 June 2021	31 December 2020
Gross loans and advances to customers of the Group which have been overdue with respect to either principal or interest for periods of:		
Between 3 and 6 months	35,767	32,328
Between 6 and 12 months	74,391	42,492
Over 12 months	91,948	93,724
	202,106	168,544
As a percentage of the total gross loans and advances to customers:		
Between 3 and 6 months	0.18%	0.17%
Between 6 and 12 months	0.37%	0.23%
Over 12 months	0.46%	0.50%
	1.01%	0.90%

The definition of overdue loans and advances to customers is set out as follows:

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amount of the loans and advances would be classified as overdue.

(ii) Overdue loans and advances to customers by geographical distribution

	30 June 2021	31 December 2020
Head Office	33,097	36,358
Bohai Rim	59,111	46,167
Western China	37,129	40,207
Central China	37,689	38,411
Pearl River Delta	27,898	28,398
Yangtze River Delta	39,816	41,772
Northeastern China	20,503	25,489
Overseas and other	11,536	10,705
	266,779	267,507

(iii) Rescheduled loans and advances to customers

	30 June 2021		31 December 2020	
		% of total loans and advances		% of total loans and advances
Rescheduled loans and advances	17,602	0.09%	11,960	0.06%
Less: Rescheduled loans and advances overdue for more than three months	(2,905)	(0.01%)	(2,055)	(0.01%)
Rescheduled loans and advances overdue for less than three months	14,697	0.08%	9,905	0.05%

(d) Exposures to non-bank entities in Chinese mainland

The Bank is a commercial bank incorporated in Chinese mainland with its banking business primarily conducted in Chinese mainland. As at 30 June 2021 and 31 December 2020, substantial amounts of the Bank's exposures arose from businesses with entities or individuals in Chinese mainland. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

(e) Correspondence between balance sheet in published financial statements and capital composition

The disclosure of correspondence between balance sheet in published financial statements and capital composition is based on the Notice on Issuing Regulatory Documents on Capital Regulation for Commercial Banks (Yin Jian Fa, No. 33, 2013) Appendix 2 Notice on Enhancing Disclosure Requirements for Composition of Capital.

(i) Capital composition

Item	30 June 2021	31 December 2020	Reference
Core Tier 1 capital:			
1 Paid-in capital	356,407	356,407	X18
2 Retained earnings	2,238,625	2,170,740	
2a Surplus reserve	322,933	322,692	X21
2b General reserve	339,678	339,486	X22
2c Retained profits	1,576,014	1,508,562	X23
3 Accumulated other comprehensive income (and other public reserve)	136,180	138,356	
3a Capital reserve	148,534	148,534	X19
3b Other	(12,354)	(10,178)	X24
4 Valid portion to core Tier 1 capital during the transition period (only applicable to non-joint stock companies. Fill in 0 for joint stock banks)	–	–	
5 Valid portion of minority interests	4,028	3,552	X25
6 Core Tier 1 capital before regulatory adjustments	2,735,240	2,669,055	
Core Tier 1 capital: Regulatory adjustments			
7 Prudential valuation adjustments	–	–	
8 Goodwill (net of deferred tax liabilities)	7,914	8,107	X16
9 Other intangible assets other than land use rights (net of deferred tax liabilities)	3,796	4,582	X14–X15
10 Deferred tax assets that rely on future profits excluding those arising from temporary differences (net of deferred tax liabilities)	–	–	
11 Cash flow hedge reserve that relates to the hedging of items that are not fair-valued on the balance sheet	(4,192)	(4,616)	X20
12 Shortfall of provision for loan impairment	–	–	
13 Gain on sales related to asset securitisation	–	–	
14 Unrealised gains and losses due to changes in own credit risks on fair-valued liabilities	–	–	
15 Defined-benefit pension fund net assets (net of deferred tax liabilities)	–	–	
16 Direct or indirect investments in own ordinary shares	–	–	
17 Reciprocal cross-holdings in core Tier 1 capital between banks, or between banks and other financial institutions	–	–	

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Item	30 June 2021	31 December 2020	Reference
18	–	–	
19	–	–	
20	N/A	N/A	
21	–	–	
22	–	–	
23	–	–	
24	N/A	N/A	
25	–	–	
26a	7,980	7,980	X11
26b	–	–	
26c	–	–	
27	–	–	
28	15,498	16,053	
29	2,719,742	2,653,002	
Additional Tier 1 capital:			
30	289,135	219,143	
31	289,135	219,143	X28+X32
32	–	–	
33	–	–	
34	764	647	X26
35	–	–	
36	289,899	219,790	
Additional Tier 1 capital: Regulatory adjustments			
37	–	–	

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

Item	30 June 2021	31 December 2020	Reference
38	–	–	
39	–	–	
40	–	–	
41a	–	–	
41b	–	–	
41c	–	–	
42	–	–	
43	–	–	
44	289,899	219,790	
45	3,009,641	2,872,792	
Tier 2 capital:			
46	361,131	351,568	X17
47	20,285	40,570	
48	1,247	1,114	X27
49	–	–	
50	212,134	170,712	X02+X04
51	574,512	523,394	
Tier 2 capital: Regulatory adjustments			
52	–	–	
53	–	–	
54	–	–	
55	–	–	X31
56a	–	–	
56b	–	–	

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Item	30 June 2021	31 December 2020	Reference
56c Other that should be deducted from Tier 2 capital	–	–	
57 Total regulatory adjustments to Tier 2 capital	–	–	
58 Tier 2 capital	574,512	523,394	
59 Total capital (Tier 1 capital + Tier 2 capital)	3,584,153	3,396,186	
60 Total risk-weighted assets	21,076,877	20,124,139	
Requirements for capital adequacy ratio and reserve capital			
61 Core Tier 1 capital adequacy ratio	12.90%	13.18%	
62 Tier 1 capital adequacy ratio	14.28%	14.28%	
63 Capital adequacy ratio	17.01%	16.88%	
64 Institution specific buffer requirements	4.0%	4.0%	
65 Including: Capital conservation buffer requirements	2.5%	2.5%	
66 Including: Countercyclical buffer requirements	–	–	
67 Including: G-SIB buffer requirements	1.5%	1.5%	
68 Percentage of core Tier 1 capital meeting buffers to risk-weighted assets	7.90%	8.18%	
Domestic minima for regulatory capital			
69 Core Tier 1 capital adequacy ratio	5.0%	5.0%	
70 Tier 1 capital adequacy ratio	6.0%	6.0%	
71 Capital adequacy ratio	8.0%	8.0%	
Amounts below the thresholds for deduction			
72 Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	143,876	138,247	X05+X07+X08+X09+X12+X29+X30
73 Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	30,217	32,452	X06+X10+X13
74 Mortgage servicing rights (net of deferred tax liabilities)	N/A	N/A	
75 Deferred tax assets arising from temporary differences (net of deferred tax liabilities)	72,711	65,719	
Valid caps of surplus provision for loan impairment in Tier 2 capital			
76 Provision for loan impairment under the weighted approach	23,751	23,204	X01
77 Valid cap of surplus provision for loan impairment in Tier 2 capital under the weighted approach	15,004	7,802	X02
78 Surplus provision for loan impairment under the internal ratings-based approach	566,350	507,096	X03
79 Valid cap of surplus provision for loan impairment in Tier 2 capital under the internal ratings-based approach	197,130	162,910	X04
Capital instruments subject to phase-out arrangements			
80 Valid cap to core Tier 1 capital instruments for the current period due to phase-out arrangements	–	–	
81 Excluded from core Tier 1 capital due to cap	–	–	
82 Valid cap to additional Tier 1 capital instruments for the current period due to phase-out arrangements	–	–	
83 Excluded from additional Tier 1 capital due to cap	–	–	
84 Valid cap to Tier 2 capital instruments for the current period due to phase-out arrangements	20,285	40,570	
85 Excluded from Tier 2 capital for the current period due to cap	87,748	67,463	

Supplementary Information To The Consolidated Financial Statements

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(ii) Consolidated financial statements

	30 June 2021 Consolidated balance sheet as in published financial statements*	30 June 2021 Balance sheet under regulatory scope of consolidation*	31 December 2020 Consolidated balance sheet as in published financial statements*	31 December 2020 Balance sheet under regulatory scope of consolidation*
Assets				
Cash and balances with central banks	3,652,276	3,652,276	3,537,795	3,537,795
Due from banks and other financial institutions	439,636	400,026	522,913	489,231
Precious metals	274,998	274,998	277,705	277,705
Placements with banks and other financial institutions	578,833	578,833	558,984	558,984
Derivative financial assets	111,102	111,102	134,155	134,155
Reverse repurchase agreements	1,014,726	1,014,174	739,288	738,958
Loans and advances to customers	19,452,291	19,450,672	18,136,328	18,134,777
Financial investments	8,845,650	8,669,720	8,591,139	8,429,328
— Financial investments measured at FVTPL	701,972	647,159	784,483	732,478
— Financial investments measured at FVOCI	1,609,127	1,557,602	1,540,988	1,498,008
— Financial investments measured at amortised cost	6,534,551	6,464,959	6,265,668	6,198,842
Long-term equity investments	43,015	50,995	41,206	49,186
Fixed assets	248,984	248,924	249,067	249,008
Construction in progress	32,487	32,475	35,173	35,166
Deferred income tax assets	74,926	74,926	67,713	67,713
Other assets	367,360	353,325	453,592	440,548
Total assets	35,136,284	34,912,446	33,345,058	33,142,554
Liabilities				
Due to central banks	42,668	42,668	54,974	54,974
Due to banks and other financial institutions	2,451,878	2,451,878	2,315,643	2,315,643
Placements from banks and other financial institutions	525,653	525,653	468,616	468,616
Financial liabilities measured at FVTPL	88,383	88,383	87,938	87,938
Derivative financial liabilities	87,505	87,505	140,973	140,973
Repurchase agreements	299,476	291,077	293,434	282,458
Certificates of deposit	305,517	305,517	335,676	335,676
Due to customers	26,602,333	26,602,333	25,134,726	25,134,726
Employee benefits payable	27,415	27,110	32,460	32,073
Taxes payable	77,463	77,437	105,380	105,356
Debt securities issued	781,671	781,671	798,127	798,127
Deferred income tax liabilities	2,999	2,214	2,881	1,994
Other liabilities	796,516	592,372	664,715	483,519
Total liabilities	32,089,477	31,875,818	30,435,543	30,242,073

(*) Prepared in accordance with PRC GAAP.

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	30 June 2021 Consolidated balance sheet as in published financial statements*	30 June 2021 Balance sheet under regulatory scope of consolidation*	31 December 2020 Consolidated balance sheet as in published financial statements*	31 December 2020 Balance sheet under regulatory scope of consolidation*
Equity				
Share capital	356,407	356,407	356,407	356,407
Other equity instruments	295,811	295,811	225,819	225,819
Capital reserve	148,534	148,534	148,534	148,534
Other comprehensive income	(12,349)	(12,354)	(10,428)	(10,178)
Surplus reserve	323,151	322,933	322,911	322,692
General reserve	339,894	339,678	339,701	339,486
Retained profits	1,578,442	1,576,014	1,510,558	1,508,562
Equity attributable to equity holders of the parent company	3,029,890	3,027,023	2,893,502	2,891,322
Minority interests	16,917	9,605	16,013	9,159
Total equity	3,046,807	3,036,628	2,909,515	2,900,481

(*) Prepared in accordance with PRC GAAP.

(iii) Description of related items

Item	30 June 2021 Balance sheet under regulatory scope of consolidation	Reference
Loans and advances to customers	19,450,672	
Total loans and advances to customers	20,040,773	
Less: Provision for loan impairment under the weighted approach	23,751	X01
Including: Valid cap of surplus provision for loan impairment in Tier 2 capital under the weighted approach	15,004	X02
Less: Provision for loan impairment under the internal ratings-based approach	566,350	X03
Including: Valid cap of surplus provision for loan impairment in Tier 2 capital under the internal ratings-based approach	197,130	X04
Financial investments		
Financial investments measured at FVTPL	647,159	
Including: Non-significant minority investments in core Tier 1 capital instruments issued by financial institutions that are not subject to consolidation	223	X05
Including: Significant minority investments in core Tier 1 capital instruments issued by financial institutions that are not subject to consolidation	4	X06
Including: Non-significant minority investments in additional Tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	X07
Including: Non-significant minority investments in Tier 2 capital instruments issued by financial institutions that are not subject to consolidation	128,079	X08

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Item	30 June 2021 Balance sheet under regulatory scope of consolidation	Reference
Financial investments measured at FVTOCI	1,557,602	
Including: Non-significant minority investments in core Tier 1 capital instruments issued by financial institutions that are not subject to consolidation	13,731	X09
Including: Significant minority investments in core Tier 1 capital instruments issued by financial institutions that are not subject to consolidation	2,131	X10
Including: Non-significant minority investments in Tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	X29
Financial investments measured at amortised cost	6,464,959	
Including: Non-significant minority investments in Tier 2 capital instruments issued by financial institutions that are not subject to consolidation	200	X30
Including: Significant minority investments in Tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	X31
Long-term equity investments	50,995	
Including: Investments in core Tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	X11
Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	1,643	X12
Including: Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	28,082	X13
Other asset	353,325	
Interest receivable	1,685	
Intangible assets	19,575	X14
Including: Land use rights	15,779	X15
Other receivables	253,686	
Goodwill	7,914	X16
Long-term deferred expenses	5,278	
Repossessed assets	5,143	
Other	60,044	
Debt securities issued	781,671	
Including: Valid portion of Tier 2 capital instruments and their premiums	361,131	X17
Share capital	356,407	X18
Other equity instruments	295,811	
Including: Preference shares	139,156	X28
Including: Perpetual bonds	149,979	X32
Capital reserve	148,534	X19
Other comprehensive income	(12,354)	X24
Reserve for changes in fair value of financial assets	23,341	
Reserve for cash flow hedging	(3,812)	
Including: Cash flow hedge reserve that relates to the hedging of items that are not fair-valued on the balance sheet	(4,192)	X20

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Item	30 June 2021 Balance sheet under regulatory scope of consolidation	Reference
Changes in share of other owners' equity of associates and joint ventures	(1,465)	
Foreign currency translation reserve	(31,522)	
Other	1,104	
Surplus reserve	322,933	X21
General reserve	339,678	X22
Retained profits	1,576,014	X23
Minority interests	9,605	
Including: Valid portion to core Tier 1 capital	4,028	X25
Including: Valid portion to additional Tier 1 capital	764	X26
Including: Valid portion to Tier 2 capital	1,247	X27

(iv) Main features of eligible capital instruments

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)
Issuer	The Bank	The Bank	The Bank	The Bank
Unique identifier	601398	1398	360011	360036
Governing law(s) of the instrument	Securities Law of the People's Republic of China/China	Securities and Futures Ordinance of Hong Kong /Hong Kong, China	Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Guidance of the State Council on Launch of Preference Shares Pilot, Provisional Administrative Measures on Preference Shares, Guidance on the Issuance of Preference Shares of Commercial Banks to Replenish Tier 1 Capital/China	Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Guidance of the State Council on Launch of Preference Shares Pilot, Provisional Administrative Measures on Preference Shares, Guidance on the Issuance of Preference Shares of Commercial Banks to Replenish Tier 1 Capital/China
Regulatory treatment				
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Core Tier 1 capital	Core Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Core Tier 1 capital	Core Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital

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Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)
Including: Eligible to the parent company/ group level	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group
Instrument type	Core Tier 1 capital instrument	Core Tier 1 capital instrument	Additional Tier 1 capital instrument	Additional Tier 1 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB336,554	RMB168,374	RMB44,947	RMB69,981
Par value of instrument (in millions)	RMB269,612	RMB86,795	RMB45,000	RMB70,000
Accounting treatment	Share capital, Capital reserve	Share capital, Capital reserve	Other equity	Other equity
Original date of issuance	19 October 2006	19 October 2006	18 November 2015	19 September 2019
Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual
Including: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date
Issuer call (subject to prior supervisory approval)	No	No	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	N/A	N/A	The First Redemption Date is 18 November 2020, in full or partial amount	The First Redemption Date is 24 September 2024, in full or partial amount
Including: Subsequent call dates, if applicable	N/A	N/A	Commences on the First Redemption Date (18 November 2020) and ends on the completion date of redemption or conversion of all the Domestic Preference Shares	Commences on the First Redemption Date (24 September 2024) and ends on the completion date of redemption or conversion of all the Domestic Preference Shares
Coupons/dividends				
Including: Fixed or floating dividend/coupon	Floating	Floating	Fixed to floating	Fixed to floating
Including: Coupon rate and any related index	N/A	N/A	4.5% (dividend rate) before 23 November 2020, 4.58% (dividend rate) from 23 November 2020 to 22 November 2025	4.2% (dividend rate) before 24 September 2024
Including: Existence of a dividend stopper	N/A	N/A	Yes	Yes
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Fully discretionary	Fully discretionary	Partially discretionary	Partially discretionary
Including: Redemption incentive mechanism	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	Yes	Yes

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Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)
Including: If convertible, conversion trigger(s)	N/A	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event
Including: If convertible, fully or partially	N/A	N/A	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs
Including: If convertible, conversion rate	N/A	N/A	The initial conversion price is equal to the average trading price of the A shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the A Shares of the Bank for the 20 trading days preceding 30 August 2018, the date of publication of the Board resolution in respect of the issuance plan
Including: If convertible, mandatory or optional conversion	N/A	N/A	Mandatory	Mandatory
Including: If convertible, specify instrument type convertible into	N/A	N/A	Core Tier 1 capital	Core Tier 1 capital
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	The Bank	The Bank
Write-down feature	No	No	No	No
Including: If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A
Including: If write-down, full or partial	N/A	N/A	N/A	N/A
Including: If write-down, permanent or temporary	N/A	N/A	N/A	N/A
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositors, general creditors, creditor of the subordinated debts, and preference shareholders	Subordinated to depositors, general creditors, creditor of the subordinated debts, and preference shareholders	Subordinated to deposits, general debts, subordinated debts, Tier 2 capital bonds and undated additional tier 1 capital bonds	Subordinated to deposits, general debts, subordinated debts, Tier 2 capital bonds and undated additional tier 1 capital bonds
Non-compliant transitioned features	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A

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Main features of regulatory capital instrument	Preference shares (Offshore)	Preference shares (Offshore)	Undated additional Tier 1 capital bonds (Domestic)	Undated additional Tier 1 capital bonds (Domestic)
Issuer	The Bank	The Bank	The Bank	The Bank
Unique identifier	4604	4620	1928018	2128021
Governing law(s) of the instrument	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in National Interbank Bond Market, as well as other applicable laws, regulations and normative documents/China	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in National Interbank Bond Market, as well as other applicable laws, regulations and normative documents/China
Regulatory treatment				
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital
Including: Eligible to the parent company/group level	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group
Instrument type	Additional Tier 1 capital instrument	Additional Tier 1 capital instrument	Additional Tier 1 capital instrument	Additional Tier 1 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB equivalent 4,542	RMB equivalent 19,687	RMB79,987	RMB69,992
Par value of instrument (in millions)	EUR600	USD2,900	RMB80,000	RMB70,000
Accounting treatment	Other equity	Other equity	Other equity	Other equity
Original date of issuance	10 December 2014	23 September 2020	26 July 2019	4 June 2021
Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual
Including: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date
Issuer call (subject to prior supervisory approval)	Yes	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	The First Redemption Date is 10 December 2021, in full or partial amount	The First Redemption Date is 23 September 2025, in full or partial amount	The First Redemption Date is 30 July 2024, in full or partial amount	The First Redemption Date is 8 June 2026, in full or partial amount

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Main features of regulatory capital instrument	Preference shares (Offshore)	Preference shares (Offshore)	Undated additional Tier 1 capital bonds (Domestic)	Undated additional Tier 1 capital bonds (Domestic)
Including: Subsequent call dates, if applicable	10 December in each year after the First Redemption Date	23 September in each year after the First Redemption Date	Redemption of present bonds in full or in part on each Interest Date since the First Redemption Date (30 July 2024). The Issuer has the right to redeem the present bonds in full rather than in part if the present bonds are no longer included in additional Tier 1 capital after they are issued due to unpredictable changes in regulatory rules	Redemption of present bonds in full or in part on each Interest Date since the First Redemption Date (8 June 2026). The Issuer has the right to redeem the present bonds in full rather than in part if the present bonds are no longer included in additional Tier 1 capital after they are issued due to unpredictable changes in regulatory rules
Coupons/dividends				
Including: Fixed or floating dividend/coupon	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating
Including: Coupon rate and any related index	6% (dividend rate) before 10 December 2021	3.58% (dividend rate) before 23 September 2025	4.45% (interest rate) before 30 July 2024	4.04% (interest rate) before 8 June 2026
Including: Existence of a dividend stopper	Yes	Yes	Yes	Yes
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary
Including: Redemption incentive mechanism	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Yes	Yes	No	No
Including: If convertible, conversion trigger(s)	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Non-Viability Trigger Event	N/A	N/A
Including: If convertible, fully or partially	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Non-Viability Trigger Event occurs	N/A	N/A

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Main features of regulatory capital instrument	Preference shares (Offshore)	Preference shares (Offshore)	Undated additional Tier 1 capital bonds (Domestic)	Undated additional Tier 1 capital bonds (Domestic)
Including: If convertible, conversion rate	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 30 August 2018, the date of publication of the Board resolution in respect of the issuance plan	N/A	N/A
Including: If convertible, mandatory or optional conversion	Mandatory	Mandatory	N/A	N/A
Including: If convertible, specify instrument type convertible into	Core Tier 1 capital	Core Tier 1 capital	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	The Bank	The Bank	N/A	N/A
Write-down feature	No	No	Yes	Yes
Including: If write-down, write-down trigger(s)	N/A	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Non-Viability Trigger Event
Including: If write-down, fully or partially	N/A	N/A	Fully or partially write-down when an Additional Tier 1 Capital Trigger Event occurs; fully write down when a Tier 2 Capital Trigger Event occurs	Fully or partially write-down when an Non-Viability Trigger Event occurs
Including: If write-down, permanent or temporary	N/A	N/A	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to deposits, general debts, subordinated debts, Tier 2 capital bonds and undated additional Tier 1 capital bonds	Subordinated to deposits, general debts, subordinated debts, Tier 2 capital bonds and undated additional Tier 1 capital bonds	Subordinated to deposits, general debts, subordinated debts and Tier 2 capital bonds	Subordinated to deposits, general debts, subordinated debts and Tier 2 capital bonds
Non-compliant transitioned features	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A

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Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	The Bank	The Bank	The Bank	The Bank
Unique identifier	Rule 144A ISIN: US455881AD47 Regulation S ISIN: USY39656AC06	1728021	1728022	1928006
Governing law(s) of the instrument	The Notes and the Fiscal Agency Agreement shall be governed by, and shall be construed in accordance with, New York law, except that the provisions of the Notes relating to subordination shall be governed by, and construed in accordance with, PRC law	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in National Interbank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in National Interbank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in National Interbank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment				
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Eligible to the parent company/group level	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB equivalent 12,846	RMB44,000	RMB44,000	RMB45,000
Par value of instrument (in millions)	USD2,000	RMB44,000	RMB44,000	RMB45,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	21 September 2015	6 November 2017	20 November 2017	21 March 2019
Perpetual or dated	Dated	Dated	Dated	Dated
Including: Original maturity date	21 September 2025	8 November 2027	22 November 2027	25 March 2029
Issuer call (subject to prior supervisory approval)	No	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	N/A	8 November 2022, in full amount	22 November 2022, in full amount	25 March 2024, in full amount
Including: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
Coupons/dividends				
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	4.875%	4.45%	4.45%	4.26%
Including: Existence of a dividend stopper	No	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative

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Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Convertible or non-convertible	No	No	No	No
Including: If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
Including: If write-down, fully or partially	Partially or fully write-down	Partially or fully write-down	Partially or fully write-down	Partially or fully write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A

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Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositors and general creditors, pari passu with other subordinated debts	Subordinated to depositors and general creditors, but senior to equity capital, other Tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other Tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositors and general creditors, but senior to equity capital, other Tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other Tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositors and general creditors, but senior to equity capital, other Tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other Tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned features	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	The Bank	The Bank	The Bank	The Bank
Unique identifier	1928007	1928011	1928012	2028041
Governing law(s) of the instrument	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in National Interbank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in National Interbank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in National Interbank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in National Interbank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment				
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital

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Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Eligible to the parent company/group level	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB10,000	RMB45,000	RMB10,000	RMB60,000
Par value of instrument (in millions)	RMB10,000	RMB45,000	RMB10,000	RMB60,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	21 March 2019	24 April 2019	24 April 2019	22 September 2020
Perpetual or dated	Dated	Dated	Dated	Dated
Including: Original maturity date	25 March 2034	26 April 2029	26 April 2034	24 September 2030
Issuer call (subject to prior supervisory approval)	Yes	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	25 March 2029, in full amount	26 April 2024, in full amount	26 April 2029, in full amount	24 September 2025, in full amount
Including: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
Coupons/dividends				
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	4.51%	4.40%	4.69%	4.20%
Including: Existence of a dividend stopper	No	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	No	No
Including: If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A

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Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Write-down feature	Yes	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
Including: If write-down, fully or partially	Partially or fully write-down	Partially or fully write-down	Partially or fully write-down	Partially or fully write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositors and general creditors, but senior to equity capital, other Tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other Tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositors and general creditors, but senior to equity capital, other Tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other Tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositors and general creditors, but senior to equity capital, other Tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other Tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositors and general creditors, but senior to equity capital, other Tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other Tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned features	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A

Supplementary Information To The Consolidated Financial Statements

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

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	The Bank	The Bank	The Bank
Unique identifier	2028049	2028050	2128002
Governing law(s) of the instrument	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in National Interbank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in National Interbank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in National Interbank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment			
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Eligible to the parent company/group level	Parent company/Group	Parent company/Group	Parent company/Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB30,000	RMB10,000	RMB30,000
Par value of instrument (in millions)	RMB30,000	RMB10,000	RMB30,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	12 November 2020	12 November 2020	19 January 2021
Perpetual or dated	Dated	Dated	Dated
Including: Original maturity date	16 November 2030	16 November 2035	21 January 2031
Issuer call (subject to prior supervisory approval)	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	16 November 2025, in full amount	16 November 2030, in full amount	21 January 2026, in full amount
Including: Subsequent call dates, if applicable	N/A	N/A	N/A
Coupons/dividends			
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	4.15%	4.45%	4.15%
Including: Existence of a dividend stopper	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative

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

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Convertible or non-convertible	No	No	No
Including: If convertible, conversion trigger(s)	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
Including: If write-down, fully or partially	Partially or fully write-down	Partially or fully write-down	Partially or fully write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositors and general creditors, but senior to equity capital, other Tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other Tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositors and general creditors, but senior to equity capital, other Tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other Tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositors and general creditors, but senior to equity capital, other Tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other Tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned features	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A

(f) Disclosure of Leverage Ratio

The following information is disclosed in accordance with the Administrative Measures for Leverage Ratio of Commercial Banks (Revised) (CBRC No. 1, 2015).

(1) Comparison of Regulatory Leverage Ratio Items and Accounting Items

S/N	Item	30 June 2021	31 December 2020
1	Total consolidated assets as per published financial statements	35,136,284	33,345,058
2	Consolidated adjustments for accounting purposes but outside the scope of regulatory consolidation	(223,838)	(202,504)
3	Adjustments for fiduciary assets	–	–
4	Adjustments for derivative financial instruments	59,908	85,324
5	Adjustment for securities financing transactions	38,045	29,188
6	Adjustment for off-balance sheet items	2,375,624	2,059,325
7	Other adjustments	(15,498)	(16,053)
8	Balance of adjusted on- and off-balance sheet assets	37,370,525	35,300,338

(2) Leverage Ratio, Net Tier 1 Capital, Balance of Adjusted On- and Off-balance Sheet Assets and Related Information

S/N	Item	30 June 2021	31 December 2020
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	34,046,575	32,598,277
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	(15,498)	(16,053)
3	Balance of adjusted on-balance sheet assets (excluding derivatives and SFTs)	34,031,077	32,582,224
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	110,836	146,069
5	Add-on amounts for PFE associated with all derivatives transactions	67,626	67,843
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–	–
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	–	–
8	Less: Exempted CCP leg of client-cleared trade exposures	(22,162)	(12,330)
9	Effective notional amount of written credit derivatives	37,281	42,669
10	Less: Adjusted effective notional deductions for written credit derivatives	(22,570)	(12,858)
11	Total derivative exposures	171,011	231,393
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	754,768	398,208
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	38,045	29,188
15	Agent transaction exposures	–	–
16	Total securities financing transaction exposures	792,813	427,396
17	Off-balance sheet exposure at gross notional amount	6,406,505	5,727,987
18	Less: Adjustments for conversion to credit equivalent amounts	(4,030,881)	(3,668,662)
19	Balance of adjusted off-balance sheet assets	2,375,624	2,059,325
20	Net Tier 1 capital	3,009,641	2,872,792
21	Balance of adjusted on- and off-balance sheet assets	37,370,525	35,300,338
22	Leverage ratio	8.05%	8.14%

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

(g) Quantitative Information Disclosure of Liquidity Coverage Ratio Using Advanced Capital Management Approaches

S/N	Item	Second-quarter 2021	
		Total unweighted value	Total weighted value
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)		5,580,325
Cash outflows			
2	Retail deposits and deposits from small business customers of which:	12,973,382	1,291,547
3	Stable deposits	88,116	3,020
4	Less stable deposits	12,885,266	1,288,527
5	Unsecured wholesale funding, of which:	14,353,382	4,693,820
6	Operational deposits (excluding those generated from correspondent banking activities)	8,697,869	2,114,995
7	Non-operational deposits (all counterparties)	5,577,990	2,501,302
8	Unsecured debt	77,523	77,523
9	Secured funding		9,043
10	Additional requirements, of which:	3,273,486	1,444,286
11	Outflows related to derivative exposures and other collateral requirements	1,292,394	1,292,394
12	Outflows related to loss of funding on debt products	–	–
13	Credit and liquidity facilities	1,981,092	151,892
14	Other contractual funding obligations	69,897	69,888
15	Other contingent funding obligations	5,237,414	118,659
16	Total cash outflows		7,627,243
Cash inflows			
17	Secured lending (including reverse repos and securities borrowing)	526,378	299,170
18	Inflows from fully performing exposures	1,597,392	1,126,981
19	Other cash inflows	1,291,993	1,288,697
20	Total cash inflows	3,415,763	2,714,848
			Total adjusted Value
21	Total HQLA		5,580,325
22	Total net cash outflows		4,912,395
23	Liquidity coverage ratio (%)		113.67%

Data of the above table are the simple arithmetic average of the 91 calendar days' figures of the recent quarter.

(h) Quantitative Information Disclosure of Net Stable Funding Ratio (NSFR) Using Advanced Capital Management Approaches

No.	Item	30 June 2021				Weighted value
		Unweighted value				
		No maturity	6 months to < 6 months	< 1 year	≥ 1 year	
Available stable funding (ASF) item						
1	Capital:	3,240,761	–	–	361,132	3,601,893
2	Regulatory capital	3,240,761	–	–	361,132	3,601,893
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers:	6,401,821	7,143,259	24,989	9,735	12,227,973
5	Stable deposits	38,812	51,111	13,584	6,825	105,157
6	Less stable deposits	6,363,009	7,092,148	11,405	2,910	12,122,816
7	Wholesale funding:	9,133,997	6,387,011	371,261	207,325	7,692,925
8	Operational deposits	8,801,760	639,451	38,835	4,681	4,744,704
9	Other wholesale funding	332,237	5,747,560	332,426	202,644	2,948,221
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	10,161	862,246	8,813	738,586	687,588
12	NSFR derivative liabilities	–	–	–	65,566	–
13	All other liabilities and equities not included in the above categories	10,161	862,246	8,813	673,020	687,588
14	Total ASF					24,210,379
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					911,360
16	Deposits held at other financial institutions for operational purposes	160,210	5,936	477	872	84,417
17	Loans and securities:	1,327	4,192,934	2,884,720	16,115,315	16,581,962
18	Loans to financial institutions secured by Level 1 HQLA	–	664,025	–	–	98,098
19	Loans to financial institutions secured by non-Level 1 HQLA and unsecured loans to financial institutions	–	1,039,754	354,359	176,412	509,606
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and PSEs, of which:	–	2,132,157	2,343,383	9,270,006	10,034,552
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	363,864	373,824	267,723	534,082
22	Residential mortgages, of which:	–	1,762	2,721	6,018,621	5,115,902
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	416	412	15,953	11,806
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	1,327	355,236	184,257	650,276	823,804
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	337,930	503,000	38,377	133,321	853,990
27	Physical traded commodities, including gold	46,346	–	–	–	39,394
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	–	–	–	35,455	30,137
29	NSFR derivative assets	–	–	–	88,903	23,338
30	NSFR derivative liabilities with additional variation margin posted	–	–	–	71,076*	14,215
31	All other assets not included in the above categories	291,584	503,000	38,377	8,963	746,906
32	Off-balance sheet items	–	–	–	7,651,503	234,760
33	Total RSF					18,666,489
34	Net Stable Funding Ratio (%)					129.70%

(*) The amount of derivative liabilities shall be filled in for this item, which is the amount of NSFR derivative liabilities without regard to maturity before deducting variation margin. It is excluded from the item 26 "Other assets".

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

		31 March 2021				
		Unweighted value				
No.	Item	No maturity	< 6 months	< 1 year	≥ 1 year	Weighted value
Available stable funding (ASF) item						
1	Capital:	3,157,865	–	–	361,317	3,519,182
2	Regulatory capital	3,157,865	–	–	361,317	3,519,182
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers:	6,440,190	6,897,688	30,118	9,570	12,046,357
5	Stable deposits	39,324	52,114	20,401	6,423	112,669
6	Less stable deposits	6,400,866	6,845,574	9,717	3,147	11,933,688
7	Wholesale funding:	8,595,514	6,506,637	331,445	281,642	7,546,276
8	Operational deposits	8,309,312	542,327	49,740	7,112	4,457,801
9	Other wholesale funding	286,202	5,964,310	281,705	274,530	3,088,475
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	10,314	996,551	21,735	498,561	441,123
12	NSFR derivative liabilities	–	–	–	78,620	–
13	All other liabilities and equities not included in the above categories	10,314	996,551	21,735	419,941	441,123
14	Total ASF					23,552,938
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					879,265
16	Deposits held at other financial institutions for operational purposes	181,720	5,256	1,296	1,871	96,229
17	Loans and securities:	2,037	4,121,632	2,695,655	15,789,119	16,234,834
18	Loans to financial institutions secured by Level 1 HQLA	–	631,624	–	–	93,374
19	Loans to financial institutions secured by non-Level 1 HQLA and unsecured loans to financial institutions	–	938,884	290,741	187,653	473,857
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and PSEs, of which:	–	2,204,700	2,252,269	8,917,126	9,735,903
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	385,412	357,950	275,674	542,396
22	Residential mortgages, of which:	–	2,009	2,565	5,872,455	4,991,776
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	649	423	15,861	11,920
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2,037	344,415	150,080	811,885	939,924
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	398,147	471,861	31,472	156,491	901,908
27	Physical traded commodities, including gold	55,026	–	–	–	46,772
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	–	–	–	36,730	31,221
29	NSFR derivative assets	–	–	–	111,144	32,524
30	NSFR derivative liabilities with additional variation margin posted	–	–	–	86,034*	17,207
31	All other assets not included in the above categories	343,121	471,861	31,472	8,617	774,184
32	Off-balance sheet items	–	–	–	7,623,164	243,268
33	Total RSF					18,355,504
34	Net Stable Funding Ratio (%)					128.32%

(*) The amount of derivative liabilities shall be filled for in this item, which is the amount of NSFR derivative liabilities without regard to maturity before deducting variation margin. It is excluded from the item 26 "Other assets".



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