中信银行
CHINA CITIC BANK
以信致远 融智无限

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

Stock Code: 0998

Strive to Be
the Provider of the Best Comprehensive Financial Services

2021
Interim Report

Important Notice

The Board of Directors, the Board of Supervisors, directors, supervisors and senior management members of the Bank guarantee that the information contained in the 2021 Interim Report does not include any false records, misleading statements or material omissions, and assume several and joint liabilities for its truthfulness, accuracy and completeness.

The meeting of the Board of Directors of the Bank adopted the full text and summary of the Bank's 2021 Interim Report on 25 August 2021. Ten of the ten eligible directors attended the meeting, with nine of them attending the meeting on site, and director Yan Lap Kei Isaac entrusting director Qian Jun to attend and vote on his behalf as proxy due to conflicting schedule. The supervisors and senior management members of the Bank attended the meeting as non-voting delegates.

In the first half of 2021, the Bank neither distributed any profit nor converted capital reserve to share capital.

The 2021 interim financial reports that the Bank prepared in accordance with the PRC Accounting Standards and the International Financial Reporting Standards (IFRS) were reviewed respectively by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with the review standards of the Chinese mainland and Hong Kong SAR respectively.

Mr. Zhu Hexin as the Chairman and non-executive director of the Bank, Mr. Fang Heying, as the Vice Chairman, executive director, President and Chief Financial Officer of the Bank, Mr. Guo Danghuai as an executive director and the Vice President in charge of finance and accounting work of the Bank and Mr. Xue Fengqing as the head of the Finance and Accounting Department of the Bank hereby declare and guarantee the truthfulness, accuracy and completeness of the financial report contained in the Bank's 2021 Interim Report.

Cautionary note on forward-looking statements: Forward-looking statements such as future plans and development strategies contained in this report do not constitute substantive commitments of the Bank to its investors. Investors and relevant persons are kindly reminded to maintain adequate risk awareness of such statements and understand the differences between plans, forecasts and commitments.

Material risk reminder: During the reporting period, the Bank was not aware of any material risk that would adversely affect its future development strategies and business targets. The Bank has detailed in this report the major risks that it was and may be exposed to in its operation and management and its countermeasures thereof. For relevant information thereof, please refer to related parts in "Risk Management" under Chapter 2 "Management Discussion and Analysis" of this report.

For the purpose of this report, numbers are expressed in Renminbi (RMB) unless otherwise specially stated. The report is compiled in both Chinese and English. Should there be any discrepancy between Chinese and English versions, the Chinese version shall prevail.

Contents

Mission and Vision

Vision

To become a responsible, unique and valuable provider of the best comprehensive financial services with a human touch

Mission

To create value for customers, seek happiness for employees, make profit for shareholders and perform responsibility for the society

Core values

Customer orientation, integrity, innovation, coordination and excellence

Brand motto

Building "trust" for long-term growth, incorporating smart services for boundless financing

Performance Overview

Operating performance:

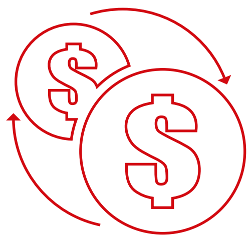
Operating income
105.656
billion RMB

Net profit
29.031
billion RMB

Non-interest income
31.574
billion RMB

Net profit growth
13.66%

Profitability:



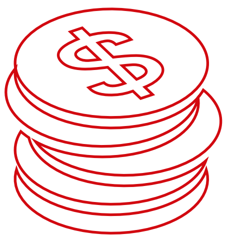
ROAA
0.78%

Cost-to-income ratio
23.02%

ROAE
12.26%

Net interest margin
2.09%

Asset quality:

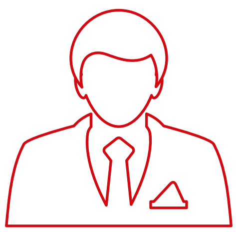


NPL ratio
1.50%

Allowance coverage ratio
189.37%

The ratio of allowance for impairment of loans to total loans
2.84%

Customer base:



Online monthly active users
26.8538 million

Corporate customers
871,800

Retail banking customers
115 million

Note: Indicators under operating performance, profitability and asset quality are date of the Group and indicators under customer base are date of the Bank.

Definitions

the reporting period	From 1 January 2021 to 30 June 2021
the Bank/the Company/China CITIC Bank/CITIC Bank/CNCB	China CITIC Bank Corporation Limited
the Group	China CITIC Bank Corporation Limited and its subsidiaries
Lin'an CITIC Rural Bank	Zhejiang Lin'an CITIC Rural Bank Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Xinhu Zhongbao	Xinhu Zhongbao Co., Ltd.
CITIC Wealth Management	CITIC Wealth Management Corporation Limited
CNCB Investment	CNCB (Hong Kong) Investment Co., Ltd. (formerly known as China Investment and Finance Limited)
former CBRC	former China Banking Regulatory Commission
China Tobacco	China National Tobacco Corporation
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
CITIC aiBank	CITIC aiBank Corporation Limited
CITIC Limited	CITIC Limited (formerly known as CITIC Pacific Limited prior to renaming in August 2014)
CIAM	CITIC International Assets Management Limited
CIFH	CITIC International Financial Holdings Limited
CITIC Financial Leasing	CITIC Financial Leasing Co., Ltd.
CITIC Group	CITIC Group Corporation Limited (formerly known as CITIC Group Corporation prior to renaming in December 2011)
CITIC Pacific	CITIC Pacific Limited
CNCBI	CITIC Bank International Limited (formerly known as CITIC Ka Wah Bank Limited)
CITIC Corporation Limited	CITIC Corporation Limited (formerly known as CITIC Limited prior to renaming in August 2014)

(Note: The definitions are arranged in the alphabetic order of Mandarin Pin Yin)

Chapter 1 Corporate Introduction

1.1 Corporate Information

Registered Name in Chinese	中信銀行股份有限公司 (abbreviated as "中信銀行")
Registered Name in English	CHINA CITIC BANK CORPORATION LIMITED (abbreviated as "CNCB")
Legal Representative[1]	Li Qingping
Authorized Representative	Fang Heying, Zhang Qing
Secretary to the Board of Directors	Zhang Qing
Joint Company Secretaries	Zhang Qing, Kam Mei Ha Wendy (FCS, FCIS)
Securities Representative of the Company	Wang Junwei
Registered and Office Address[2]	6-30/F and 32-42/F, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing
Postal Code of the Registered and Office Address	100020
Official Website	www.citicbank.com
Telephone Number/Fax Number for Investors	+86-10-66638188/+86-10-65559255
Customer Service and Complaint Telephone Number	95558
Email Address for Investors	ir@citicbank.com
Principal Place of Business in Hong Kong	Level 54 Hopewell Centre, 183 Queen's Road East, Hong Kong
Selected Media for Information Disclosure	*China Securities Journal, Shanghai Securities News, Securities Times*
Websites for Information Disclosure	Website of Shanghai Stock Exchange to publish A-share interim report: www.sse.com.cn Website designated by the SEHK to publish H-share interim report: www.hkexnews.hk
Place Where Interim Reports are Kept	Office of the Board of Directors of CITIC Bank, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing
Legal Adviser as to PRC Laws	East & Concord Partners
Legal Adviser as to Hong Kong Laws	Clifford Chance LLP
Domestic Auditor	PricewaterhouseCoopers Zhong Tian LLP 11/F, PricewaterhouseCoopers Center, No.2 Corporate Avenue, No. 202 Hubin Road, Huangpu District, Shanghai (Postal code: 200021) Domestic Signing CPAs: Zhu Yu and Li Yan
Overseas Auditor	PricewaterhouseCoopers 22/F, Prince's Building, Central, Hong Kong Overseas Signing CPA: Leung Wai Kin
Sponsor 1 for Continuous Supervision and Guidance	CITIC Securities Co., Ltd.
Office Address	23/F, CITIC Securities Mansion, No. 48 Liangmaqiaolu, Chaoyang District, Beijing
Signing Sponsor Representatives	Ma Xiaolong and Cheng Yue

[1] According to the relevant provisions of the Bank's *Articles of Association*, the chairman of the Bank shall be the legal representative of the Bank. Due to work arrangement, Ms. Li Qingping has resigned from the positions of the chairman of the Board of Directors, the executive director, and the chairman and member of the Strategic Development Committee of the Board of the Bank on 15 March 2021. And she authorized Vice Chairman, executive director and President of the Bank Mr. Fang Heying to perform the power and authority of legal representative of the Bank under the *PRC Company Law*, relevant laws and regulations as well as the Bank's *Articles of Association*. The authorization expires on the date when the Bank completes the registration of change of its legal representative with the market regulatory authority in accordance with law.

[2] The Bank's registered address was changed from "Building C, Fuhua Mansion, 8 Chaoyangmen Beidajie, Dongcheng District, Beijing" to "No. 9 Chaoyangmen Beidajie, Dongcheng District, Beijing" in 2015, and to "6-30/F and 32-42/F, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing" in 2020.

Duration of Continuous Supervision and Guidance	From 19 March 2019 to 31 December 2020 (Where the convertible bonds are not fully converted to shares upon expiry of the duration of continuous supervision and guidance, the duration shall be extended to the time of full conversion of the convertible bonds)
Sponsor 2 for Continuous Supervision and Guidance	China International Capital Corporation Limited (CICC)
Office Address	27-28/F, China World Office 2, No. 1 Jianguomen Waidajie, Beijing
Signing Sponsor Representatives	Xu Jia and Shi Fang
Duration of Continuous Supervision and Guidance	From 19 March 2019 to 31 December 2020 (Where the convertible bonds are not fully converted to shares upon expiry of the duration of continuous supervision and guidance, the duration shall be extended to the time of full conversion of the convertible bonds)
A-share Registrar	China Securities Depository and Clearing Corporation Limited Shanghai Branch 3/F, China Insurance Building, No. 166 East Lujiazui Road, Pudong New Area, Shanghai
H-share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Listing Venue, Stock Name and Stock Code

A-share	Ordinary shares	Shanghai Stock Exchange	CNCB	601998
	Preference shares	Shanghai Stock Exchange	CITIC Excellent 1	360025
	Convertible corporate bonds	Shanghai Stock Exchange	CITIC Convertible Bonds	113021
H-share	Ordinary shares	The Stock Exchange of Hong Kong Limited	CITIC Bank	0998

1.2 Contact Persons and Contact Details

	Secretary to the Board of Directors	**Securities Representative of the Company**
Name	Zhang Qing	Wang Junwei
Address	Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing	Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing
Telephone	+86-10-66638188	+86-10-66638188
Fax	+86-10-65559255	+86-10-65559255
Email Address	ir@citicbank.com	ir@citicbank.com

1.3 Financial Highlights

1.3.1 Operating Performance

Unit: RMB million

Item	**Six months ended 30 June 2021**	Six months ended 30 June 2020	Growth rate (%)	Six months ended 30 June 2019
Operating income	**105,656**	102,200	3.38	93,192
Profit before tax	**34,923**	30,746	13.59	34,442
Net profit attributable to the equity holders of the Bank	**29,031**	25,541	13.66	28,307
Net cash flow from/(used in) operating activities	**(188,288)**	66,853	(381.64)	8,547
Per share				
Basic earnings per share (RMB)	**0.59**	0.52	13.46	0.58
Diluted earnings per share (RMB)	**0.54**	0.48	12.50	0.55
Net cash flows from/(used in) operating activities per share (RMB)	**(3.85)**	1.37	(381.02)	0.17

1.3.2 Profitability Indicators

Item	**Six months ended 30 June 2021**	Six months ended 30 June 2020[7]	Increase/(decrease) in percentage point	Six months ended 30 June 2019[7]
Return on average assets (ROAA)[1]	**0.78%**	0.76%	0.02	0.93%
Return on average equity (ROAE, excluding non-controlling interest)[2]	**12.26%**	11.44%	0.82	13.86%
Cost-to-income ratio (excluding tax and surcharges)[3]	**23.02%**	22.18%	0.84	25.51%
Credit cost[4]	**1.40%**	1.87%	(0.47)	1.81%
Net interest spread[5]	**2.03%**	2.19%	(0.16)	2.35%
Net interest margin[6]	**2.09%**	2.27%	(0.18)	2.44%

Notes: (1) Return on average assets (ROAA) = net profit/the average of the balances of total assets at the beginning and end of the period.

(2) Return on average equity (ROAE) = net profit attributable to the ordinary shareholders of the Bank/the average of total beginning and ending equity attributable to the ordinary shareholders of the Bank.

(3) Cost-to-income ratio = (operating expenses – tax and surcharges)/operating income.

(4) Credit cost = current-year accruals of allowance for impairment losses on loans and advances to customers/average balance of loans and advances to customers.

(5) Net interest spread = average yield on total interest-earning assets – average cost rate of total interest-bearing liabilities.

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

(7) According to the *Notice on Strictly Implementing the Accounting Standards for Business Enterprises and Strengthening the 2020 Annual Report Related Work of Enterprises* (Finance and Accounting [2021] No,2) jointly issued by the MOF (Ministry of Finance), the State-owned Assets Supervision and Administration Commission of the State Council, the CBIRC and the CSRC, the Group reclassified the installment income of credit card-based consumption from fee income to interest income as of 2020, and financial indicators related to interest income and non-interest income during the comparable periods were restated.

1.3.3 Scale Indicators

Unit: RMB million

Item	30 June 2021	31 December 2020	Growth rate (%)	31 December 2019
Total assets	**7,816,329**	7,511,161	4.06	6,750,433
Total loans and advances to customers[(1)]	**4,708,621**	4,473,307	5.26	3,997,987
– Corporate loans	**2,329,112**	2,170,400	7.31	1,955,519
– Discounted bills	**405,403**	411,007	(1.36)	311,654
– Personal loans	**1,974,106**	1,891,900	4.35	1,730,814
Total liabilities	**7,199,923**	6,951,123	3.58	6,217,909
Total deposits from customers[(1)]	**4,665,631**	4,528,399	3.03	4,038,820
– Corporate demand deposits[(2)]	**1,909,179**	1,915,266	(0.32)	1,674,923
– Corporate time and call deposits	**1,787,800**	1,674,846	6.74	1,485,727
– Personal demand deposits	**352,348**	327,110	7.72	275,526
– Personal time and call deposits	**616,304**	611,177	0.84	602,644
Deposits from banks and non-bank financial institutions	**1,095,523**	1,163,641	(5.85)	951,122
Placements from banks and non-bank financial institutions	**67,801**	57,756	17.39	92,539
Total equity attributable to the equity holders of the Bank	**600,706**	544,573	10.31	517,311
Total equity attributable to the ordinary shareholders of the Bank	**485,761**	469,625	3.44	442,363
Net asset per share attributable to the ordinary shareholders of the Bank (RMB)	**9.93**	9.60	3.44	9.04

Notes: (1) As per the *Notice on Amending and Issuing the Formats of Financial Statements for Financial Enterprises for 2018* (Finance and Accounting [2018] No.36) issued by the Ministry of Finance, the interest of a financial instrument accrued according to the effective interest method should be included in the book balance of the corresponding financial instrument and reflected in relevant items of the balance sheet. The Group has prepared the financial statements according to requirements in the above notice since 2018. For the convenience of analysis, "total loans and advances to customers" and "total deposits from customers" do not include relevant interest.

(2) Corporate demand deposits includes demand deposits from corporate customers and outward remittance and remittance payables of corporate customers.

1.3.4 Asset Quality Indicators

Item	30 June 2021	31 December 2020	Increase/ (decrease) in percentage point	31 December 2019
NPL ratio[(1)]	**1.50%**	1.64%	(0.14)	1.65%
Allowance coverage ratio[(2)]	**189.37%**	171.68%	17.69	175.25%
Allowance for loan impairment losses to total loans[(3)]	**2.84%**	2.82%	0.02	2.90%

Note: (1) NPL ratio = balance of non-performing loans/total loans and advances to customers.

(2) Allowance coverage ratio = balance of allowance for impairment losses on loans and advances to customers (excluding allowance for impairment losses on accrued interest)/balance of NPLs.

(3) The ratio of allowance for loan impairment losses to total loans = balance of allowance for impairment losses on loans and advances to customers (excluding allowance for impairment losses on accrued interest)/total loans and advances to customers.

1.3.5 Other Main Regulatory Indicators

Item(Note)	Regulatory value	**30 June 2021**	31 December 2020	Increase/ (decrease) in percentage point	31 December 2019
Capital adequacy profile					
Core tier-one capital adequacy ratio	≥7.50%	**8.63%**	8.74%	(0.11)	8.69%
Tier-one capital adequacy ratio	≥8.50%	**10.71%**	10.18%	0.53	10.20%
Capital adequacy ratio	≥10.50%	**13.53%**	13.01%	0.52	12.44%
Leverage profile					
Leverage ratio	≥4%	**6.69%**	6.40%	0.29	6.71%
Liquidity risk profile					
Liquidity coverage ratio	≥100%	**117.31%**	135.14%	(17.83)	149.27%
Liquidity ratio					
Including: Local and foreign currencies	≥25%	**56.48%**	57.97%	(1.49)	63.21%
Renminbi	≥25%	**56.55%**	58.04%	(1.49)	63.88%
Foreign currencies	≥25%	**63.13%**	71.56%	(8.43)	60.51%

Note: The figures in the table were calculated in accordance with the regulatory standards of the Chinese banking industry. Except for the liquidity coverage ratio which was data of the Bank, all other indicators were data of the Group.

1.3.6 Differences between IFRS and PRC Accounting Standards

There is no difference between the net assets attributable to the equity holders of the Bank on 30 June 2021 and the net profit attributable to the equity holders of the Bank for the reporting period of the Group calculated according to the PRC Accounting Standards and those calculated as per the International Financial Reporting Standards (IFRS).

Chapter 2 Management Discussion and Analysis

2.1 Main Business of the Company

The Bank aspires to become a responsible, unique and valuable provider of the best comprehensive financial services with a human touch. To attain this development vision, the Bank fully leverages the advantages of CITIC Group's comprehensive platform featuring "Finance + Real Economy", and at the same time holds firm to its business concept of "customer orientation, reform driven, science & technology and talent for growth, asset-light development, compliant operation and strengthening the Bank through talents". For corporate customers and institutional customers, the Bank offers integrated financial solutions in corporate banking business, international business, financial markets business, institutional banking business, investment banking business, transaction banking business and custody business. For individual customers, the Bank provides diversified financial products and services in retail banking, credit card, consumer finance, wealth management, private banking, going abroad finance and e-banking. As such, the Bank satisfies the needs of corporate, institutional and individual customers for comprehensive financial services on all fronts.

2.2 Core Competitiveness

Science-based and highly efficient corporate governance. The Bank made great headway in boosting the building of a modern enterprise with Chinese characteristics, and persisted to implement the Party leadership over state-owned enterprises as a significant political principle and the establishment of a modern enterprise system as the direction of the reform of state-owned enterprises. It has always adhered to market-oriented operation and constantly improved its corporate governance and business operation systems and mechanisms. The result was the formation of an organizational structure characterized by efficient management and professional division of duties. The Bank integrated Party leadership into its corporate governance and established a corporate governance framework featuring effective balance among the Board of Directors, the Board of Supervisors, the general meeting of shareholders, and the senior management which perform respective duties and responsibilities, and coordinate with each other. According to the principle of separating the front, middle and back offices, the Bank established a matrix management model with the Head Office departments as the lines and the branches and sub-branches as the arrays. The general meeting of shareholders, the Board of Directors, the Board of Supervisors and the senior management of the Bank functioned according to rules and performed duties effectively.

Significant edges in synergy. Giving full play to CITIC Group's unique advantages in "Finance + Real Economy", the Bank created a new synergy model, set up the brand image of "CITIC Synergy+" and released the potential and value of CITIC Synergy. Following the principle of "One CITIC, One Customer", the Bank mainly collaborated with financial participants and integrated industries into finance by upgrading its core business platform, and built a synergistic ecosystem to better serve enterprises. Leveraging integrated financial service resources with CITIC Group's full range of financial licenses, the Bank joined hands with the CITIC Group's financial subsidiaries, such as CITIC Securities, China Securities, CITIC Trust, China Asset Management (ChinaAMC), CITIC-Prudential Fund Management Company Ltd. and CITIC-Prudential Life Insurance Company Ltd., to provide comprehensive financial services with a human touch for personal customers through the forge of the unified "CITIC Wealth of Happiness" brand.

Vigorous explorations and innovations. As China's first commercial bank participating in financing at both domestic and international financial markets, the Bank is renowned at home and abroad for brushing numerous track records in the modern Chinese financial history. It has the genes of innovation and drives its development through innovation as well. The Bank has carried forward the CITIC style of exploration and innovation. It further boosted innovation in products and services, and gained unique competitive advantages in business such as investment banking, cross-border business, institutional banking, transaction banking, auto finance, going abroad finance, credit card, forex market making and custody of mutual funds.

Effective risk prevention and control. Aimed at building a risk management system in which risks can be put under control and development can be boosted, the Bank continuously improved its systems and mechanisms for risk management, and moved faster to implement the unified credit extension, the full-time approver system and the transformation of post-lending management. Moreover, the Bank quickened its pace in building the intelligent risk control system offering functions of risk view, industry and regional rating, customer risk profile and visualization of financial statements, and supporting intelligent approval and intelligent early warning, and made risk prevention and control more forward-looking and targeted.

All-around empowerment by financial technology. Adhering to enabling advancement through technology and driving development with innovation, the Bank empowered the development of all its businesses and strove to be a top technology-driven bank. It continued to increase its investment in technology, make its products and services more competitive, drive the transformation of business and operation models and create a data-driven business development model. It became the first medium- and large-sized bank in China to run the independently developed distributed core system, improving its comprehensive capabilities of empowering development through financial technology on all fronts. New technologies such as artificial intelligence and blockchain were innovatively applied in all business fields to drive the development of the Bank.

Characteristic and vivid brand culture. By recreating the cultural elements over the past more than three decades, the Bank fostered a distinctive corporate culture. It aspires to become a responsible, unique and valuable provider of the best comprehensive financial services with a human touch. Moreover, it adheres to the core values of customer orientation, integrity, innovation, collaboration and excellence, and assumes missions to create value for customers, seek happiness for employees, make profit for shareholders and perform responsibility for the society. In 2021, *The Banker* magazine of the United Kingdom rated the Bank 16th on its list of the “Top 500 Global Bank Brands”, and 24th on its list of the “Top 1,000 World Banks” in terms of tier-one capital.

Professional and brilliant talent team. Holding “people first”, the Bank deepened the human resource reform, and established a value-based and employee-centric talent management mechanism and a modern market-oriented human resource management system to serve the bank-wide strategic transformation. Through a reasonable competition-based manager appointment, the Bank expanded the channels of talent evaluation and selection, improved the assessment mechanism, continued to improve the performance evaluation system and reinforced incentive constraints, and built promotion channels for professionals and technicians so as to vigorously foster core and young talents. By doing so, the Bank has established a high-quality talent team.

2.3 Economic, Financial and Regulatory Environment

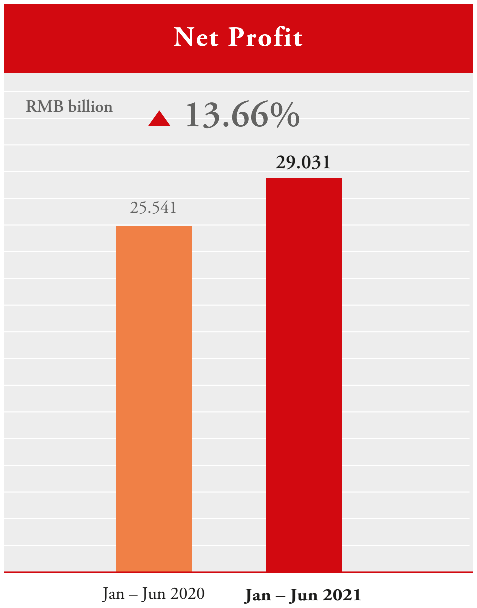
In the first half of 2021, in the face of a grave and complex international climate, and the formidable tasks of domestic reform, development and stabilization, China maintained strategic resolve and correctly judged the situation. With the increase in both the quantity and quality of supply and rising demand, China’s economic growth maintained a relatively fast level among major economies. As China’s economy is now transitioning to new development, and the country is speeding up efforts to foster a new development pattern featuring a strong domestic market and the positive interplay between domestic circulation and international circulation, China has an edge and precondition for further development. Nevertheless, it should also be noted that the domestic economy also faces several risks and challenges since the domestic and international environments are still grave and complex and the imbalance in the process of economic recovery is prominent. Especially, the world has witnessed the resurgences of the pandemic since the beginning of this year. The twists and turns concerning Covid-19 especially the Covid-19 Delta Variant has made it more difficult to prevent and control and also impeded domestic economic recovery. Besides, uncertainty is mounting with rising commodity prices and extreme weather.

On the one hand, commercial banks are still facing rising challenges. The world faces resurgence in Covid-19 cases after the emergence of the variant, public sector and the real economy see rising debts, and fiscal sustainability faces serious challenges. Capital market valuation is lack of support from fundamentals of the economy, and the after-effects of ultra-loose macro policies in major economies and the risks of monetary policy reorientation also require close attention. In the meantime, the mounting protectionism and unilateralism as well as the growing geopolitical tensions will deal a non-economic blow to the global industry chain and supply chain, posing daunting instability and uncertainty to economic recovery. China will make more efforts to forestall and defuse risks of hidden local government debts, continue to improve and standardize the real estate market discipline while potential risks in related fields may increase. The implementation of “peak carbon emissions and carbon neutrality” policies will have a profound impact on national energy mix and economic structure, and also exert a significant influence on the “entry and exit” pace of commercial banks in relevant industries. In the context of forestalling and defusing financial risks, the regulatory authorities pay close attention to key areas such as corporate governance, consumer rights protection, reputational risk and anti-money laundering, and maintain “stringent regulation and severe penalty”. Accordingly, financial institutions will continuously stick to their founding mission, intensify risk management and internal control, and pursue high-quality and sustainable development.

On the other hand, commercial banks are facing expanding opportunities. As 2021 is the start year of the 14th Five-Year Plan period, it is expected to maintain the continuity, consistency and sustainability of macro policies in the second half of this year and ensure necessary policy support for economy recovery to promote major economic indicators within an appropriate range. With increasing innovative growth drivers, the domestic economy will continue to recover steadily and enterprises' economic benefits will steadily increase. Moreover, financial innovation is enriched, injecting more new impetus into the development of financial market. Focusing on infrastructure, technological innovation, rural revitalization and "carbon neutrality", the innovative financing products and instruments have increased, and financing channels have been continuously expanded. Besides, the first public offering real estate investment trusts (REITs), innovative debt financing instruments and carbon emissions rights markets have been put in place one after another. Furthermore, the SSE STAR Market, Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Cross-boundary Wealth Management Connect have been advancing. The capital market is ushering in great development. What's more, standardizing and improving internet platforms and accelerating the use of digital currency have provided a broad space for structural adjustment, transformation and development of commercial banks.

2.4 Overview of the Bank's Operating Results

During the reporting period, in the face of the complex and changeable domestic and foreign situations, the Group resolutely implemented the decisions and plans of the CPC Central Committee and the State Council as well as regulatory requirements. Taking high-quality sustainable development as its main task, the Group spared no effort in advancing business transformation and efficiency improvement, and made steady progress in all businesses, thereby achieving sound operating results.



Operating income increased stably and profit structure further improved. During the reporting period, the Group realized RMB105.656 billion operating income, an increase of 3.38% year on year, with the growth rate up by 2.68 percentage points over the first quarter. Specifically, net interest income stood at RMB74.082 billion, up by 0.21% year on year, while net non-interest income stood at RMB31.574 billion, up by 11.66% year on year, accounting for 29.88% of operating income, a rise of 2.21 percentage points year on year. Due to the growth of operating income and improving asset quality, the Group realized RMB29.031 billion of net profit attributable to the shareholders of the Bank, up by 13.66% year on year, a sound level in recent years.

Asset quality kept improving with both the balance and ratio of non-performing loans (NPLs) decreased. As at the end of the reporting period, the Group's NPL balance recorded RMB70.682 billion, a decrease of RMB2.770 billion or 3.77% over the end of the previous year and a drop of RMB847 million over the end of the first quarter, corresponding to an NPL ratio of 1.50%, down by 0.14 percentage point from the end of the previous year and 0.04 percentage point from the end of the first quarter, which represents a further decline in both NPL balance and NPL ratio from the first quarter. The Group's allowance coverage ratio and the ratio of allowance for impairment of loans to total loans stood at 189.37% and 2.84%, a rise of 17.69 percentage points and 0.02 percentage point over the end of the previous year, respectively.

Business scale grew steadily, and the quality and efficiency of services for the real economy improved. As at the end of the reporting period, the Group recorded total assets of RMB7,816.329 billion, an increase of 4.06% over the end of the previous year; its total loans and advances to customers (excluding accrued interest) stood at RMB4,708.621 billion, a growth of 5.26% over the end of the previous year; and its total deposits from customers (excluding accrued interest) recorded RMB4,665.631 billion, marking a 3.03% increase from the end of last year. During the reporting period, the Group actively implemented national macroeconomic policies and increased credit support for key areas, and green credit and loans granted to strategic emerging industries, inclusive finance and agriculture-related industries showed a good growth momentum.

2.5 Analysis of the Financial Statements

2.5.1 Income Statement Analysis

During the reporting period, the Group realized RMB29.031 billion net profit attributable to the equity holders of the Bank, up by 13.66% year on year. The table below sets out the changes in the main items of the Group's income statement during the reporting period. According to the *Notice on Strictly Implementing the Accounting Standards for Business Enterprises and Strengthening the 2020 Annual Report Related Work of Enterprises* jointly issued by the MOF, the State-owned Assets Supervision and Administration Commission of the State Council, the CBIRC and the CSRC, the Group reclassified the installment income of credit card-based consumption from fee income to interest income as of 2020, and financial indicators related to interest income and non-interest income during the comparable periods were restated.

Unit: RMB million

Item	Six months ended 30 June 2021	Six months ended 30 June 2020	Increase/ (decrease)	Growth rate (%)
Operating income	**105,656**	102,200	3,456	3.38
– Net interest income	**74,082**	73,924	158	0.21
– Net non-interest income	**31,574**	28,276	3,298	11.66
Operating expenses	**(25,413)**	(23,675)	(1,738)	7.34
Credit and other asset impairment losses	**(45,370)**	(47,725)	2,355	(4.93)
Profit before tax	**34,923**	30,746	4,177	13.59
Income tax	**(5,443)**	(4,782)	(661)	13.82
Profit for the year	**29,480**	25,964	3,516	13.54
Including: Net profit attributable to the equity holders of the Bank	**29,031**	25,541	3,490	13.66

2.5.1.1 Operating Income

During the reporting period, the Group realized operating income of RMB105.656 billion, up by 3.38% year on year, of which net interest income accounted for 70.1%, down by 2.2 percentage points year on year; net non-interest income accounted for 29.9%, up by 2.2 percentage points over the prior year.

Unit: %

Item	Six months ended 30 June 2021	Six months ended 30 June 2020
Net interest income	**70.1**	72.3
Net non-interest income	**29.9**	27.7
Total	**100.0**	100.0

2.5.1.2 Net Interest Income

During the reporting period, the Group realized RMB74.082 billion of net interest income, an increase of RMB158 million or 0.21% year on year. The table below sets out the average balances and average interest rates of the Group's interest-earning assets and interest-bearing liabilities. Average balances of assets and liabilities are average daily balances.

Unit: RMB million

	Six months ended 30 June 2021			Six months ended 30 June 2020		
Item	**Average balance**	**Interest**	**Average yield/ cost rate (%)**	Average balance	Interest	Average yield/ cost rate (%)
Interest-earning assets						
Loans and advances to customers	**4,617,203**	**115,707**	**5.05**	4,123,304	111,865	5.46
Financial investments[1]	**1,729,170**	**29,753**	**3.47**	1,591,437	29,930	3.78
Deposits with central banks	**413,509**	**3,083**	**1.50**	412,712	3,030	1.48
Deposits and placements with, and loans to banks and non-bank financial institutions	**351,940**	**3,357**	**1.92**	367,737	4,009	2.19
Financial assets held under resale agreements	**49,347**	**467**	**1.91**	61,055	450	1.48
Subtotal	**7,161,169**	**152,367**	**4.29**	6,556,245	149,284	4.58
Interest-bearing liabilities						
Deposits from customers	**4,605,657**	**45,366**	**1.99**	4,264,315	46,006	2.17
Deposits and placements from banks and non-bank financial institutions	**1,245,407**	**15,521**	**2.51**	1,088,810	13,701	2.53
Debt securities issued	**819,011**	**12,850**	**3.16**	656,225	10,743	3.29
Borrowings from central banks	**229,785**	**3,426**	**3.01**	218,284	3,620	3.34
Financial assets sold under repurchase agreements	**81,422**	**896**	**2.22**	98,496	1,047	2.14
Others	**10,980**	**226**	**4.15**	11,284	243	4.33
Subtotal	**6,992,262**	**78,285**	**2.26**	6,337,414	75,360	2.39
Net interest income		**74,082**			73,924	
Net interest spread[2]			**2.03**			2.19
Net interest margin[3]			**2.09**			2.27

Notes: (1) Financial investments includes financial investments measured at amortized cost and financial investments measured at fair value through other comprehensive income.

(2) Net interest spread = average yield of total interest-earning assets – average cost rate of total interest-bearing liabilities.

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

The table below sets out the changes in the Group's net interest income resulting from changes in the scale and interest rate factors.

Unit: RMB million

	Comparison between the six months ended 30 June 2021 and that of 30 June 2020		
Item	**Scale factor**	**Interest rate factor**	**Total**
Assets			
Loans and advances to customers	**13,410**	**(9,568)**	**3,842**
Financial investments	**2,589**	**(2,766)**	**(177)**
Deposits with central banks	**6**	**47**	**53**
Deposits and placements with, and loans to banks and non-bank financial institutions	**(172)**	**(480)**	**(652)**
Financial assets held under resale agreements	**(86)**	**103**	**17**
Changes in interest income	**15,747**	**(12,664)**	**3,083**
Liabilities			
Deposits from customers	**3,683**	**(4,323)**	**(640)**
Deposits and placements from banks and non-bank financial institutions	**1,970**	**(150)**	**1,820**
Debt certificates issued	**2,663**	**(556)**	**2,107**
Borrowings from central banks	**191**	**(385)**	**(194)**
Financial assets sold under repurchase agreements	**(182)**	**31**	**(151)**
Others	**(7)**	**(10)**	**(17)**
Changes in interest expense	**8,318**	**(5,393)**	**2,925**
Changes in net interest income	**7,429**	**(7,271)**	**158**

Net Interest Margin and Net Interest Spread

Since 2020, the Group has actively responded to national policies and continuously made profit concessions to the real economy, resulting in a downward trend of loan interest rates. In the first half of 2021, relevant impact persisted, and the interest spread space of banks was further narrowed. During the reporting period, the Group's net interest margin and net interest spread registered 2.09% and 2.03%, respectively, representing a drop of 0.18 percentage point and 0.16 percentage point year on year. To cope with the downward pressure of net interest margin, the Group strengthened asset and liability management upon the principle of "balance between volume and price". On the one hand, the Group made great efforts to expand low-cost liability sources and reduce deposit cost. The deposit cost ratio was 1.99% in the first half of the year, a drop of 0.18 percentage point year on year and 0.11 percentage point over 2020. On the other hand, the Bank continued to strengthen the efforts to serve the real economy, moderately increased loan granting to offset lower interest rates, and actively guided the reasonable recovery of the pricing of newly granted loans. With its great efforts to improve the interest margin, the Bank saw its net interest margin gradually stabilized in the second quarter.

2.5.1.3 Interest Income

During the reporting period, the Group realized an interest income of RMB152.367 billion, an increase of RMB3.083 billion or 2.07% year on year, mainly due to the growth in the size of interest-earning assets. Interest income from loans and advances to customers was the main component of interest income.

Interest Income from Loans and Advances to Customers

During the reporting period, the Group recorded RMB115.707 billion interest income from loans and advances to customers, a growth of RMB3.842 billion or 3.43% year on year, primarily because the average balance of loans and advances to customers increased by RMB493.899 billion or 11.98% which offset the impact of a decline of 0.41 percentage point in the average yield. Specifically, the average balance of personal loans with high income increased by RMB210.086 billion year on year.

Classification by Maturity Structure

Unit: RMB million

	Six months ended 30 June 2021			Six months ended 30 June 2020		
Item	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Short-term loans	**1,540,979**	**40,655**	**5.32**	1,422,829	38,853	5.49
Medium to long-term loans	**3,076,224**	**75,052**	**4.92**	2,700,475	73,012	5.44
Total	**4,617,203**	**115,707**	**5.05**	4,123,304	111,865	5.46

Classification by Business

Unit: RMB million

	Six months ended 30 June 2021			Six months ended 30 June 2020		
Item	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Corporate loans	**2,302,874**	**52,769**	**4.62**	2,046,246	51,729	5.08
Discounted loans	**377,385**	**5,515**	**2.95**	350,200	4,947	2.84
Personal loans	**1,936,944**	**57,423**	**5.98**	1,726,858	55,189	6.43
Total	**4,617,203**	**115,707**	**5.05**	4,123,304	111,865	5.46

Interest Income from Financial Investments

During the reporting period, the Group's interest income from financial investments amounted to RMB29.753 billion, a decrease of RMB177 million or 0.59% year on year, mainly attributable to a fall of 0.31 percentage point in the average yield of financial investments which offset an increase of RMB137.733 billion in the average balance.

Interest Income from Deposits with Central Banks

During the reporting period, the Group's interest income from deposits with central banks stood at RMB3.083 billion, an increase of RMB53 million or 1.75% year on year, mainly due to an increase of RMB797 million in average balance as while as a growth of 0.02 percentage point in the average yield of deposits with central banks.

Interest Income from Deposits and Placements with, and Loans to Banks and Non-bank Financial Institutions

During the reporting period, the Group's interest income from deposits and placements with, and loans to banks and non-bank financial institutions was RMB3.357 billion, a decrease of RMB652 million or 16.26% year on year, mainly due to a decrease of 0.27 percentage point in the average yield of deposits and placements with, and loans to banks and non-bank financial institutions and a decrease of RMB15.797 billion in the average balance.

Interest Income from Financial Assets Held under Resale Agreements

During the reporting period, the Group recorded RMB467 million interest income from financial assets held under resale agreements, an increase of RMB17 million or 3.78% year on year, mainly attributable to an increase of 0.43 percentage point in the average yield of financial assets held under resale agreements which offset the impact of a decrease of RMB11.708 billion in the average balance.

2.5.1.4 Interest expense

During the reporting period, the Group's interest expense was RMB78.285 billion, an increase of RMB2.925 billion or 3.88% year on year. Interest expense increased primarily because of the growth in the size of interest-bearing liabilities.

Interest Expense on Deposits from Customers

During the reporting period, the Group's interest expense on deposits from customers was RMB45.366 billion, a decrease of RMB640 million or 1.39% year on year, mainly because the Bank continuously improved its deposit structure, reduced high-cost deposits, and actively expanded settlement deposits, which resulted in a decrease of 0.18 percentage point in the average cost rate of customer deposits, offsetting an increase of RMB341.342 billion in the average balance of customer deposits.

Unit: RMB million

	Six months ended 30 June 2021			Six months ended 30 June 2020		
Item	**Average balance**	**Interest expense**	**Average cost rate (%)**	Average balance	Interest expense	Average cost rate (%)
Corporate deposits						
Time and call deposits	**1,778,403**	**23,634**	**2.68**	1,742,944	26,335	3.04
Demand deposits	**1,910,291**	**12,089**	**1.28**	1,619,392	8,676	1.08
Subtotal	**3,688,694**	**35,723**	**1.95**	3,362,336	35,011	2.09
Personal deposits						
Time and call deposits	**625,229**	**9,260**	**2.99**	630,717	10,618	3.39
Demand deposits	**291,734**	**383**	**0.26**	271,262	377	0.28
Subtotal	**916,963**	**9,643**	**2.12**	901,979	10,995	2.45
Total	**4,605,657**	**45,366**	**1.99**	4,264,315	46,006	2.17

Interest Expense on Deposits and Placements from Banks and Non-Bank Financial Institutions

During the reporting period, the Group's interest expense on deposits and placements from banks and non-bank financial institutions amounted to RMB15.521 billion, an increase of RMB1.820 billion or 13.28% year on year, mainly due to an increase of RMB156.597 billion in the average balance of deposits and placements from banks and non-bank financial institutions which offset the decrease of 0.02 percentage point in the average cost rate.

Interest Expense on Debt Certificates Issued

During the reporting period, the Group's interest expense on debt certificates issued stood at RMB12.850 billion, an increase of RMB2.107 billion or 19.61% year on year, primarily due to an increase of RMB162.786 billion in the average balance of debt certificates issued which offset a fall of 0.13 percentage point in the average cost rate.

Interest Expense on Borrowings from Central Banks

During the reporting period, the Group's interest expense on borrowings from central banks reached RMB3.426 billion, a decrease of RMB194 million or 5.36% year on year, mainly due to a drop of 0.33 percentage point in the average cost rate of borrowings from central banks which offset an increase of RMB11.501 billion in the average balance.

Interest Expense on Financial Assets Sold under Repurchase Agreements

During the reporting period, the Group's interest expense on financial assets sold under repurchase agreements was RMB896 million, a decrease of RMB151 million or 14.42% year on year, primarily due to a drop of RMB17.074 billion in the average balance of financial assets sold under repurchase agreements, which offset the increase of 0.08 percentage point in the average cost rate.

Other Interest Expense

During the reporting period, the Group's other interest expense stood at RMB226 million, a decrease of RMB17 million year on year, primarily due to a decrease in the average cost rate of lease liabilities.

2.5.1.5 Net Non-interest Income

During the reporting period, the Group realized RMB31.574 billion of net non-interest income, an increase of RMB3.298 billion or 11.66% year on year.

Unit: RMB million

Item	Six months ended 30 June 2021	Six months ended 30 June 2020	Increase/ (decrease)	Growth rate (%)
Net fee and commission income	**19,349**	16,367	2,982	18.22
Net trading gain	**3,776**	2,218	1,558	70.24
Net gain from investment securities	**8,011**	9,569	(1,558)	(16.28)
Net hedging loss	**–**	(1)	1	Negative in the same period of last year
Other net operating income	**438**	123	315	256.10
Total	**31,574**	28,276	3,298	11.66

2.5.1.6 Net Fee and Commission Income

During the reporting period, net fee and commission income of the Group reached RMB19.349 billion, an increase of RMB2.982 billion or 18.22% over last year, and accounted for 18.31% of net operating income, an increase of 2.30 percentage points over last year. Among these, commission for custodian and other fiduciary business went up by RMB2.184 billion or 53.24% year on year, mainly because the wealth management business fee increased significantly as the Group stepped up the capital-light transformation; bank card fees increased by RMB955 million or 13.97% year on year, mainly due to the increase in credit card fees as domestic Covid-19 was effectively controlled, as the economy recovered step by step and customers' consumption intention recovered; settlement and clearing fees increased by RMB297 million or 43.74% year on year, mainly due to the growth of income from L/C and other businesses; agency fees and commissions decreased by RMB885 million or 18.94% year on year, mainly due to the year-on-year decline of service fees for securitization asset agency.

Unit: RMB million

Item	Six months ended 30 June 2021	Six months ended 30 June 2020	Increase/ (decrease)	Growth rate (%)
Bank card fees	**7,793**	6,838	955	13.97
Agency fees and commissions	**3,787**	4,672	(885)	(18.94)
Commissions for custodian and other fiduciary business	**6,286**	4,102	2,184	53.24
Guarantee and consulting fees	**2,586**	2,524	62	2.46
Settlement and clearing fees	**976**	679	297	43.74
Other fees and commissions	**61**	42	19	45.24
Subtotal of fees and commissions	**21,489**	18,857	2,632	13.96
Fee and commission expense	**(2,140)**	(2,490)	350	(14.06)
Net fee and commission income	**19,349**	16,367	2,982	18.22

2.5.1.7 Net Trading Gain and Net Gain from Investment Securities

During the reporting period, the Group's net trading gain and net gain from investment securities registered a combined amount of RMB11.787 billion, on par with the same period of last year. On the whole, the market interest rate fluctuated in the first half of this year, and there was no trending trading opportunities. In response to market changes, the Group actively grasped market trends, and took the initiative to optimize the business structure and increase the frequency of band operations. The income in the second quarter was better than that of the same period of last year.

2.5.1.8 Operating Expenses

During the reporting period, the Group incurred RMB25.413 billion operating expenses, an increase of RMB1.738 billion or 7.34% year on year. Specifically, staff costs increased by RMB1.380 billion or 10.43% compared to the same period of last year, mainly due to the year-on-year increase in the number of employees and the expiration of phased reduction and exemption policy for employee insurance; other general operating and administrative expenses increased by RMB236 million or 4.54% compared to the same period of last year. The main reason was that the Group increased its investment in marketing resources along with the control of the Covid-19 and the recovery of domestic economy.

During the reporting period, the Group's cost-to-income ratio (excluding tax and surcharges) stood at 23.02%, up by 0.84 percentage point year on year.

Unit: RMB million

Item	**Six months ended 30 June 2021**	Six months ended 30 June 2020	Increase/ (decrease)	Growth rate (%)
Staff costs	**14,606**	13,226	1,380	10.43
Property and equipment expenses and amortization	**4,284**	4,241	43	1.01
Other general and administrative expense	**5,432**	5,196	236	4.54
Subtotal	**24,322**	22,663	1,659	7.32
Tax and surcharges	**1,091**	1,012	79	7.81
Total	**25,413**	23,675	1,738	7.34
Cost-to-income ratio	**24.05%**	23.17%		Up 0.88 percentage point
Cost-to-income ratio (excluding tax and surcharges)	**23.02%**	22.18%		Up 0.84 percentage point

2.5.1.9 Credit and Other Asset Impairment Losses

During the reporting period, the Group's credit impairment losses and other asset impairment losses totaled RMB45.370 billion, a decrease of RMB2.355 billion or 4.93% year on year. Specifically, allowance for impairment losses on loans and advances to customers was RMB32.093 billion, representing a decrease of RMB6.160 billion or 16.10% year on year, mainly because the Group continuously stepped up efforts in risk disposal and mitigation in recent years, improving asset quality and reducing the consumption of financial resources due to provisioning. Impairment losses for financial investment was RMB10.877 billion, up by 4.198 billion or 62.85% year on year as the Group accrued impairment losses for wealth management assets back to its balance sheet according to their risk profiles. Please refer to the section of "Loan Quality Analysis" in this chapter for analysis of the Group's allowance for impairment losses on loans and advances to customers.

Unit: RMB million

Item	Six months ended 30 June 2021	Six months ended 30 June 2020	Increase/ (decrease)	Growth rate (%)
Loans and advances to customers	**32,093**	38,253	(6,160)	(16.10)
Financial investments	**10,877**	6,679	4,198	62.85
Interest receivables	**1,956**	2,066	(110)	(5.32)
Interbank business (Note)	**(26)**	(10)	(16)	160.00
Other receivables	**244**	203	41	20.20
Off-balance-sheet items	**185**	38	147	386.84
Repossessed assets	**41**	496	(455)	(91.73)
Total	**45,370**	47,725	(2,355)	(4.93)

Notes: Including the impairment losses on deposits and placements with, and loans to banks and non-bank financial institutions, and financial assets held under resale agreements.

2.5.1.10 Income Tax Expense

During the reporting period, the Group's income tax expense was RMB5.443 billion, representing an increase of RMB661 million or 13.82% year on year. Effective tax rate of the Group during the reporting period stood at 15.59%, up by 0.04 percentage point year on year.

Unit: RMB million

Item	Six months ended 30 June 2021	Six months ended 30 June 2020	Increase/ (decrease)	Growth rate (%)
Profit before tax	**34,923**	30,746	4,177	13.59
Income tax expense	**5,443**	4,782	661	13.82
Effective tax rate	**15.59%**	15.55%		Up 0.04 percentage point

2.5.2 Balance Sheet Analysis

2.5.2.1 Assets

As at the end of the reporting period, the Group recorded total assets of RMB7,816.329 billion, an increase of 4.06% from the end of the previous year, mainly because the Group increased its loans and advances to customers and financial investments.

Unit: RMB million

	30 June 2021		31 December 2020	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Total loans and advances to customers	**4,708,621**	**60.2**	4,473,307	59.6
Accrued interest of loans and advances to customers	**12,901**	**0.2**	12,592	0.2
Less: Allowance for impairment losses on loans and advances to customers[1]	**(133,353)**	**(1.7)**	(125,703)	(1.7)
Net loans and advances to customers	**4,588,169**	**58.7**	4,360,196	58.1
Total financial investments	**2,241,170**	**28.7**	2,089,736	27.8
Accrued interest of financial investments	**18,528**	**0.2**	16,766	0.2
Less: Allowance for impairment losses on financial investments[2]	**(25,872)**	**(0.3)**	(13,770)	(0.2)
Net financial investments	**2,233,826**	**28.6**	2,092,732	27.8
Investment in associates and joint ventures	**5,592**	**0.1**	5,674	0.1
Cash and deposits with central banks	**441,162**	**5.6**	435,169	5.8
Deposits and placements with, and loans to banks and non-bank financial institutions	**235,140**	**3.0**	301,772	4.0
Financial assets held under resale agreements	**97,963**	**1.3**	111,110	1.5
Others[3]	**214,477**	**2.7**	204,508	2.7
Total	**7,816,329**	**100.0**	7,511,161	100.0

Notes: (1) Including allowances for impairment losses on loans and advances to customers measured at amortized cost and allowances for impairment losses on accrued interest of loans and advances to customers measured at amortized cost.

(2) Including allowances for impairment losses on financial investments measured at amortized cost and impairment losses on accrued interest of financial investments measured at amortized cost.

(3) Including precious metals, derivative financial assets, investment properties, fixed assets, intangible assets, goodwill, use right assets, deferred income tax assets and other assets, etc.

Loans and Advances to Customers

As at the end of the reporting period, the Group recorded RMB4,708.621 billion total loans and advances to customers (excluding accrued interest), up by 5.26% over the end of the previous year. Net loans and advances to customers accounted for 58.7% of total assets, up by 0.6 percentage point over the end of the previous year. The Group's balance of loans and advances to customer measured at amortized cost took up 90.9% of total loans and advances to customers. The table below sets out the classification of the Group's loans and advances to customers by measurement attribute.

Unit: RMB million

	30 June 2021		31 December 2020	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Loans and advances to customer measured at amortized cost	**4,279,708**	**90.9**	4,054,780	90.6
Loans and advances to customer measured at fair value through other comprehensive income	**428,913**	**9.1**	411,403	9.2
Loans and advances to customer measured at fair value through profit or loss	**–**	**–**	7,124	0.2
Total loans and advances to customers	**4,708,621**	**100.0**	4,473,307	100.0

Please refer to the section of "Loan Quality Analysis" in this chapter for analysis of the Group's loans and advances to customers.

Financial Investments

As at the end of the reporting period, the Group recorded RMB2,241.170 billion total financial investments (excluding accrued interest), up by RMB151.434 billion or 7.25% over the end of the previous year, mainly because of the increase in the Group's investments in debt securities, funds and trust management plans.

Classification of the Group's financial investments by product is set out in the table below.

Unit: RMB million

	30 June 2021		31 December 2020	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Investments in debt securities	**1,524,033**	**68.0**	1,436,715	68.8
Investment funds	**364,663**	**16.3**	286,800	13.7
Trust management plans	**228,612**	**10.2**	190,517	9.1
Directional asset management plan	**71,033**	**3.2**	104,336	5.0
Certificates of deposit and interbank certificates of deposit	**37,174**	**1.6**	54,304	2.6
Investment in equity instruments	**13,924**	**0.6**	12,665	0.6
Investment in wealth management products and through structured entities	**1,731**	**0.1**	4,399	0.2
Total financial investments	**2,241,170**	**100.0**	2,089,736	100.0

Classification of the Group's financial investments by measurement attribute is set out in the table below.

Unit: RMB million

	30 June 2021		31 December 2020	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Financial investments measured at fair value through profit or loss	**495,232**	**22.1**	405,632	19.4
Financial investments measured at amortized cost	**1,098,465**	**49.0**	962,990	46.1
Financial investments measured at fair value through other comprehensive income	**643,108**	**28.7**	717,554	34.3
Financial investments designated to be measured at fair value through other comprehensive income	**4,365**	**0.2**	3,560	0.2
Total financial investments	**2,241,170**	**100.0**	2,089,736	100.0

Investment in Debt Securities

As at the end of the reporting period, the Group registered RMB1,524.033 billion investments in debt securities, an increase of RMB87.318 billion or 6.08% over the end of the previous year, primarily because the increased investments in financial debt securities and government bonds.

Classification of Debt Securities Investment by Issuers

Unit: RMB million

	30 June 2021		31 December 2020	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Banks and non-bank financial institutions	**419,537**	**27.5**	373,933	26.0
Government	**875,992**	**57.5**	840,445	58.5
Policy banks	**119,668**	**7.9**	118,201	8.2
Business entities	**107,001**	**7.0**	102,142	7.1
Public entities	**1,835**	**0.1**	1,994	0.2
Total	**1,524,033**	**100.0**	1,436,715	100.0

Breakdown of Significant Investments in Financial Debt Securities

The table below sets out the breakdown of major investments in financial debt securities held by the Group as at 30 June 2021.

Unit: RMB million

Name of debt securities	Book value	Maturity date (DD/MM/YY)	Coupon rate (%)	Impairment allowance
2020 Policy Bank Debt Securities	6,780	06/07/2021	2.11%	–
2021 Policy Bank Debt Securities	6,450	04/03/2024	3.11%	–
2020 Policy Bank Debt Securities	6,381	10/01/2025	3.23%	–
2020 Policy Bank Debt Securities	4,979	07/08/2023	3.00%	–
2021 Policy Bank Debt Securities	4,734	04/03/2024	3.19%	–
2021 Policy Bank Debt Securities	4,566	08/01/2024	2.98%	–
2019 Policy Bank Debt Securities	4,528	14/08/2024	3.24%	–
2019 Policy Bank Debt Securities	4,514	18/07/2022	3.12%	–
2020 Policy Bank Debt Securities	4,471	22/12/2023	0.65%	–
2021 Policy Bank Debt Securities	4,263	19/04/2022	2.48%	–
Total	51,666			–

Note: The first phase impairment allowance accrued according to the expected credit loss measurement model not included.

Investments in Associates and Joint Ventures

As at the end of the reporting period, the Group recorded RMB5.592 billion investments in associates and joint ventures, a decrease of 1.45% over the end of the previous year. As at the end of the reporting period, the Group's balance of allowance for impairment losses on investment in associates and joint ventures was zero. For relevant details, please refer to Note 21 "Investment in Associates and Joint Ventures" to the financial report.

Unit: RMB million

Item	As at 30 June 2021	As at 31 December 2020
Investments in joint ventures	**5,071**	5,044
Investments in associates	**521**	630
Allowance for impairment losses	**–**	–
Net investments in associates and joint ventures	**5,592**	5,674

Derivatives

The table below sets out major categories and amount of derivatives held by the Group as at the end of the reporting period. For relevant details, please refer to Note 17 "Derivative Financial Assets/Liabilities" to the financial report.

Unit: RMB million

	30 June 2021			31 December 2020		
	Nominal	**Fair value**		Nominal	Fair value	
Item	**principal**	**Assets**	**Liabilities**	principal	Assets	Liabilities
Interest rate derivatives	**2,679,219**	**7,108**	**7,012**	3,058,057	9,395	9,138
Currency derivatives	**2,059,367**	**17,573**	**17,152**	1,977,918	30,363	30,588
Other derivatives	**14,434**	**600**	**26**	19,245	306	83
Total	**4,753,020**	**25,281**	**24,190**	5,055,220	40,064	39,809

Repossessed Assets

As at the end of the reporting period, the Group recorded repossessed assets of RMB2.739 billion, and charged RMB1.359 billion allowances for impairment losses on repossessed assets. The book value stood at RMB1.380 billion.

Unit: RMB million

Item	30 June 2021	31 December 2020
Original value of repossessed assets	**2,739**	2,690
– Land, premises and buildings	**2,737**	2,688
– Others	**2**	2
Allowances for impairment losses on repossessed assets	**(1,359)**	(1,323)
– Land, premises and buildings	**(1,359)**	(1,323)
Total book value of repossessed assets	**1,380**	1,367

Changes in Impairment Allowances

Unit: RMB million

Item	31 December 2020	Accruals/ reversals during the current period	Write-offs/ transfer out during the current period	Others[1]	30 June 2021
Loans and advances to customers[2]	126,100	32,093	(29,677)	5,333	**133,849**
Financial investments[3]	16,388	10,877	(41)	902	**28,126**
Interbank business[4]	283	(26)	–	(1)	**256**
Other assets[5]	4,980	2,200	(1,743)	(32)	**5,405**
Off-balance-sheet items	6,725	185	–	(9)	**6,901**
Subtotal of allowances for credit impairment	**154,476**	**45,329**	**(31,461)**	**6,193**	**174,537**
Repossessed assets	1,323	41	(16)	11	**1,359**
Subtotal of allowances for other asset impairments	**1,323**	**41**	**(16)**	**11**	**1,359**
Total	**155,799**	**45,370**	**(31,477)**	**6,204**	**175,896**

Notes: (1) Including recovery of write-offs and impacts of exchange rate changes.

(2) Including allowances for impairment losses on loans and advances to customers measured at amortized cost, and allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income.

(3) Including allowances for impairment losses on financial investments measured at amortized cost and impairment losses on financial investments measured at fair value through other comprehensive income.

(4) Including allowance for impairment losses of deposits and placements with, and loans to banks and non-bank financial institutions and financial assets held under resale agreements.

(5) Including allowance for impairment losses on other receivables and accrued interest of all financial assets.

2.5.2.2 Liabilities

As at the end of the reporting period, the Group recorded total liabilities of RMB7,199.923 billion, up by 3.58% from the end of the previous year, primarily due to the increase in deposits from customers, and debt certificates issued.

Unit: RMB million

	30 June 2021		31 December 2020	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Borrowings from central banks	**243,206**	**3.4**	224,391	3.2
Deposits from customers	**4,711,500**	**65.4**	4,572,286	65.8
Deposits and placements from banks and non-bank financial institutions	**1,163,324**	**16.2**	1,221,397	17.6
Financial assets sold under repurchase agreements	**69,158**	**1.0**	75,271	1.1
Debt certificates issued	**901,735**	**12.5**	732,958	10.5
Others(Note)	**111,000**	**1.5**	124,820	1.8
Total	**7,199,923**	**100.0**	6,951,123	100.0

Notes: Including financial liabilities measured at fair value through profit or loss, derivative financial liabilities, staff remunerations payable, tax and fee payables, estimated liabilities, lease liabilities, deferred income tax liabilities and other liabilities.

Deposits from Customers

As at the end of the reporting period, the Group's total deposits from customers (excluding accrued interest) were RMB4,665.631 billion, representing an increase of RMB137.232 billion or 3.03% over the end of the previous year; and deposits from customers accounted for 65.4% of total liabilities, a decrease of 0.4 percentage point from the end of the previous year. The Group's balance of corporate deposits was RMB3,696.979 billion, representing an increase of RMB106.867 billion or 2.98% over the end of the previous year; and balance of personal deposits stood at RMB968.652 billion, representing an increase of RMB30.365 billion or 3.24% over the end of the previous year.

Unit: RMB million

	30 June 2021		31 December 2020	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Corporate deposits				
Demand deposits	**1,909,179**	**40.5**	1,915,266	41.9
Time and call deposits	**1,787,800**	**37.9**	1,674,846	36.6
Subtotal	**3,696,979**	**78.4**	3,590,112	78.5
Personal deposits				
Demand deposits	**352,348**	**7.5**	327,110	7.1
Time and call deposits	**616,304**	**13.1**	611,177	13.4
Subtotal	**968,652**	**20.6**	938,287	20.5
Total deposits from customers	**4,665,631**	**99.0**	4,528,399	99.0
Accrued interest	**45,869**	**1.0**	43,887	1.0
Total	**4,711,500**	**100.0**	4,572,286	100.0

Breakdown of Deposits from Customers by Currency

Unit: RMB million

	30 June 2021		31 December 2020	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Renminbi	**4,283,710**	**90.9**	4,140,522	90.6
Foreign currencies	**427,790**	**9.1**	431,764	9.4
Total	**4,711,500**	**100.0**	4,572,286	100.0

Breakdown of Deposits by Geographical Region

Unit: RMB million

	30 June 2021		31 December 2020	
Item	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Head Office	**3,021**	**0.1**	2,964	0.1
Bohai Rim	**1,179,573**	**25.0**	1,173,136	25.7
Yangtze River Delta	**1,331,899**	**28.3**	1,235,959	27.0
Pearl River Delta and West Strait	**782,866**	**16.6**	761,122	16.6
Central China	**603,182**	**12.8**	577,262	12.6
Western China	**455,909**	**9.7**	460,123	10.1
Northeastern China	**92,523**	**1.9**	98,981	2.2
Overseas	**262,527**	**5.6**	262,739	5.7
Total	**4,711,500**	**100.0**	4,572,286	100.0

2.5.3 Shareholders' Equity

As at the end of the reporting period, the Group's shareholders' equity was RMB616.406 billion, an increase of 10.07% over the end of the previous year. The table below sets out the changes in shareholders' equity in the Group during the reporting period.

Unit: RMB million

	Six months ended 30 June 2021							
Item	Share capital	Other equity instrument	Capital reserve	Other comprehensive income	Surplus reserve and general reserve	Retained earnings	Non-controlling interest	Total
31 December 2020	48,935	78,083	59,216	109	134,605	223,625	15,465	560,038
i. Profit for the period						29,031	449	29,480
ii. Other comprehensive income				(466)			(29)	(495)
iii. Capital contributed or reduced by shareholders		39,997						39,997
iv. Profit allocation					12	(12,441)	(185)	(12,614)
30 June 2021	48,935	118,080	59,216	(357)	134,617	240,215	15,700	616,406

2.5.4 Loan Quality Analysis

During the reporting period, both the NPL balance and NPL ratio of the Group declined, and the overall loan quality and the allowance coverage ratio stayed sound. As at the end of the reporting period, the Group registered RMB4,708.621 billion total loans, up by RMB235.314 billion over the end of the previous year; an NPL ratio of 1.50%, down by 0.14 percentage point over the end of the previous year; an allowance coverage ratio of 189.37%, up by 17.69 percentage points from the end of the previous year; and a ratio of allowance for loan impairment losses to total loans of 2.84%, up by 0.02 percentage point from the end of the previous year.

Concentration of Loans by Product

As at the end of the reporting period, the Group's balance of corporate loans (excluding discounted bills) recorded RMB2,329.112 billion, an increase of RMB158.712 billion or 7.31% over the end of the previous year; and its balance of personal loans reached RMB1,974.106 billion, an increase of RMB82.206 billion or 4.35% over the end of the previous year. The balance of discounted bills decreased by RMB5.604 billion or 1.36% over the end of last year to RMB405.403 billion. The Group's balances of corporate non-performing loans (excluding discounted bills) decreased by RMB3.969 billion over the end of the previous year, corresponding to a 0.33 percentage point decline in the NPL ratio over the end of the previous year. The Group's balances of personal non-performing loans increased by RMB1.196 billion over the end of the previous year, corresponding to a 0.02 percentage point increase in the NPL ratio over the end of the previous year.

Unit: RMB million

	30 June 2021				31 December 2020			
	Balance	**Proportion (%)**	**NPL balance**	**NPL ratio (%)**	Balance	Proportion (%)	NPL balance	NPL ratio (%)
Corporate loans	**2,329,112**	**49.46**	**48,588**	**2.09**	2,170,400	48.52	52,557	2.42
Personal loans	**1,974,106**	**41.93**	**22,091**	**1.12**	1,891,900	42.29	20,895	1.10
Discounted bills	**405,403**	**8.61**	**3**	**0.00**	411,007	9.19	0.00	0.00
Total loans	**4,708,621**	**100.00**	**70,682**	**1.50**	4,473,307	100.00	73,452	1.64

Breakdown of Loans by Type of Guarantee

During the reporting period, the Group's loan guarantee structure remained stable. As at the end of the reporting period, the balance of the Group's unsecured and guaranteed loans was RMB1,812.685 billion, an increase of RMB181.566 billion over the end of the previous year, accounting for 38.50% of the Group's total loans, up by 2.03 percentage points from the end of the previous year; the balance of loans secured by collateral and pledge loans was RMB2,490.533 billion, an increase of RMB59.352 billion over the end of the previous year, accounting for 52.89% of the Group's total loans, down by 1.45 percentage points from the end of the previous year.

Unit: RMB million

	30 June 2021		31 December 2020	
Type of Guarantee	**Balance**	**Proportion (%)**	Balance	Proportion (%)
Unsecured loans	**1,265,202**	**26.87**	1,118,670	25.01
Guaranteed loans	**547,483**	**11.63**	512,449	11.46
Loans secured by collateral	**1,997,059**	**42.41**	1,979,989	44.25
Pledge loans	**493,474**	**10.48**	451,192	10.09
Subtotal	**4,303,218**	**91.39**	4,062,300	90.81
Discounted bills	**405,403**	**8.61**	411,007	9.19
Total loans	**4,708,621**	**100.00**	4,473,307	100.00

Concentration of Loans by Geographic Region

As at the end of the reporting period, the Group's total loans stood at RMB4,708.621 billion, an increase of RMB235.314 billion or 5.26% over the prior year-end. Specifically, the balances of loans to the Bohai Rim, the Yangtze River Delta and the Pearl River Delta and West Strait ranked the top three, recording RMB1,271.120 billion, RMB1,192.159 billion and RMB717.119 billion, and accounting for 26.99%, 25.32% and 15.23% of the Group's total, respectively. In terms of growth rate, the Yangtze River Delta, the Central region and overseas recorded the highest growth, reaching 9.40%, 8.88% and 8.26%, respectively. The Group's NPLs were mainly concentrated in the Bohai Rim, the Yangtze River Delta and the Central region, with the combined NPL balance reaching RMB51.547 billion, accounting for 72.93% of the total. In terms of incremental NPLs, the Yangtze River Delta registered the largest amount of RMB2.677 billion and its NPL ratio rose by 0.14 percentage point; followed by the Central region, which recorded RMB1.707 billion incremental NPLs and a 0.14 percentage point rise in its NPL ratio.

Main reasons for the change in the regional distribution of NPLs are as follows: First, the risk category of certain large customers in the Yangtze River Delta and the Central regions were downgraded to non-performing, resulting an increase in NPLs in these regions. Second, efforts on NPL disposal were intensified in the Bohai Rim, contributing to a remarkably decreased NPL balance.

Unit: RMB million

	30 June 2021				31 December 2020			
	Balance	**Proportion (%)**	**NPL balance**	**NPL ratio (%)**	Balance	Proportion (%)	NPL balance	NPL ratio (%)
Bohai Rim	**1,271,120**	**26.99**	**28,041**	**2.21**	1,269,385	28.38	33,283	2.62
Yangtze River Delta	**1,192,159**	**25.32**	**12,768**	**1.07**	1,089,758	24.37	10,091	0.93
Pearl River Delta and West Strait	**717,119**	**15.23**	**6,208**	**0.87**	681,024	15.22	6,264	0.92
Western China	**564,345**	**11.99**	**8,045**	**1.43**	544,949	12.18	9,279	1.70
Central China	**666,840**	**14.16**	**10,738**	**1.61**	612,438	13.69	9,031	1.47
Northeastern China	**95,034**	**2.02**	**1,910**	**2.01**	89,167	1.99	2,520	2.83
Overseas	**202,004**	**4.29**	**2,972**	**1.47**	186,586	4.17	2,984	1.60
Total loans	**4,708,621**	**100.00**	**70,682**	**1.50**	4,473,307	100.00	73,452	1.64

Note: Bohai Rim includes the headquarters.

Concentration of Corporate Loans by Sector

As at the end of the reporting period, rental and business services, and water, environment and public utilities management were the top two sector borrowers of the Group's outstanding corporate loans. Their loan balances recorded RMB442.795 billion and RMB369.339 billion, respectively, altogether accounting for 34.87% of the Group's total corporate loans, up by 0.20 percentage point from the end of the previous year. The balance of loans granted to the real estate sector posted RMB296.726 billion, accounting for 12.74% of the total, down by 0.51 percentage point from the end of the previous year; loans granted to the manufacturing sector stood at RMB344.126 billion, accounting for 14.78% of the total, down by 0.28 percentage point from the end of the previous year. In terms of growth rate, loans to the four sectors, namely, construction, production and supply of electric power, gas and water, transportation, storage and postal service, and water, environment and public utilities management grew relatively faster, up by 15.05%, 12.79%, 9.16% and 8.95% over the end of the previous year respectively, all higher than the average growth rate of corporate loans.

As at the end of the reporting period, the Group's NPLs were mainly concentrated in two sectors, i.e., manufacturing sector and real estate sector, with their NPL balances collectively taking up 41.16% of the total corporate NPLs, but the asset quality continued to improve. The balance of NPLs in the two sectors decreased by RMB296 million and RMB398 million over the end of the previous year, respectively, corresponding to a 0.25 percentage point decline and a 0.24 percentage point decline in their respective NPL ratios compared with the end of the previous year.

As at the end of the reporting period, the Group's balances of NPLs in the sectors of rental and business service, and production and supply of electric power, gas and water increased by RMB746 million and RMB183 million over the previous year-end, and the NPL ratios went up by 0.13 percentage point and 0.10 percentage point respectively. The balance of NPLs in the sector of wholesale and retail decreased by RMB4.393 billion from the prior year-end, and the NPL ratio declined by 2.86 percentage points. Main reason for the rise of NPL balance in the sectors of rental and business service, and production and supply of electric power, gas and water is the downgrade in risk category of some local government financing vehicles and state-owned enterprises to non-performing.

Unit: RMB million

	30 June 2021				31 December 2020			
	Balance	**Proportion (%)**	**NPL balance**	**NPL ratio (%)**	Balance	Proportion (%)	NPL balance	NPL ratio (%)
Manufacturing	**344,126**	**14.78**	**10,766**	**3.13**	326,803	15.06	11,062	3.38
Real estate	**296,726**	**12.74**	**9,235**	**3.11**	287,608	13.25	9,633	3.35
Wholesale and retail	**159,070**	**6.83**	**6,841**	**4.30**	156,957	7.23	11,234	7.16
Transportation, storage and postal service	**146,688**	**6.30**	**1,515**	**1.03**	134,379	6.19	1,448	1.08
Water, environment and public utilities management	**369,339**	**15.86**	**239**	**0.06**	339,006	15.62	874	0.26
Construction	**114,927**	**4.93**	**5,190**	**4.52**	99,894	4.60	5,830	5.84
Rental and business service	**442,795**	**19.01**	**2,960**	**0.67**	413,523	19.05	2,214	0.54
Production and supply of electric power, gas and water	**97,004**	**4.16**	**841**	**0.87**	86,006	3.96	658	0.77
Public and social organizations	**11,498**	**0.49**	**248**	**2.16**	10,701	0.49	248	2.32
Others	**346,939**	**14.90**	**10,753**	**3.10**	315,523	14.55	9,356	2.97
Total corporate loans	**2,329,112**	**100.00**	**48,588**	**2.09**	2,170,400	100.00	52,557	2.42

Concentration of Borrowers of Corporate Loans

The Group focused on concentration risk control over its corporate loan borrowers. During the reporting period, the Group complied with the applicable regulatory requirements on concentration of borrowers. Since a single borrower was defined by the Group as a specific legal entity, one borrower could be the related party of another borrower.

Major regulatory indicator	**Regulatory Standard**	**30 June 2021**	31 December 2020	31 December 2019
Percentage of loans to the largest single customer (%)(1)	**≤10**	**1.75**	4.31	2.27
Percentage of loans to the top 10 customers (%)(2)	**≤50**	**11.53**	15.74	13.12

Notes: (1) Percentage of loans to the largest single customer = balance of loans to the largest single customer/net capital.

(2) Percentage of loans to the top 10 customers = balance of loans to the top 10 customers/net capital.

Unit: RMB million

		30 June 2021		
	Industry	**Balance**	**Percentage in total loans (%)**	**Percentage in regulatory capital (%)**
Borrower A	Rental and business services	**13,381**	**0.28**	**1.75**
Borrower B	Transportation, storage and postal services	**9,668**	**0.21**	**1.27**
Borrower C	Public management, social security and social organizations	**9,484**	**0.20**	**1.24**
Borrower D	Real estate	**8,804**	**0.19**	**1.15**
Borrower E	Real estate	**8,656**	**0.18**	**1.13**
Borrower F	Real estate	**8,000**	**0.17**	**1.05**
Borrower G	Transportation, storage and postal services	**7,966**	**0.17**	**1.04**
Borrower H	Real estate	**7,600**	**0.16**	**0.99**
Borrower I	Real estate	**7,584**	**0.16**	**0.99**
Borrower J	Rental and business services	**6,996**	**0.15**	**0.92**
Total loans		**88,139**	**1.87**	**11.53**

As at the end of the reporting period, the total balance of corporate loans from the Group to the top 10 customers amounted to RMB88.139 billion, taking up 1.87% of its total loans and 11.53% of its net capital.

Loan Risk Classification

The Group measures and manages the quality of its credit assets pursuant to the *Guidelines on the Classification of Loan Risks* formulated by the former CBRC. The guidelines requires Chinese commercial banks to classify their credit assets into five tiers, namely, pass, special mention, substandard, doubtful and loss, of which the last three classes are regarded as non-performing loans.

During the reporting period, the Bank continued to reinforce the centralized management of loan risk classification and kept enhancing the system for classified management of credit asset risks. While adhering to the core criteria of "safety of loan recovery", the Bank handled different tiers of loans with different risk management measures, taking into full consideration various factors that may impact the quality of credit assets.

The Bank's process for classification of loan risks includes the following steps: operating institutions conduct post-lending inspections in the first place, after which business management departments of branches provide preliminary opinions, followed by preliminary classification by credit management departments of the branches; thereafter the branch risk directors review and approve the preliminary classification; and the Head Office gives the final approval. With regard to loans with material changes in risk profiles, the Bank adjusts their risk classification in a dynamic manner.

Unit: RMB million

	30 June 2021		31 December 2020	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Performing loans	**4,637,939**	**98.50**	4,399,855	98.36
Pass	**4,536,265**	**96.34**	4,309,842	96.35
Special mention	**101,674**	**2.16**	90,013	2.01
Non-performing loans	**70,682**	**1.50**	73,452	1.64
Substandard	**28,793**	**0.61**	43,704	0.98
Doubtful	**31,983**	**0.68**	26,206	0.58
Loss	**9,906**	**0.21**	3,542	0.08
Total loans	**4,708,621**	**100.00**	4,473,307	100.00

Note: Performing loans include pass loans and special mention loans, while non-performing loans include substandard loans, doubtful loans and loss loans.

As at the end of the reporting period, the Group's balance of pass loans increased by RMB226.423 billion over the end of the previous year, and accounted for 96.34% of the total loans, representing a decrease of 0.01 percentage point over the end of the previous year; and the balance of special mention loans increased by RMB11.661 billion, accounting for 2.16% of the total loans, up by 0.15 percentage point over the end of the previous year. The balance of the Group's NPLs recognized in accordance with the regulatory risk classification criteria stood at RMB70.682 billion, representing a drop of RMB2.770 billion over the end of the previous year; and the NPL ratio stood at 1.50%, down by 0.14 percentage point over the end of the previous year.

During the reporting period, both the NPL balance and NPL ratio of the Group went down. During the reporting period, the macroeconomic situation at home and abroad was still severe, and the real economy didn't get out of the dilemma completely. At the beginning of 2021, the Group had already made sufficient anticipation and preparation in response to the changing trends of loan quality. Through its pertinent measures for risk prevention and resolution and intensified efforts in NPL disposal, the changes in NPLs were within the Group's expectation and under its control, and both of the NPL balance and NPL ratio decreased.

Migration of Loans

The table below sets out the migration of the Bank's loans across the five tiers during the reporting period.

	30 June 2021	31 December 2020	31 December 2019
Migration ratio of pass loans (%)	**1.94**	3.52	1.80
Migration ratio of special mention loans (%)	**24.74**	48.12	23.03
Migration ratio of substandard loans (%)	**61.42**	76.82	23.97
Migration ratio of doubtful loans (%)	**41.11**	70.34	8.77
Ratio of migration from performing loans to NPLs (%)	**0.98**	2.56	1.83

As at the end of the reporting period, the Bank's ratio of loan migration from performing loans to NPLs was 0.98%, a decrease of 1.58 percentage points over the end of the previous year. The reason behind this change is that the Bank maintained sound asset quality, carried out list-based and classified management of key customers, and intensified efforts in resolving overdue loans which achieved remarkable result.

Loans Overdue

Unit: RMB million

	30 June 2021		31 December 2020	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans repayable on demand	**4,611,313**	**97.93**	4,382,347	97.97
Loans overdue[1]				
1-90 days	**41,421**	**0.88**	38,285	0.86
91-180 days	**16,966**	**0.36**	12,693	0.28
181 days or more	**38,921**	**0.83**	39,982	0.89
Subtotal	**97,308**	**2.07**	90,960	2.03
Total loans	**4,708,621**	**100.00**	4,473,307	100.00
Loans overdue for 91 days or more	**55,887**	**1.19**	52,675	1.17
Restructured loans[2]	**20,814**	**0.44**	22,030	0.49

Notes: (1) Loans overdue refer to loans with principal or interest overdue for one day or more.

(2) Restructured loans refer to loans overdue or downgraded but the conditions of which (e.g. amount and term) have been rearranged.

During the reporting period, the Group's overdue loans slightly increased. As at the end of the reporting period, the Group's balance of overdue loans recorded RMB97.308 billion, a rise of RMB6.348 billion over the end of the previous year, and the proportion of overdue loans in total loans went up by 0.04 percentage point over the end of the previous year. Of these overdue loans, 0.88% were short-term and/or temporary loans with a maturity of less than 90 days. The proportion of loans overdue for 91 days and more was 1.19%, an increase of 0.02 percentage point from the end of last year.

The Group managed and controlled loan restructuring in a stringent and prudent manner. As at the end of the reporting period, the Group's restructured loans stood at RMB20.814 billion loans, a decrease of RMB1.216 million in amount and a decrease of 0.05 percentage point in proportion from the end of the previous year.

Analysis of Allowance for Loan Impairment

The Group set aside adequate allowance for loan impairment losses based on expected loss model as required by the new accounting standards on financial instruments in the light of customer default rate, default loss rate and many other quantitative parameters as well as macro perspective adjustments.

Unit: RMB million

	As at 30 June 2021	As at 31 December 2020	As at 31 December 2019
Beginning balance	**126,100**	115,870	101,154
Accruals during the period[1]	**32,093**	69,285	68,793
Write-offs and transfer-out	**(29,677)**	(69,129)	(60,686)
Recovery of loans and advances written off in previous years	**5,523**	10,020	5,042
Others[2]	**(190)**	54	1,567
Ending balance	**133,849**	126,100	115,870

Notes: (1) Equal to the net loan impairment losses recognized as accruals for the Group in the consolidated income statement of the Group.

(2) Including foreign exchange rate changes and others.

As at the end of the reporting period, the Group's balance of allowance for loan impairment losses registered RMB133.849 billion, up by RMB7.749 billion over the end of the previous year. The Group's ratio of balance of allowance for loan impairment losses to NPL balance (i.e., allowance coverage ratio) and ratio of balance of allowance for loan impairment losses to total loans (i.e., allowance for loan impairment losses to total loans) stood at 189.37% and 2.84%, up by 17.69 percentage points and 0.02 percentage point over the end of the previous year, respectively.

During the reporting period, the Group accrued RMB32.093 billion as allowance for loan impairment losses, a decline of RMB6.160 billion year on year. The reasons underlying the change were decreased NPL balance and the receding impact of Covid-19.

2.5.5 Major Off-Balance Sheet Items

As at the end of the reporting period, the Bank's major off-balance sheet items included credit commitments, capital commitments and pledged assets. The detailed items and balances are set out in the table below.

Unit: RMB million

Item	30 June 2021	31 December 2020
Credit commitments		
– Bank acceptance bills	**619,134**	559,073
– Letters of guarantee	**117,289**	119,741
– Letters of credit	**205,409**	125,197
– Irrevocable loan commitments	**45,965**	49,632
– Credit card commitments	**685,128**	623,478
Subtotal	**1,672,925**	1,477,121
Capital commitments	**2,351**	1,547
Pledged assets	**424,620**	399,902
Total	**2,099,896**	1,878,570

2.5.6 Cash Flow Statement Analysis

Net Cash Outflows Used in Operating Activities

The Group's net cash outflows used in operating activities registered RMB188.288 billion, and the net cash inflows for the same period of last year were RMB66.853 billion, primarily because the cash outflows due to the increase in loans and advances to customers and decrease in interbank transactions offset the cash inflows due to the increase in deposits from customers and growth in borrowings from central banks, giving rise to net cash outflows.

Net Cash Outflows Used in Investing Activities

The Group's net cash outflows used in investing activities recorded RMB120.778 billion, an increase of RMB4.010 billion year on year, mainly due to the increased scale of financial investments.

Net Cash Inflows Generated from Financing Activities

The Group's net cash inflows generated from financing activities registered RMB194.225 billion, and the net cash outflows for the same period of last year were RMB24.487 billion, primarily due to the growth of interbank deposit certificates and financial debt securities issued.

Unit: RMB million

Item	Six months ended 30 June 2021	Year-on-year increase (%)	Main reason
Net Cash Outflows Used in Operating Activities	**(188,288)**	(381.6)	
Including: Cash inflows due to increase in deposits from customers	**140,178**	(65.0)	Decrease in increment of various deposits
Net cash outflows due to decrease in interbank business (Note)	**(75,399)**	513.9	Decrease in interbank transactions
Cash outflows due to increase in loans and advances to customers	**(253,500)**	10.2	Increase in various loans
Cash inflows due to increase in borrowings from central banks	**15,734**	Negative in the previous period	The previous period's repayment of borrowings from central banks
Net Cash Outflows Used in Investing Activities	**(120,778)**	3.4	
Including: Proceeds from redemption of investments	**1,645,924**	44.2	Increase in sale and redemption of financial investments
Payments on acquisition of investments	**(1,766,094)**	40.5	Increase in financial investments
Net Cash Inflows Generated from Financing Activities	**194,225**	Negative in the previous period	
Including: Proceeds from issuance of debt certificates	**503,679**	90.8	Increase in issuance of interbank deposit certificates and financial debt securities
Proceeds of issuance of other equity instruments	**39,997**	–	Issuance of undated capital bonds
Principal repayment for issued debt certificates	**(335,816)**	22.2	Increase in repayment of matured interbank deposit certificates

Note: Including deposits and placements with, and loans to banks and non-bank financial institutions, financial assets held under resale agreements, deposits and placements from banks and non-bank financial institutions, and financial assets sold under repurchase agreements.

2.5.7 Capital Adequacy Ratio Analysis

The Group has established a comprehensive capital management system covering capital planning, capital allocation, capital examination, capital monitoring and capital analysis and management. During the reporting period, in line with changes in both internal and external situations, the Group continued to uphold the "capital light, asset light and cost light" development strategy. Following the concept of "capital constrains assets", the Bank established a linkage mechanism between capital planning and business arrangements, made reasonable plans for asset growth, actively promoted asset turnover and thus continuously improved its asset structure. At the same time, guided by the concepts of "light development" and "value creation", and adhering to the framework of "limit management of regulatory capital" and "examination of economic capital", the Bank reformed the capital allocation model on all fronts, guided operating institutions to reasonably arrange asset structure under capital constraints, and thus improved the Group's capital adequacy ratio.

As at the end of the reporting period, as required by the *Provisional Measures for Capital Management of Commercial Banks* promulgated by the former CBRC in June 2012, the Group recorded the following capital adequacy profile: a capital adequacy ratio of 13.53%, an increase of 0.52 percentage point from the end of the previous year; a 10.71% tier-one capital adequacy ratio, 0.53 percentage point higher than the end of the previous year; and an 8.63% core tier-one capital adequacy ratio, down by 0.11 percentage point from the end of the previous year, all meeting regulatory requirements. The Group will continue to carry out comprehensive capital management with the focus on capital under the guidance of "light development" and "value creation", and realize the balanced development of business growth, value return and capital consumption by strengthening capital management measures, so as to improve capital application efficiency at all fronts.

Capital adequacy ratios

Unit: RMB million

Item	**30 June 2021**	31 December 2020	Increase (%)/ Change	31 December 2019
Net core tier-one capital	**487,888**	471,251	3.53	444,203
Net additional tier-one capital	**117,807**	77,710	51.60	77,555
Net tier-one capital	**605,695**	548,961	10.33	521,758
Net tier-two capital	**158,919**	152,768	4.03	114,139
Net capital	**764,614**	701,729	8.96	635,897
Risk-weighted assets	**5,653,278**	5,393,248	4.82	5,113,585
Core tier-one capital adequacy ratio	**8.63%**	8.74%	Down 0.11 percentage point	8.69%
Tier-one capital adequacy ratio	**10.71%**	10.18%	Up 0.53 percentage point	10.20%
Capital adequacy ratio	**13.53%**	13.01%	Up 0.52 percentage point	12.44%

Leverage ratio

Unit: RMB million

Item	**30 June 2021**	31 December 2020	Increase (%)/ Change	31 December 2019
Leverage ratio	**6.69%**	6.40%	Up 0.29 percentage point	6.71%
Net tier-one capital	**605,695**	548,961	10.33	521,758
Adjusted balance of on- and off-balance sheet assets	**9,048,165**	8,582,636	5.42	7,780,321

Note: The Group calculated its leverage ratio in accordance with the provisions of the *Rules on Leverage Ratio of Commercial Banks (Revision)* (CBRC Decree [2015] No.1). For detailed information about leverage ratios, please refer to the column on investor relations at http://www.citicbank.com/about/investor/financialaffairs/gglzb/2020/.

2.5.8 Major Accounting Estimates and Assumptions

The preparation of the financial statements in conformity with the *International Financial Reporting Standards* (IFRS) required the Group to make certain accounting estimates and assumptions when applying its accounting policies to determine the amounts of assets and liabilities as well as profits and losses for the reporting period. The accounting estimates and assumptions made by the Group were based on its historical experience and other factors such as reasonable expectations of future events. The key assumptions involved in such estimates and the judgment on uncertainties were reviewed on an on-going basis. Such accounting estimates and assumptions made by the Group were all appropriately recognized during the current period of the concerned changes and will be recognized as such during the subsequent periods of any impacts resulting from such changes.

The basis for preparing the Group's financial statements was influenced by estimates and judgments in the following main aspects: expected credit loss measurement model, classification of financial assets, fair value measurement of financial instruments, the end of recognition of financial assets, the control of structured entities, income tax and deferred income tax.

2.5.9 Major Financial Statement Items with More than 30% Changes

Unit: RMB million

Item	30 June 2021/ six months ended 30 June 2021	Increase/Decrease over previous year-end/ year-on-year (%)	Main reason
Deposits and placements with banks and other financial institutions	**92,339**	(30.8)	Decrease in deposits and placements with overseas banks
Derivative financial assets	**25,281**	(36.9)	Decrease in revaluation of currency derivatives
Other assets	**89,561**	33.6	Increase in funds to be cleared
Financial liabilities measured at fair value through profit or loss	777	(91.0)	Short selling of bonds and decrease in structured products
Derivative financial liabilities	**24,190**	(39.2)	Decrease in revaluation of currency derivatives
Other liabilities	**43,818**	46.6	Increase in dividends payable
Other equity instruments	**118,080**	51.2	Issuance of undated bonds
Other comprehensive income	**(357)**	(427.5)	Decrease in foreign operation translation differences
Net trading gain	**3,776**	70.2	The increase of net trading gain from debt securities and derivative financial instruments

2.5.10 Segment Report

2.5.10.1 Business Segments

Major business segments of the Group include corporate banking, retail banking and financial markets business. The table below lists the operating results of the Group by business segment.

Unit: RMB million

	Six months ended 30 June 2021				Six months ended 30 June 2020			
Business Segment	Segment operating income	Proportion (%)	Segment profit before tax	Proportion (%)	Segment operating income	Proportion (%)	Segment profit before tax	Proportion (%)
Corporate banking	50,113	47.4	13,234	37.9	46,871	45.9	12,528	40.8
Retail banking	39,549	37.5	10,117	29.0	38,772	37.9	7,516	24.4
Financial markets business	13,982	13.2	12,082	34.6	14,509	14.2	11,531	37.5
Others and unallocated	2,012	1.9	(510)	(1.5)	2,048	2.0	(829)	(2.7)
Total	105,656	100.0	34,923	100.0	102,200	100.0	30,746	100.0

Unit: RMB million

	30 June 2021		31 December 2020	
Business Segment	**Segment assets**	**Proportion (%)**	Segment assets	Proportion (%)
Corporate banking	**2,753,881**	**35.5**	2,580,730	34.5
Retail banking	**2,052,633**	**26.4**	1,966,280	26.3
Financial markets business	**2,138,990**	**27.5**	2,058,163	27.6
Others and unallocated	**824,586**	**10.6**	864,075	11.6
Total	**7,770,090**	**100.0**	7,469,248	100.0

Note: Total assets do not include deferred income tax assets.

2.5.10.2 Geographical Segments

The Group operates mainly in the Chinese mainland, with branches and sub-branches covering 31 provinces, autonomous regions and municipalities. London Branch officially commenced operation in 2019. As for subsidiaries, CIFH and CNCB Investment were registered in Hong Kong, while Lin'an CITIC Rural Bank, CITIC Financial Leasing and CITIC Wealth Management were registered in China. The table below lists the operating results of the Group by geographical segment.

Unit: RMB million

	30 June 2021		Six months ended 30 June 2021		31 December 2020		Six months ended 30 June 2020	
	Segment total assets		Segment profit before tax		Segment total assets		Segment profit before tax	
Geographical Segment	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)	Balance	Proportion (%)
Head Office	3,244,277	41.7	10,624	30.4	3,142,433	42.1	22,221	72.3
Yangtze River Delta	1,776,024	22.9	7,251	20.8	1,599,863	21.4	5,788	18.8
Pearl River Delta and West Strait	929,676	12.0	4,472	12.8	886,996	11.9	2,877	9.4
Bohai Rim	1,696,430	21.8	5,019	14.4	1,756,340	23.5	2,071	6.7
Central China	773,451	9.9	2,522	7.2	715,464	9.6	1,595	5.2
Western China	634,273	8.2	1,939	5.5	621,509	8.3	(4,850)	(15.8)
Northeastern China	116,351	1.5	584	1.7	131,475	1.8	(394)	(1.3)
Overseas	372,749	4.8	2,512	7.2	354,390	4.7	1,438	4.7
Offset	(1,773,141)	(22.8)	–	–	(1,739,222)	(23.3)	–	–
Total	7,770,090	100.0	34,923	100.0	7,469,248	100.0	30,746	100.0

Note: Total assets do not include deferred income tax assets.

2.6 Key Issues in Capital Market

2.6.1 Business Synergy

The Bank fully leveraged CITIC Group's unique advantages featuring "Financial + Real Economy", innovated collaboration model, set up the brand image of "CITIC Synergy+", and released the potential and value of CITIC Synergy.

In terms of corporate banking, following the principle of "One CITIC, One Customer", and upholding the philosophy of "altruism and win-win cooperation", the Bank integrated the finance and industry resources of CITIC Group, focused on customer services, created new collaboration models closely surrounding the main business, and set up the brand image of "CITIC Synergy+" to facilitate the Bank's business operation and capital-light transformation and development. It also established a Head Office-to-headquarters cooperation mechanism with financial subsidiaries of CITIC Group, enhanced collaboration, and developed a comprehensive service plan for the "CITIC United Fleet" to meet diversified customer needs. Furthermore, the Bank continued to increase the collaboration and synergy with industrial subsidiaries of CITIC Group, opened up the industry and finance link channel with its excellent industrial cooperation as the breakthrough point so as to help sharpen collaborative competitiveness along the industrial chain, provided customers with a full range of resource integration services "beyond banking, beyond finance", and build a synergistic ecosystem of CITIC Group.

In terms of retail banking, the Bank strove to promote the synergy of wealth management business for individual customers of CITIC Group and joined hands with the Group's financial subsidiaries including CITIC Securities and China Securities to boost product innovation, R&D and omni-channel sales. As for middle and high-end customer sharing in banks and securities, the Bank jointly conducted activities such as "Visiting Listed Companies" and "Visiting Agency Payment Companies" with CITIC Group's financial subsidiaries, and acquired customers by promoting the "Entrepreneur Office" model. With the "CITIC U Enjoy+" platform as a bridge, the Bank accelerated the transformation of basic customers of CITIC Group subsidiaries, carried out "CITIC Wealth of Happiness" brand marketing activities and continued to expand the influence of personal wealth management brand.

During the reporting period, the Bank worked together with CITIC Securities, China Securities, CITIC Trust, CITIC Prudential Life and other financial subsidiaries of CITIC Group to furnish customers with joint financing of RMB768.900 billion, a year-on-year increase of 112.70%.

2.6.2 Financial Technology

The Bank always held firm to its business concept of science & technology for growth, firmly pursued the digital and intelligent transformation, and achieved remarkable results by rapidly promoting various work.

The Bank kept the focus sharp on capacity enhancement to drive business development. During the reporting period, the cumulative number of business requests delivered to the Bank's Head Office and branches increased by 110% year on year, and the average delivery time of regular requests was shortened by 49% year on year. In terms of corporate banking, the Bank launched innovative products such as CITIC e-Card, Corporate Treasure and Medical Insurance e-Loan, and accelerated the implementation of the e-welfare project covering the RMB100 billion consumer aging-care market, greatly enhancing its comprehensive financial service capacity. It also put the business collaboration management system into operation, which improved the collaboration efficiency by more than 50%. Meanwhile, the Bank rolled out the first one-stop cross-border e-commerce model for foreign trade in the industry, which effectively solved the four major problems of small and medium-sized export enterprises, namely, difficult to collect foreign exchange, low efficiency, high risk and high rate. In terms of retail banking, AI precision marketing has been widely used. During the reporting period, retail assets increased by nearly RMB135 billion. The efficiency of the whole-process online loan business for auto scenarios far exceeded that of traditional auto loans, and the loan increment in the past seven months exceeded the sum of the increment in the previous five years. Besides, the Bank moved faster in building open banking ecosystems, and co-created more than 4,000 business scenarios with aviation, internet finance, auto manufacturing and other industries. In the financial market business, the Bank launched a new-generation corporate treasury transaction platform, and realized online lifecycle management of all agency products of the financial market business, more than doubling the transaction efficiency. It also launched the "Foreign Exchange Trading" platform system to support the online handling of foreign exchange business for corporate customers, greatly reducing the labor and time costs of customers, and helping micro, small and medium-sized foreign trade enterprises effectively manage exchange rate risk.

The Bank promoted the R&D and application of innovative technologies with continuous efforts. The AI Model Center has over 300 models in use, and has basically built an enterprise-level intelligent model group covering major business areas. The AI Efficiency Center basically completed the "Robotic Process Automation + Artificial Intelligence (RPA+AI)" system, fully releasing the "superposition effect" of intelligent productivity, and was granted the "2021 Best Process Automation Award" by *The Asian Banker*. The Optical Character Recognition (OCR) basic engine is fully self-developed by the Bank and has been successfully applied in a number of business scenarios such as intelligent approval. Additionally, the Bank remained a leader in terms of blockchain technology, incubating and putting in place several innovative solutions such as smart supply chain and family investment advisor, and the blockchain-based fund management program was awarded the "2021 Best Blockchain Program in China" by *The Asian Banker*.

2.6.3 Wealth Management

With a strategic focus on wealth management and aiming at strengthening customer relationship at settlement, investment, financing, services and activities, the Bank endeavored to become a first choice for customers in wealth management business. The Bank accelerated to build the wealth management brand "CITIC Wealth of Happiness" and improved the product supply and customer service capability by leveraging the full range of licenses and collaborative advantages of CITIC Group. Through "CITIC U Enjoy+", a unified account platform of the CITIC Group, the Bank facilitated the mutual recognition and basic rights sharing for "CITIC Wealth customers" to enhance customer experience. Based on its value orientation and customer orientation, by reshaping the wealth management customer journey as a major focus, the Bank facilitated digital transformation to support the rapid development of wealth management business and enhanced customer insight and business insight.

In response to market changes, the Bank strengthened customer relationships and expanded its wealth management business in line with customer needs. In terms of personal deposit business, the Bank promoted the increase of deposits of settlement funds under payment and settlement scenarios, diversified personal deposit products, optimized business processing functions through online channels and enhanced customer experience. In terms of wealth management, the Bank implemented the *New Regulations on Asset Management* and achieved continuous results in the transformation towards net asset value (NAV) products. Relying on the products of its wealth management subsidiary as a cornerstone, during the reporting period, the Bank chose to establish collaborative relationship with leading wealth management subsidiaries of peer banks to promote the high-quality development of wealth management business for personal customers. As at the end of the reporting period, personal net-worth wealth management products meeting the *New Regulations on Asset Management* requirements accounted for 78.54% of the total, an increase of 9.97 percentage points over the prior year-end. Regarding private banking business, the Bank upgraded asset allocation models and provided integrated service plans for "individuals + families + enterprises". The Bank leveraged the collaborative advantages of CITIC Group and added large-amount customized service from CITIC Securities. In terms of family trust, the Bank invited CITIC Wealth Management as investment adviser and realized diversified allocation for fund. As for administrative management trusts, the Bank launched equity and debt family trust, insurance trust, trust from foreign settler and charity trust innovatively. The Bank achieved obvious results in the transformation towards net asset value (NAV) products for private banking. Non-monetary net-worth wealth management products went up by RMB43.595 billion over the prior year-end. The agency sales of standardized private banking products stood at RMB46.654 billion, an increase of 136.57% over the same period of the previous year. The two flagship products, family trust and carte blanche of private banking registered sales of RMB22.685 billion collectively.

In terms of agency sales of fund, the Bank deepened cooperation with fund companies, customized products from selected fund brands, and allocated "fixed income+" and initial offering equity products for customers. During the reporting period, the Bank's balance of non-monetary funds surged by 68.34% over the same period of the previous year. With respect to agency sales of insurance, as at the end of the reporting period, agency sales of insurance products providing protection increased by 29.76% over the same period of the previous year, indicating further improved product structure, and the cumulative agency sales of insurance products providing protection increased by 6.79 percentage points year on year.

2.6.4 Asset Quality

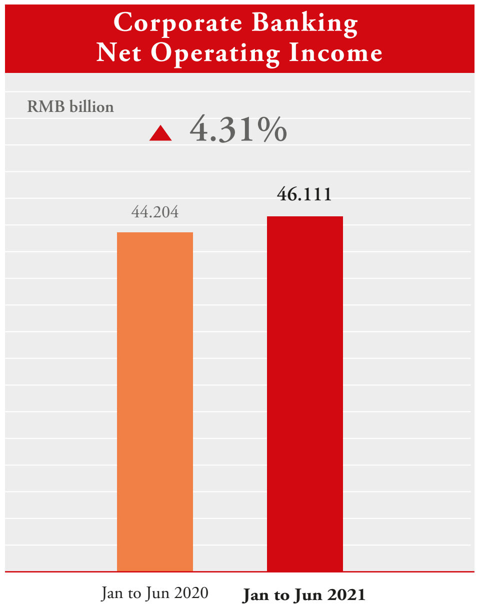
In recent years, the Bank has been improving its risk prevention and control system, continuously optimizing credit structure and taking multiple measures to make risk prevention and mitigation more effective. During the reporting period, the Bank further strengthened comprehensive asset quality control. As a result, NPL balance and NPL ratio both decreased over the prior quarter-end in a row, and risk resilience has been enhanced. As at the end of the reporting period, the Group's NPL balance recorded RMB70.682 billion, a decrease of RMB2.770 billion from the prior year-end; NPL ratio recorded 1.50%, a decline of 0.14 percentage point from the prior year-end, the lowest since 2016; the ratio of balance of allowance for loan impairment losses to NPL balance (i.e. allowance coverage ratio) stood at 189.37%, up by 17.69 percentage points from the prior year-end, the highest since 2014; the ratio of balance of allowance for loan impairment losses to total loans (i.e. allowance for loan impairment losses to total loans) stood at 2.84%, up by 0.02 percentage point from the prior year-end, indicating adequate allowance for loan impairment losses and further improved risk mitigation capabilities.

During the reporting period, the Bank vigorously disposed of non-performing assets, and gained breakthroughs in risk mitigation in major NPL engagements. The disposal of non-performing assets and cash recovery surged over the same period of the previous year. The risk mitigation and disposal of non-performing assets amounted RMB56.789 billion, a rise of 79.67% over the same period of the previous year. Recovery of written-off assets amounted to RMB6.197 billion, up by 37.33% over the same period of the previous year. Meanwhile, the Bank strictly contained the increase in non-performing assets. During the reporting period, the increase of corporate non-performing assets decreased 11.77% over the same period of the previous year. The increase in non-performing credit card assets clearly slowed down, and the monthly average increased balance of non-performing assets in the second quarter dropped by 29.24% over the first quarter. As at the end of the reporting period, NPL ratio of credit card assets decreased by 0.59 percentage point from the high at the end of January 2021. Special mention loans and loans overdue dropped RMB3.654 billion and RMB2.839 billion from the beginning of the year, respectively. In the coming second half year, the Bank will intensify its efforts in NPL risk mitigation and disposal, and it is expected that both of the NPL balance and NPL ratio will decline and the asset quality will improve continuously.

2.7 Business Overview

2.7.1 Corporate Banking

The Bank followed the general principle of pursuing progress while ensuring stability in terms of corporate banking, acted upon the philosophy of customer-centric services and boosted transformation and sustainable development of corporate banking. During the reporting period, the Bank conformed to the overall principle of "striking a balance between quantity and price" and moved towards the goal of "increasing scale, controlling cost and optimizing structure", therefore its corporate deposits maintained a balanced development trend featuring steady growth in business volume and reasonable management and control of cost. As at the end of the reporting period, the Bank registered period-end balance of corporate deposits of RMB3,541.517 billion, up by RMB97.536 billion over the end of last year. Its daily average balance stood at RMB3,522.523 billion, an increase of RMB284.054 billion year-on-year, constantly leading joint-stock banks. Specifically, the Bank's balance of structured deposits accounted for 3.73% of the total, a decrease of 1.38 percentage points over the prior year-end and a relatively low level among joint-stock banks. The Bank managed and controlled the scale of market-based deposit products in a reasonable way and drove the growth of settlement deposits to achieve effective management of its cost of corporate deposits. During the reporting period, the cost rate of its corporate deposits was 2.02%, down by 10 BPs year-on-year, remaining at a relatively low level in terms of the cost of corporate deposits among joint-stock banks.



During the reporting period, the corporate loan business of the Bank firmly implemented national policies on supporting emerging industries of strategic importance, such as green credit, manufacturing, private enterprises and other key areas, and further adjusted structure and improved the quality of assets in accordance with its annual plan for assets and liabilities. As at the end of the reporting period, the Bank's balance of general corporate loans was RMB2,112.547 billion, an increase of RMB137.548 billion or 6.96% over the prior year-end. During the reporting period, the Bank extended corporate loans in Renminbi of RMB891.491 billion, an increase of RMB131.811 billion or 14.79% over the same period of previous year. Loans granted to manufacturing, wholesale and retail, water, environment and public utilities management, lease and commercial services accounted for 64.96% of the total, among which loans to manufacturing accounted for the largest share, namely 22.73%. In terms of interest rate pricing, during the reporting period, interest rate of new corporate loans in Renminbi was cumulatively priced at 4.71%, an increase of 2 BPs over the previous year.

During the reporting period, the Bank registered net operating income of RMB46.111 billion in terms of corporate banking, representing a year-on-year increase of 4.31% and accounting for 46.81% of the Bank's net operating income. Specifically, the Bank recorded net non-interest income from corporate banking of RMB7.761 billion, accounting for 27.99% of the Bank's net non-interest income.

2.7.1.1 Customer Management

During the reporting period, the Bank sped up the building of customer base system by promoting the "Six Hundred and Three Thousand"[3] project and carrying out a series of activities such as traffic attraction through various channels and partnership plans. As at the end of the reporting period, the Bank recorded a total of 871,800 accounts of corporate customers. This number included an increase of 15,000 accounts of base corporate customers[4] and an increase of 7,052 accounts of valid customers, showing a sound growth momentum. Through chain marketing toward customers, the Bank acquired over 10,000 strategic customers, leading to an increase of RMB55.472 billion in the period-end balance of deposits. It also acquired nearly 4,000 institutional customers and approximately 200 new important qualification accounts with its scenario-based smart management system. The number of settlement customers of the Bank's international business grew by 16.70% on a year-on-year basis; the number of customers for the threshold of transaction banking[5] reached 390,400, a year-on-year increase of 29.64%.

Strategic Customers

The Bank continuously strengthened the leading role of the Head Office and branches in managing strategic customers, and improved the joint management model for strategic customers with "leading marketing, sharing risks, improving organization, and linking performance" as the core. Through integrating front, middle and back offices, and coordinating the Head Office and branches, the Bank provided customized support to 169 Head Office-level strategic customers, more than 1,500 strategic customers and their industrial chains at the branch level.

Leveraging the synergistic advantages of CITIC Group, the Bank customized differentiated comprehensive financial solutions, launched new supply chain financial products, streamlined business process and allocated differentiated resources for each of the strategic customers. During the reporting period, the Bank established strategic cooperation with COFCO Corporation, LONGi Green Energy Technology Co., Ltd. and other customers, deepened operations in leading customers in key fields and industries such as energy, construction, equipment manufacturing, automobile, internet and big consumption, and provided high-quality and efficient financial services for small and medium-sized enterprises on the industrial chains of strategic customers.

During the reporting period, the Bank's daily average balance of deposits from strategic customers[6] stood at RMB1,299.670 billion, an increase of 10.56% over the previous year-end; and operating income reached RMB14.647 billion. As at the end of the reporting period, the Bank's balance of loans to strategic customers stood at RMB774.770 billion, an increase of 10.81% over the end of the previous year, showing good overall loan quality.

---

3 Refers to acquiring 100 existing and new infrastructure and emerging industry customers, 100 transaction banking customers, 100 central enterprises and large corporate customers, 100 platform-based corporate customers, 100 listed corporate customers and 100 corporate customers worth of investment as well as 1,000 high-quality customer acquisition channels for base customers, 1,000 corporate customers to be listed and 1,000 group-wide collaboration customers within three years.

4 Refers to corporate customers with daily average deposits of RMB100,000 and above. During the reporting period, the Bank adjusted the statistical scope of base corporate customers to meet the needs for corporate customer management. If the comparable scope for the previous year was applied, the base corporate customers would be 207,800.

5 Refers to corporate customers who make at least one transfer through the Bank's electronic corporate channels or log in to corporate mobile banking at least three times.

6 Deposit balance, operating income and loan balance of strategic customers are counted according to the list of strategic customers adjusted and confirmed by the Bank. To boost data comparability, relevant growth rates are adjusted according to changes in the scope of customers.

Institutional Customers

The Bank unleashed its distinctive strengths in institutional business, continuously deepened the building of a comprehensive management system for institutional customers and focused on building the brand of government financial services.

During the reporting period, the Bank consolidated the foundation for cooperation in public finance, social security, medical insurance and housing, and established an intelligent scenario-based operation system covering "government + legal person of private enterprises and public institutions + general public". While strengthening cooperation with institutional customers, the Bank placed emphasis on products, traffic and chain marketing, advanced product innovation and promotion in areas such as education, healthcare, public security organs, procuratorial organs and people's courts, and acquired nearly 4,000 new institutional customers. It also actively promoted the whole-process service for local government bonds, created single big products of local government bonds, and participated in more than 300 local government bond issuance projects to facilitate high-quality development of regional economy.

As at the end of the reporting period, the Bank recorded 46,700 accounts of institutional customers of various types[7], with balance of loans for these customers reaching RMB639.100 billion, up by 13.86% over the end of the previous year. During the reporting period, the balance of daily average deposits by institutional customers amounted to RMB1,215.248 billion, up by 2.17% over the previous year. The Bank's institutional customers had a 0.16% NPL ratio and recorded good asset quality in the overall sense.

Small and Micro Enterprises Customers

The Bank endeavored to build a "value inclusive" system, continued to improve its financial service capability and level for small and micro enterprises, and achieved remarkable results.

The Bank continuously strengthened the leading role of top-level design. During the reporting period, the Board of Directors listened to the report on the development of inclusive finance and reviewed the development plan for 2021. The Board of Supervisors included the implementation of central government guidelines and regulatory policies regarding inclusive finance into the performance appraisal of senior management members, listened to a special report on the development of inclusive finance, conducted special surveys at key branches, and put forward targeted improvement plans. The steering group for inclusive finance held an annual working meeting to listen to the work report for 2020 and arrange priorities for 2021.

During the reporting period, the Bank stepped up product and service innovation, put into operation the intelligent product R&D credit factory, and launched the first credit production line with projects implemented. Centering on the supply chain, the Bank continued to refine product functions, and provided more convenient online services. It granted more first-time loans, credit loans, medium and long-term loans, manufacturing loans and loan renewal without repayment. What's more, the Bank intensified efforts in risk compliance management, improved its risk management policy system, and worked faster to streamline its business procedures and iterate its intelligent risk control system. It deferred the repayment of principal and interest for enterprises with temporary difficulties following the market-oriented principle and on a sound legal footing as required by relevant policies, and strengthened internal control and compliance management such as loan payment control, fund flow monitoring and anti-money laundering. Giving the weights of relevant works in performance assessment as required by regulators, the Bank defined risk tolerance requirements, implemented the policy on ensuring no one who has fulfilled their due diligence is held liable, and set up special-purpose rewards and subsidies.

7 Due to its need for management of corporate customers, the Bank reclassified the existing institutional customers and made corresponding regressive calculation of the beginning base figures.

As at the end of the reporting period, the balance of loans to small and micro enterprises[8] was RMB899.160 billion, an increase of RMB118.028 billion over the end of the previous year; the number of customers with outstanding loans was 175,500, an increase of 6,500 from the end of the previous year. The balance of inclusive finance loans meeting the assessment requirement of the CBIRC[9] reached RMB325.081 billion, an increase of RMB26.878 billion over the end of the previous year, growing faster than other loans; the number of customers with outstanding loans was 167,200, an increase of 5,400 from the beginning of the year. The asset quality of inclusive finance loans remained stable, with an NPL ratio lower than the overall NPL ratio of the Bank. The overall cost of financing from the Bank including loan interest for small and medium enterprises dropped steadily. The Bank's balance of inclusive finance loans in line with the assessment requirements of the PBOC on targeted RRR (Reserve Requirement Ratios) cuts[10] was RMB349.296 billion, an increase of RMB24.208 billion from the end of the previous year, accounting for 13.95% of the Bank's new RMB loans, which periodically met the highest assessment standard for targeted RRR cuts of the PBOC that "the deposit reserve ratio shall be lowered by 1.5 percentage points on the basis of the required deposit reserve ratio benchmark".

2.7.1.2 Businesses and Products

Investment Banking Business

The Bank took the investment banking business as a vital pillar to implement its strategy of the best comprehensive financial services. It actively fulfilled the business transformation and development requirements and engaged in the building of an integrated management system for corporate customers in all respects.

During the reporting period, the Bank strictly followed its new three-year strategic plan, strengthened collaboration with other financial enterprises as well as the industry-finance collaboration, and focused on comprehensive and long-term value creation. Upholding the philosophy of "professionalism in empowerment and innovation for efficiency", the Bank gave play to the key role of investment banking business in the value chain for corporate financing cooperation and engaged in the integrated customer management on all fronts. With customers as the center, products as the focus and mutual benefit as the goal, the Bank is dedicated to becoming a comprehensive financing provider in four major financial markets of debt capital, equity capital, traditional credit and non-standard financing, thus creating a new pattern for investment banking business. During the reporting period, the Bank issued the state's first batch of carbon-neutral bonds, rural revitalization bonds and sustainability-linked bonds, and also issued the state's first high-growth bonds and equity-contributed notes for rural revitalization, so as to channel funds in the bond market to support national strategies. Furthermore, the Bank designed a visionary package of financing plans geared to the debt capital market and equity capital market for its customers, stimulated all-round cooperation between enterprises and CITIC institutions, assisted enterprises in high-quality and rapid development, and undertook social responsibilities as a financial enterprise.

During the reporting period, the Bank achieved income of RMB4.468 billion from its investment banking business and financing of RMB509.537 billion. It underwrote 660 debt financing instruments totaling RMB393.300 billion, with both the quantity and amount ranking first in the market.[11]

International Business

The Bank fully acted upon national policies in terms of its international business, adhered to its original mandate of serving the real economy and maintained stable business growth.

---

8 Refer to the loans for small enterprises, micro enterprises, individual businesses, and small and micro business owners.

9 Refer to the loans for small enterprises, micro enterprises, individual businesses, and small and micro business owners with the total single-account credit amount of RMB10 million or below.

10 Refer to the small and micro enterprise loans, business loans for individual businesses and small and micro business owners, production and business loans for farmers, startup guarantee loans, consumer loans for impoverished people with established poverty files and cards, and student loans, with the single-account credit amount of less than RMB10 million.

11 Ranking based on Wind Info data.

During the reporting period, the Bank innovatively established business scenarios and ecological product service systems to promote the building of "Assisting Partner" brand of corporate banking. It continued to boost the digital transformation and development of international business by launching CITIC "Foreign Exchange Trading" customer-side platform, a milestone product of foreign exchange trading, and a new settlement model "Umbrella Account" for cross-border e-commerce. Moreover, the Bank integrated the three digital high-speed ways for its international business, namely, the online banking "Intelligent Bank-Enterprise Connection", "AMH Global Cash Management" and "Cross-border Fund Pool", to fuel the growth of foreign exchange fund transactions and foreign exchange receipts and payments for international balance of payments. The Bank persistently propelled the application of the FT account[12] system with nationwide impact based on the free trade zones of Shanghai, Guangzhou and Haikou, and rolled out a comprehensive financial service platform "Financing in the Free Trade Zone", as a result the assets under the FT account rose by over 20% as compared with the prior year-end.

During the reporting period, the Bank's forex purchase and sale recorded USD89.038 billion, a year-on-year increase of 32.94%; its forex receipts and payments for international balance of payments registered USD153.082 billion, a year-on-year increase of 37.34%. Its cross-border Renminbi receipts and payments amounted to RMB226.955 billion, a year-on-year increase of 54.92%. The Bank's various indicators continued to be in the forefront of joint-stock banks.

Transaction Banking Business

The Bank took transaction banking business as an important pillar for transforming its corporate banking services, vigorously developed transaction banking business and promoted capital-light development and digital transformation.

During the reporting period, the Bank pushed forward product development in an all-round manner, actively explored product innovation, and further enriched its product categories with new products such as "Enterprise Treasure", "Credit E Card" and "Credit Guarantee" to effectively meet customers' settlement and financing needs. It also actively explored industry service solutions to problems and difficulties in financing and settlement for construction enterprises, and successfully unveiled the "351" exclusive service plan[13] for transaction banking in the construction industry. The Bank constantly improved its response capability and upgraded the integrated operation system for transaction banking customer experience and response, in a bid to further improve the quality of response and processing. Based on the three-dimensional development model of "new experience, new services and new channels", the Bank strengthened the building of scenario-based electronic channels for corporate banking, enhanced online self-services, and promoted coordinated development of channels including corporate online banking, corporate mobile banking and direct bank-enterprise connection, thereby building a multi-faceted financial service platform for corporate banking.

As at the end of the reporting period, the Bank recorded 764,700 accounts of customers in transaction banking, a growth of 7.16% over the end of the previous year. During the reporting period, the Bank registered transaction financing of RMB400.868 billion, an increase of 305.20% year on year; it completed 92,458,300 deals of transaction banking business with a value of RMB67.12 trillion, up by 78.42% and 34.30% year on year respectively.

Auto Finance Business

The Bank devoted great efforts to develop business along the entire auto industrial chain, consolidated leading advantages of its auto finance business, and actively fostered new growth drivers including commercial vehicles, second-hand vehicles and new energy vehicles.

12 Namely free trade account, which refers to the local and foreign currency account following uniform rules and opened by financial institutions under the free trade accounting unit according to the needs of customers.

13 The "351" plan focuses on the three financing problems, five settlement pain points and the first-category off-balance-sheet needs of construction enterprises. By leveraging a package of transaction banking products, the plan provides full-chain services to facilitate construction enterprises in intensive, refined and professional management.

During the reporting period, the Bank continued to strengthen the coordination between branches, between retail and corporate banking, and between the Bank and CITIC aiBank, advanced the integrated development of retail and corporate banking of key branches, and supported the online, automated and intelligent business development with the creation of a new-generation auto finance 4S system. During the reporting period, cumulative financing amounted to RMB190.096 billion, a year-on-year increase of 47.57%, outperforming the market. The balance of daily average deposits amounted to RMB128.721 billion, a year-on-year increase of 36.94%. As at the end of the reporting period, the Bank's auto finance business had 5,496 auto business customers, up by 1,651 over the prior year-end. The balance of financing stood at RMB107.360 billion, with an overdue advance ratio of 0.03%, indicating sound asset quality.

Asset Custody Business

Holding fast to the philosophy of "value-added custody business", the Bank deepened business coordination within CITIC Group, intensified the move of bringing assets generated from internal resources under custody[14], spared no efforts in the development of the custody business, deepened customer management, and sped up technology empowerment. Specifically, it provided asset management agencies and corporate customers with basic custody services and value-added services from the perspectives of capital, product management and investment.

During the reporting period, the Bank vigorously boosted key custody businesses such as mutual funds, aging finance and cross-border custody. It had 37 newly-raised mutual funds under custody with a total amount of RMB90.369 billion, up by RMB66.667 billion year on year, exceeding the annual amount in 2020 and ranking No.3 among joint-stock banks[15]. The Bank was selected as the custody bank of occupational annuities in the Xinjiang Uygur Autonomous Region and won the qualifications for the custody bank of central and 29 provincial occupational annuities. Moreover, the Bank's custody scale of pension topped RMB300 billion for the first time. Specifically, the custody scale of enterprise annuities remained No.7 among commercial banks and No.2 among joint-stock banks[16]. The Bank successfully implemented the QFII custody, with the scale of cross-border custody reaching RMB24.715 billion, up by RMB4.658 billion over the prior year-end, and the income from custody business reaching RMB20,876,700, up by 43.53% year on year.

During the reporting period, the Bank recorded RMB1.738 billion income from custody business with a custody scale of RMB11.20 trillion, representing an increase of RMB870.398 billion. The custody accounts continued to beef up deposit growth, recording an average daily balance of deposits of RMB448.000 billion, of which the average daily balance of general deposits on the custody accounts was RMB143.129 billion.

2.7.1.3 Risk Management

The corporate banking business line of the Bank followed the "customer-centric" business philosophy, strove towards the goal of "better structure, distinctive characteristics, consolidated foundation and enhanced earnings", and adhered to the philosophy of high-quality and sustainable development. The Bank enhanced the capability of comprehensive customer management and achieved high-quality development of its corporate credit business.

In terms of customers, the Bank continuously improved its profound insights into and awareness of market competition, customer needs and industry development, set up a well-structured management system, designed differentiated business strategies, and created comprehensive service plans. In line with the overall principle of "high threshold and long-term maintenance", the Bank fully tapped the value of its strategic customers, thoughtfully managed its key institutional customers, and continued to enhance the brand image of government financial services. It also gave play to the leading role of customer name list system to increase the proportion of credit granted to high-quality customers in a targeted manner.

---

[14] Refers to bringing assets generated from the Bank's internal resources under its custody.

[15] Ranking according to the Wind Info data.

[16] Ranking according to the latest statistics released by the Ministry of Human Resources and Social Security.

In terms of regions, the Bank implemented the differentiated strategy for regional development to attain the strategic goal for coordinated regional development. It placed emphasis on the three strategic development regions, namely, Beijing-Tianjin-Hebei Region, Yangtze River Delta and Guangdong-Hong Kong-Macao Greater Bay Area, focused on the aggregation effect of cities in the regions, such as Chengdu-Chongqing Economic Circle, and actively supported infrastructure construction, urban connectivity, urbanization, high and new technology and other industries.

In terms of industries, the Bank persistently pursued the aim of serving the real economy, seized opportunities arising from the new development pattern, and continued to push forward the optimization and adjustment of asset structure to follow the national plan for adjusting industrial structure. The Bank bolstered for the development of advanced manufacturing and emerging industries of strategic importance, and highly valued the development opportunities for existing and new infrastructure under the new development pattern featuring dual circulation. On top of these, the Bank ensured the support of industries concerning people's livelihood and prioritized its support for cultural, educational and elderly care industries. It also implemented macro-control policies and strengthened the refined management of the real estate business. In response to market demand for carbon neutrality, the Bank vigorously developed green finance and controlled the credit granted to low-end manufacturing industries and industries with high energy consumption and high emissions.

In terms of businesses, the Bank actively developed distinctive businesses. It developed the transaction banking business to create popular products of wealth and asset management and transaction financing. Additionally, the Bank deepened model innovation to actively stimulate the development of supply chain finance, and promoted the equity capital market business and investment and loan coordination business to achieve transformation of the investment banking business. The Bank built a "value inclusive" system, continuously facilitated high-quality development of inclusive business, and leveraged its "capital light" advantages to increase value contribution of international business.

2.7.2 Retail Banking

To respond to the changes in external environment and customer needs, the Bank followed the requirements of its strategic development plan, drove capability and system building with the wealth management business, and strove to become customers' first choice of wealth management bank as an expert at settlement, investment, financing, services and activities. Adhering to a customer-centric approach, the Bank focused on fostering professional competency of wealth management, strengthened multi-channel customer acquisition, and carried out stratified management of customers. It enhanced professional abilities of investment research, investment advisory and asset allocation, continued to ramp up retail assets under management and optimized asset structure under management while intensifying the improvement of its organizational system to energize the system and improve the retail value contribution on an on-going basis.

As at the end of the reporting period, the Bank's balance of personal deposits stood at RMB860.344 billion, representing an increase of RMB38.328 billion or 4.66% over the end of the previous year. During the reporting period, the Bank's retail banking business recorded net operating income of RMB38.322 billion, a year-on-year growth of 1.78%, representing 38.90% of its net operating income. Net non-interest income from retail banking recorded RMB11.181 billion, a year-on-year increase of 5.22%, accounting for 40.33% of the Bank's net non-interest income. Specifically, net non-interest income from credit cards amounted to RMB5.849 billion, accounting for 21.09% of the Bank's net non-interest income.

2.7.2.1 Customer Management

The Bank continued to enhance its value-oriented customer acquisition and management capabilities, promoted stratified management of retail customers, deepened grouped management of customers, and achieved constant growth in the number of customers.

In terms of customer acquisition, the Bank took a three-pronged approach of business integration within the retail segment[17], coordination between retail and corporate banking and Group-wide collaboration to acquire customers, explored maximum effect of scenario-based customer acquisition, and developed customer acquisition capability through multiple scenarios, thus constantly expanding customer base. It strategically promoted the basic customer acquisition centering on agency payroll, continued to push forward customer acquisition "within three kilometers around outlets", and strengthened the development of ecological scenarios of going abroad, travel, housing, health, education, Party building and quality life. With its healthcare scenarios, the Bank carried out joint healthcare service operation with the National Healthcare Security Administration (NHSA). As at the end of the reporting period, the Bank recorded 1,201,400 medical insurance code users, ranking second among joint-stock banks[18]. As for the going abroad financial scenarios, the Bank released the *2021 Blue Book – China's Study Abroad Agencies* through online and offline channels and upgraded a number of products such as global visa, forex purchase and sale, certificate of assets and certificate of transactions, therefore greatly improving customer experience. Regarding quality life scenarios, the Bank introduced non-financial services such as reading and video and upgraded mobile banking CITIC marketplace with "U Enjoy+".

In terms of customer stratified management, the Bank deepened the stratified management system of customers to optimize chain-based transmission from ordinary customers to private banking customers relying on channel coverage of "offline outlets + online mobile APP" with professional capabilities in stratified services. In addition, it refined the comprehensive customer service model on the basis of ecological scenarios such as convenient payment of Party membership dues and comfortable housing, so as to improve customer management and service experience. For its private banking customers, the Bank made constant and determined efforts to expand new customers through marketing while managing and maintaining existing customers, and upgraded the precision marketing models to enhance efficiency and quality of customer management and further improve customer loyalty. As at the end of the reporting period, the Bank recorded 54,400 accounts of private banking customers[19], an increase of 6.31% over the end of the previous year. The balance of assets under management amounted to RMB750.007 billion, an increase of RMB69.680 billion over the end of the previous year.

17 Refers to strengthening the integration of various businesses in the retail segment, focusing on customers, unifying views of customers and integrating resources to meet customer needs, and providing one-stop financial and non-financial services for customers with greater value.

18 Ranking according to data released from the NHSA and banking channels of electronic certificate for national basic medical insurance.

19 Refers to customers each having at least RMB6 million (inclusive) daily average AUM per month with the Bank.

In terms of grouped management of customers, the Bank continuously improved comprehensive financial and non-financial services relying on ecological scenarios to key customer groups such as going abroad customers, elderly customers and business travel customers. It actively advanced the development of the third pillar of private pension business, formed management strategies for customer groups, and constantly strengthened the brand image of a retail bank "with a human touch". At the same time, the Bank built a digital operation closed loop for selecting customer groups, formulating strategies, triggering business opportunities, accessing channels, and evaluating effect based on subdivided customer groups and with the capability of intelligent marketing middle office. It continued to optimize the marketing model system to significantly raise the level of intelligent marketing. During the reporting period, the Bank had over 200 automated marketing strategies, including activating online customers, maintaining leaving customers and increasing assets, and reached out to customers 136 million times in total. The upward transmission scale of new customers acquired through scenarios and existing ordinary customers (with daily average assets under management of RMB50,000 and below per month at the end of the previous year) steadily expanded, remarkably improving customer services and the scale of assets under management.

As at the end of the reporting period, the Bank recorded 115 million accounts of retail customers, a growth of 3.62% over the end of the previous year; and 1,012,200 accounts of medium-to- high-end customers[20], representing a growth of 4.40% over the end of the previous year.

2.7.2.2 Businesses and Products

Personal Loan Business

Adhering to the concept of "Value Personal Loan", and the role of personal loans as the "ballast stone" of the Bank's asset business, the Bank promoted the balanced development of three key products, namely, personal housing loans, personal business loans and personal unsecured consumer loans in an orderly manner, to support the development of the real economy and private economy and boost residents' consumption upgrading.

In terms of personal housing loans, adhering to the policy guideline of "houses are for living in, not for speculation" set forth by the CPC Central Committee and the central government, the Bank implemented a strict control policy on real estate concentration. In terms of personal business loans, the Bank thoroughly implemented the strategic plan of the CPC Central Committee for supporting the development of small and micro enterprises and the real economy, improved its product policies, specified operating standards, and improved such functions as loan renewal without repayment, and borrowing and repayment upon demand, thereby raising the convenience of customers' fund using. Based on the real business scenarios of core enterprises, the Bank stepped up efforts in granting unsecured business loans, launched comprehensive financing plans for small and micro enterprises, and matched their actual financing demands in a flexible way. In terms of personal unsecured consumer loans, the Bank strengthened product innovation and scenario integration, improved the batch customer acquisition capabilities in real scenarios, and continuously promoted the development and branding of "Xin Miao Dai" (means CNCB instant loans).

As at the end of the reporting period, the balance of personal loans (excluding credit cards) of the Bank was RMB1,420.683 billion, an increase of RMB55.168 billion or 4.04% over the end of the previous year. The balance of commercial personal housing loans reached RMB925.884 billion, an increase of RMB27.751 billion or 3.09% over the end of the previous year.

Credit Card Business

Under the premise of compliant operation and risk prevention and control, and focusing on consumption as the original source of business growth, the Bank provided multi-dimensional value-added products and services closely surrounding customer demands. And it provided high-quality interactive experience with differentiated and refined whole-process services to fully safeguard customers' interests and constantly create value for them.

Under the premise of compliant operation and risk prevention and control, the Bank advanced the "capital light" strategy for its credit card business, and continuously improved asset structure. During the reporting period, centering on the real consumption needs of customers, the Bank improved credit card installment business function, expanded scenario-based installment, and met customers' consumption needs in diversified scenarios. Meanwhile, the Bank continuously pressed ahead with the membership-based operation, consolidated the advantages of annual fee products, and accelerated the pace to make breakthroughs in the wealth management business. It moved faster in the fintech layout and digital transformation

[20] Refers to customers each having at least RMB500,000 daily average AUM with the Bank.

of the credit card business, and realized deep integration of services, products and technologies. During the reporting period, the Bank intensified efforts in the platform building. The 5G all-IP open service platform project entered the business integration phase, and the "Mobile Card Space APP" of Huawei Harmony system was launched, becoming one of the first financial service products suitable for Harmony. The Bank continued to advance the in-depth integration of AI, big data and other technologies with business, and promoted the application of digital tools on all fronts, thus enhancing its customer insight and operation insight based on digital application. Its new core system "Star Card" won the "Excellent Project Award", the highest honor of the "Xiangmihu FinTech Innovation Award".

As at the end of the reporting period, the Bank issued a cumulatively 96.8318 million credit cards, an increase of 4.55% over the end of the previous year, and recorded RMB507.931 billion balance of credit card loans, an increase of 4.68% over the end of the previous year. During the reporting period, the Bank's credit card transaction volume stood at RMB1,327.756 billion, a growth of 14.13% year on year; it realized RMB28.463 billion income from credit card business, a decline of 6.19% year on year.

Digital Finance Business

The Bank adhered to the principle of digital development featuring "APP serving as a bank, MAU=AUM[21], payment and settlement=traffic and existing volume" in terms of its digital finance business. Centered on core businesses including digital management of ordinary customers, digital and unified channel building and innovative expansion of payment and settlement business, the Bank continued to improve its digital operation system, created an operation chain from customer acquisition, activation to value addition, and constantly enhanced the value contribution capability of digital finance business.

The Bank continued to build and improve the digital operation system to enhance its wealth management capability. By identifying the wealth management needs and risk appetites of different customer groups, the Bank continuously upgraded financial services provided through digital channels to help improve the wealth service capability. Online video and audio recording sales[22] of private banking products accounted for 88.30% of the total sales volume, up by 16.26 percentage points over the prior year-end. In the meantime, the Bank actively explored the intelligent, light, digital risk control system, continuously improved the data-driven closed-loop risk control operation mechanism and risk control and screening model for high-risk scenarios, accurately detected business risks, and improved risk prevention and control capabilities such as anti-money laundering and anti-fraud. On the basis of controllable risks, the Bank continued to optimize the security verification process, stroke a balance between security and customer experience, reduced operating cost and saved time for customers.

21 MAU refers to monthly active users and AUM refers to assets under management.

22 Video and audio recording sales refer to the model where customers purchase exclusive private banking products (including asset management plan and trust plan, but excluding family trust) by means of audio and video recording through CITIC Bank's mobile banking.

During the reporting period, the Bank witnessed substantial growth in its e-commerce business, with a year-on-year increase of 118.45% in the trading volume. Income from the intermediary business grew by 101.71% year on year. Specifically, CITIC Smart Forex[23] forged business cooperation with Standard Charted Bank and Amazon, thus the Bank became the first commercial bank to provide collection services in Europe in the industry and the first batch of collection service providers officially certified by Amazon.

Going Abroad Financial Services

For going abroad customers, the Bank launched the "FAVOR U Enjoy" plan for the going abroad financial services, integrating financial products, feature functions such as visa, value-added services and special activities, to provide comprehensive one-stop going abroad solutions for customers.

During the reporting period, the Bank further leveraged the capability of the going abroad financial platform to connect with scenarios, built a "Going Abroad – Connectivity on the Cloud" platform, and created a new customer acquisition model for going abroad financial services. It also deepened cooperation with embassies of various countries, restored the On-Demand Mobile UK Visa Service, and provided door-to-door visa services for customers. Additionally, the Bank worked with authorities to publish the *Blue Book – China's Study Abroad Agencies*, providing guidance for customers going abroad for further education. With cumulative viewership for the release conference exceeding 1 million, the Bank consolidated and improved the brand image of "CITIC Bank, Your Best Recourse to Go Abroad".

As at the end of the reporting period, the Bank recorded 8,229,400 accounts of customers using its going abroad financial services, up by 599,400 accounts of customers or 7.86% over the end of last year. The balance of AUM reached RMB1.10 trillion, up by RMB101.521 billion or 10.20% over the end of last year. Specifically, personal foreign-currency AUM was USD6.455 billion and personal foreign currency deposits with the Bank reached USD5.552 billion.

Ageing Finance Business

The Bank actively built the "Ageing Finance" ecology for an ageing financial service system covering the whole life cycle for customers.

During the reporting period, the Bank further upgraded the "Happiness +" service system for elderly customers and launched special asset allocation plans according to elderly customers' needs, so that they could keep or increase the value of assets and effectively pass on to beneficiaries. Furthermore, the Bank joined hands with the Office of National Working Commission on Aging and China National Committee on Ageing to hold salons and lectures in over 100 cities nationwide, with an aim to help millions of the elderly overcome the digital divide. As an exclusive cooperative financial institution, the Bank cooperated with the Ministry of Justice and Ministry of Human Resources and Social Security to carry out the "notarization for the elderly" business. By providing inheritance-related legal services for elderly customers, the Bank confirmed the validity and notarization of personal wealth specified in the will and ensured the assets could be transferred to beneficiaries as required by the will. At the same time, the Bank continued to optimize the service process and experience for elderly customers by launching green channels and door-to-door services to provide those mobility-impaired with business services. In doing so, the Bank further enhanced the brand effect of "Happiness + and Human Touch".

As at the end of the reporting period, the Bank had 17,077,200 elderly customers, an increase of 1,068,600 over the prior year-end. Specifically, it had 412,700 new elderly customers, a growth of 6.68%. AUM balance stood at RMB1.37 trillion, up by RMB86.748 billion or 6.79% from the end of last year.

---

23 Refers to the first domestic bank cross-border e-commerce collection and settlement product launched by the Bank. With remarkable advantages of "safety, inclusiveness, convenience and efficiency", it provides one-stop cross-border collection services for domestic cross-border e-commerce merchants, solving the long-standing pain points of "high risks, lengthy process, low efficiency and high cost" in the domestic export cross-border e-commerce industry.

Agency Payment Business

The Bank strategically pushed forward agency payroll service through coordination between retail and corporate banking.

During the reporting period, the Bank created a closed-loop payroll business ecosystem for corporate banking customers, upgraded the "Easy Salary" open agency payroll platform, launched six major ecosystem services in the field of intelligent HR and smart office that covering intelligent salary sheet, smart Party building, employee health management and pandemic response services, and provided one-stop salary service solutions. Therefore, the number of customers of the "Easy Salary" agency payroll platform increased significantly. As at the end of the reporting period, the Bank recorded 10,010,400 valid accounts of customers receiving its agency salary payments through coordination between retail and corporate banking, an increase of 88.13% year on year.

2.7.2.3 Risk Management

Personal Loans

The Bank adhered to the product-oriented risk control logic as the basic strategy for business development and risk control. It carried out mortgage business in an orderly and compliant manner centering on "income authenticity", vigorously promoted personal business loan business around "real operation", and actively supported scenario-based consumer loans focusing on "actual consumption". On this basis, the Bank identified and controlled credit risks before, in and after lending all along and constantly strengthened the risk management system building and the closed-loop lifecycle management.

In the pre-lending process, the Bank strengthened channel management and employed stratified management for credit risk of products. It implemented the closed-loop lifecycle management over cooperation channel in the aspects of front office marketing, risk access, continuous evaluation, channel exit and so on. It adopted stratified acceptance standards for personal loan products based on their credit rating. In the lending process, based on the risk measurement model and experts' experience, the Bank continued to strengthen the identification and monitoring of credit risk and fraud risk to improve its risk management and control. Based on effective historical data and supplemented by third-party data, the Bank made full use of retail banking credit risk measurement methods such as credit score model, fraud model and customer behavior model as well as business logic rule engine to effectively improve its capability on credit risk and fraud risk identification and management. The Bank actively facilitated the development of the centralized approval model for its personal loans, and developed Bank-wide standard approval templates to make personal loan examination and approval more standardized and specialized. It improved the risk monitoring system, monitored and analyzed risks for products, regions and cooperation channels, and accelerated iteration and updating of product policies and processes. In the post-lending process, the Bank reinforced the use control, improved risk early warning mechanism, and carried out centralized post-lending management. The Bank reinforced the use control across the process of personal loan business by means of automatic system monitoring and manual in-depth investigation. It continuously improved the post-lending early warning mechanism, made full use of internal data and actively introduced external data to enhance the width and accuracy of risk warning and monitoring. It also established a centralized management team for credit business, and unified post-lending management at branches to further enhance intensive post-lending risk management capability.

During the reporting period, as the epidemic got effectively controlled and the economy was recovering in China, the asset quality of the Bank's personal loan business remained sound and stable. As at the end of the reporting period, the Bank's non-performing balance of personal loans (excluding credit card loans) recorded RMB9.646 billion, an increase of RMB429 million from the end of the previous year, corresponding to a NPL ratio of 0.68%.

Credit Card Business

Based on sound risk control, the Bank deepened the optimization and adjustment of "customer group structure" and "asset structure" in terms of its credit card business. It continued to expand the high-quality customer base and enhanced value contribution. In the meantime, the Bank closely followed macroeconomic development, monitored changes in asset quality, and strengthened the identification and refined management of high-risk customers.

In the pre-lending process, the Bank promptly iterated and upgraded the risk control model and improved the capabilities of risk prevention and control. Through in-depth exploration of internal and external data, together with machine learning, cloud computing and other intelligent technologies, the Bank introduced new multi-dimensional data to enrich customers' risk portraits and effectively enhance the ability to implement targeted measures for risk control. It moved risk management forward to earlier stages, improved the access standards for high-risk customers, and tracked credit risk changes in new cardholders dynamically in a multi-dimensional manner. In the lending process, the Bank continued to optimize the allocation of credit resources under the principle of "knowing your customers". By fully exploring internal data and introducing external data, it improved the accuracy of limit management and strictly controlled the proportion of large-amount credit customers. Besides, the Bank reinforced control over fund use and conducted special oversight and management of non-compliant credit card usages like gambling and agency payment. In the post-lending process, it adopted various ways for non-performing assets disposal and write-off such as cash recovery, overdue loan write-off and non-performing asset ABS, boosted the efficiency of distressed asset disposal and reduced pressure on non-performing loans with a combination of measures.

The Bank made efforts to prevent and control risks, and improved the allocation of credit resources. It refined existing customer management, promoted asset structure adjustment, and lifted the level of data-driven intelligent risk control empowered by technology. During the reporting period, the Bank constantly strengthened the risk control system covering the processes before, during and post lending. As a result, its asset structure continued to improve, and the scale of new non-performing credit card loans in the second quarter significantly fell compared with the first quarter. As at the end of the reporting period, the Bank's credit card business recorded RMB12.377 billion in balance of non-performing credit card loans overdue for more than 60 days, corresponding to an NPL ratio of 2.44%, up by 0.06 percentage point from the end of the previous year.

2.7.3 Financial Market Business

In response to the rebounding COVID-19 and the complex and volatile political and economic situation at home and abroad, the financial market segment of the Bank improved the profitability by actively studying and analyzing the market, strengthening various types of collaboration, optimizing the business structure, enhancing the asset turnover and improving customer management.

During the reporting period, the Bank's financial market business recorded an operating income of RMB12.012 billion, representing a 12.19% in the Bank's total operating income. Of this income figure, non-interest net income from financial market business recorded RMB8.339 billion, accounting for 30.08% of the Bank's total net non-interest income.

2.7.3.1 Customer Management

During the reporting period, the Bank studied and pressed ahead with the integrated management of interbank customers, improved the coordinated management and cross marketing mechanism, moved faster to make stratified, classified and differentiated marketing arrangements, and explored the provision of precise support for the management of customer groups through IT-based and systematic means, thereby enhancing the comprehensive contribution of interbank customers. Besides, the Bank further cooperated with interbank customers on multiple products such as bills, investment, capital and custody, and enhanced online services through the "CITIC Interbank+" platform.

2.7.3.2 Businesses and Products

Financial Interbank Business

The financial interbank business of the Bank overcame the unfavorable market environment, optimized the investment strategy and adjusted the business structure while strictly controlling market risk, and achieved sound operating results. During the reporting period, through refined management of interbank assets and liabilities, the Bank registered a 9 BPs growth in its interest margin year on year despite a downward trend in the market. As at the end of the reporting period, the Bank's balance of financial interbank assets (including deposits and placements with, and loans to banks and non-bank financial institutions) recorded RMB189.514 billion, representing a drop of 25.16% over the end of the previous year; and its balance of financial interbank liabilities (including deposits and placements from banks and non-bank financial institutions) amounted to RMB1,103.472 billion, a decrease of 6.02% over the end of the previous year.

During the reporting period, the Bank intensified efforts in serving the real economy, and its volume of bill discounting business reached RMB614.990 billion, serving 7,433 corporate banking customers, of which 2,525 or 33.97% were manufacturing enterprises, and 4,434 or 59.65% were small and micro enterprises. The Bank was also engaged in green credit discounting business worth RMB18.767 billion, and provided RMB62.929 billion of discounting financing for strategic emerging industries. As at the end of the reporting period, the balance of the Bank's bill assets amounted to RMB418.304 billion.

Financial Market Business

The Bank actively conducted money market transaction businesses such as Renminbi interbank lending, borrowings and bond repos. During the reporting period, the Bank recorded RMB9.53 trillion in total volume of money market transactions. While meeting the needs for liquidity management, the Bank also improved the operating efficiency of short-term capital. It pushed forward the issuance of interbank certificates of deposit, and issued RMB476.900 billion interbank certificates of deposit during the reporting period, thereby further enriching its liability sources and expanding financing channels.

For the purpose of meeting customer needs for forex receipt and payment hedging, cross-border investment and financing, and domestic and foreign currency denominated assets and liabilities management, the Bank consolidated the "Forex Steward" service model through its exchange rate product portfolios including spot and forward forex purchase and sale, forex trading, swaps, options and others, and customized exchange rate risk management strategies to help enterprises realize "risk neutral". The Bank closely followed the national strategy of "two-way financial opening" and developed exchange rage service schemes for cross-border institutional investors. During the reporting period, the Bank completed RMB6.73 trillion forex market making transactions, ranking as the third largest spot comprehensive market maker in the interbank forex market[24].

Against the background of stable and improving macro economy as well as sound and neutral monetary policy, the Bank moderately increased the scale of proprietary bonds investment with a focus on central government bonds, local government bonds and other interest rate bonds with good liquidity, and implemented the strategy of transformation towards capital-light operation. During the reporting period, as the bond market remained volatile within a range, the Bank stepped up asset circulation, and flexibly adjusted investment timing in the market, hence improving the investment return on bond assets. As a core market maker for RMB bonds and interest rate derivatives in the interbank market, the Bank fulfilled its market-making function and role to provide basic quotation and liquidity support for the market, thereby effectively cementing its market leading position in market making business for RMB bonds and interest rate derivatives. During the reporting period, the Bank completed RMB1.78 trillion worth of transactions in bond and interest rate derivatives.

The Bank actively supported the real economy and provided gold leasing services for companies along the gold industry chain. At the same time, as one of the first batch of gold inquiry market makers on the Shanghai Gold Exchange, the Bank actively fulfilled its responsibilities as a market maker and provided liquidity and bilateral quotations for the market. During the reporting period, the Bank registered market-making transaction volume of RMB82.451 billion, effectively playing its role as a market marker in the gold market.

Asset Management Business

During the reporting period, upholding "disposing existing assets, expanding increment and improving capabilities" as its principle of development, the Bank persisted to research-driven development, technology investment, coordinated development and continuous innovation, fully supporting the market-oriented development of its wealth management subsidiary and continuously promoting the transformation towards net asset value (NAV) products. At the same time, it implemented the regulatory requirements by accelerating the disposal of existing assets, and accomplished rectification of regulatory issues in the first half of the year.

24 Ranking according to data of the China Foreign Exchange Trade System and National Interbank Funding Center.

In the transformation of asset management business, the wealth management subsidiary as an important platform for the development of asset management is a crucial starting point and benchmark for the Bank's "capital-light transformation". Leveraging comprehensive financial service resources with CITIC Group's full range of financial licenses, it gave full play to collaborative advantages, improved the coordinated development mechanism, and enhanced its product creation capabilities. The wealth management subsidiary established an around-the-clock product system covering the whole market, all assets and all channels, providing customers with rich wealth management instruments. With the implementation of key national initiatives, it continuously improved investment research capabilities, optimized its asset allocation structure, served the real economy and met the value preservation and appreciation needs of wealth of investors.

As at the end of the reporting period, the balance of non-risk-bearing wealth management products of the Bank and CITIC Wealth Management recorded RMB1,206.474 billion (with that of CITIC Wealth Management recorded RMB239.595 billion), in which the balance of NAV products in conformity with the new regulations on asset management reached RMB954.043 billion, accounting for 79.08% of the total. During the reporting period, due to the big increase in new products and estimated profits of equity assets, wealth management business of the Bank and CITIC Wealth Management realized income of RMB4.592 billion.

2.7.3.3 Risk Management

Financial Market Business

The Bank paid close attention to the impact of the differentiated industry-based real economy recovery on financial market business, and increased the frequency of identifying and screening risks in key industries and key businesses. It dynamically analyzed key factors of credit risks, strengthened credit risk management of debt securities issuers and counterparties, regularly re-examined general-category assets businesses, and implemented asset disposal plans effectively. During the reporting period, central government bonds, policy financial debt securities and local government bonds accounted for a relatively high proportion of the Bank's proprietary bonds investment, and the issuers of held credit bonds were mainly large enterprises and institutions with high credit ratings and sound operating position.

Asset Management Business

During the reporting period, the Bank further improved the comprehensive risk management model for the asset management business. The Bank focused on compliance risk, operational risk and reputational risk for the overall business, ensured compliance with laws and regulations and regulatory rules, and established an effective internal control mechanism to prevent damage to the Bank's interest. In terms of products, the Bank placed emphasis on liquidity risk, performance risk and information disclosure risk, and made solid efforts on investor appropriateness management to ensure that the operation of wealth management products is in line with the requirements in the product manual. On the asset level, the Bank placed importance on market risk and credit risk, and prompted the impact of related risks on the wealth management products' net worth. Besides, the Bank continued to improve the risk management reporting system, and built and improved a risk reporting system comprising weekly report on wealth management product risk management, monthly (quarterly) report on comprehensive risk management, and non-periodical special reports.

2.7.4 Distribution Channels

2.7.4.1 Physical outlets

As at the end of the reporting period, the Bank had 1,410 outlets in 153 large and medium-sized cities in the Chinese mainland, including 37 tier-one branches (directly managed by the Head Office), 126 tier-two branches, and 1,247 sub-branches (including 38 community/small and micro sub-branches), plus 1,608 self-service banks, 5,552 self-service terminals and 9,075 smart teller machines. As such, the Bank has developed a diversified outlet service network that consists of smart (flagship) outlets, comprehensive outlets, boutique outlets, community/small and micro outlets and off-bank self-service outlets.

With its outlets basically covering all large and medium-sized cities in China, the Bank persisted to the customer-oriented and value-oriented philosophy, shifted its focus of domestic outlet establishment to layout optimization and profit improvement. Allocation of resources for outlet construction favored developed cities and regions such as Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou and Nanjing. At the same time, as an active response to the national 14th Five-Year Plan, the Bank implemented national initiatives such as the Belt and Road Initiative, the coordinated development of the Beijing-Tianjin-Hebei region, the integrated development in the Yangtze River Delta, the development of the Guangdong-Hong Kong-Macao Greater Bay Area, and rural revitalization, and supported the economic development of key areas such as the free trade zones, special economic zones, new areas, comprehensive reform zones and high-tech zones as well as key counties.

In terms of the layout of overseas outlets, except for London Branch, CNCBI, an affiliate of the Bank, had 34 outlets and 2 business centers in Hong Kong SAR, Macao SAR, New York, Los Angeles, Singapore and the Chinese mainland. CNCB Investment had 3 subsidiaries in Hong Kong and the Chinese mainland. JSC Altyn Bank had 7 outlets and 1 private banking center in Kazakhstan. During the reporting period, the Board of Directors of the Bank reviewed and approved the *2021-2022 Plan for Overseas Development*, moved forward to improve the management frameworks for human resources, businesses, systems, authorization, and performance evaluation of overseas affiliates according to the plan, and steadily promoted the approval for upgrading Sydney Representative Office and the application for establishing Hong Kong Branch.

2.7.4.2 Online Channels

The Bank continued to develop an integrated ecosystem of digital channels, so as to release the capacity of retail banking and carry out the development strategy of "changing with customers' demands". During the reporting period, the "military version" of Mobile Banking was quickly launched to realize "1 + 6" multi-customer group versions, covering six characteristic customer groups, namely going abroad customers, elderly customers, private banking customers, small and micro enterprises, foreign customers and military, to provide personalized services. Besides, the Bank also rolled out Mobile Banking 8.0 pioneer version, completing the brand-new upgrade of wealth management sector so as to better support the development of wealth management in extensive retail. Moreover, it optimized the key journey experience in pre-sale, sale, after-sales process, and fully supported the differentiated management of stratified customer groups covering ordinary customers, wealthy and VIP customers to private banking customers in the retail sector. It also continued to create a Mini Program ecology with "one main service channel and multiple specialized services", gave full play to the advantages of Mini Program as "light channel for customer acquisition and customer traffic converter", and provided customers with closed-loop services in all links through collaboration with Mobile Banking APP.

During the reporting period, based on the principle of "opening scenarios and sharing products", the Bank explored the scenario-based and large-scale customer acquisition and management capabilities by using standardized components. It also advanced the improvement of risk control system for an open bank by establishing early risk warning and control mechanisms in front, middle and back offices. Besides, the Bank also boosted the professional, systematic and standardized development of "super-channel" user experience from the aspects of customer insight, experience design, experience management, and supporting system and tools improvement, and improved the intelligent services in digital channels. The related technology investment and capacity increased fourfold, accelerating the intelligent innovative applications such as intelligent search, intelligent video and audio recording, intelligent customer services, intelligent outbound call and intelligent digital human, and achieving sound operational results. To be specific, in order to enhance the value transformation of search traffic, the Bank optimized and upgraded intelligent search function of its APP from the aspects of search scope expansion, search to marketing and recommendation, and data tracking in all links in a bid to further improve service efficiency and customer experience.

As at the end of the reporting period, the Bank had 26,853,800 online monthly active users (MAUs)[25]. The sales of investment products[26] in Mobile Banking increased by 3.27% compared with the same period of the previous year, with the distribution accounting for 98.97%.

---

25 Monthly active users (MAUs) refer to the number of users using the mobile banking APP and Mobile Card Space APP in a month.

26 Investment products refer to wealth management, funds, insurance, Ji Cun Jin and Xinjin Bao.

2.7.4.3 Overseas Branch Business

London Branch, the Bank's first overseas branch directly managed by the Head Office, opened for business on 21 June 2019. It is mainly engaged in wholesale banking, provides financial services including deposits, lending (including bilateral lending, syndicated lending, trade finance and cross-border M&A finance), agency spot foreign exchange trading and cross-border RMB payment settlement, and conducts money market transactions, derivative transactions, securities investment and other financial market businesses.

During the reporting period, London Branch successfully issued USD550 million of medium-term bonds (MTN) on behalf of the Head Office, and launched the first USD2 billion interbank certificate of deposit (CD) program in the name of itself, with USD500 million CDs issued accumulatively. It handled foreign exchange transactions on the European time trading platform on behalf of the Head Office, and assisted the Bank in realizing the 24-hour operation of the global foreign exchange trading platform, making breakthroughs in a number of businesses. Relying on the advantages of London as an international financial center, the Bank will build London Branch into the business center of the Bank in Europe, the Middle East and Africa, the European treasury operation center, the international talent training center, and CITIC Group's overseas business coordination center.

2.7.5 Subsidiaries and Joint Ventures

2.7.5.1 CIFH

CIFH was incorporated in Hong Kong in 1924. It was acquired by CITIC Group in June 1986 and restructured to become an investment holdings company after its acquisition of the then Hong Kong Chinese Bank Limited in 2002. It is now a wholly-owned subsidiary of the Bank, with an issued share capital of HKD7.503 billion. CIFH is the main platform for the Bank to conduct its overseas businesses. Its business scope includes commercial banking and non-banking financial services. CIFH conducts its commercial banking business mainly via its holding subsidiary CNCBI (in which CIFH holds a 75% equity interest), and conducts its non-banking financial business primarily via CIAM (in which CIFH holds a 46% equity interest).

As at the end of the reporting period, CIFH recorded HKD407.296 billion in total assets and HKD53.547 billion in net assets. It realized net profit of HKD1.365 billion for the reporting period.

CNCBI: As at the end of the reporting period, CNCBI recorded share capital issued of HKD18.404 billion, total assets of HKD406.751 billion, and net assets of HKD48.639 billion. It realized operating income of HKD4.267 billion and net profit of HKD1.410 billion for the reporting period.

CNCBI, as a whole-license commercial bank in Hong Kong SAR, capitalizes on advanced financial technologies to push forward business transformation and development and improve customer experience. During the reporting period, relying on its geographical advantages of being in the central city of the Guangdong-Hong Kong-Macao Greater Bay Area, CNCBI continuously deepened coordination and cooperation with the Bank and CITIC Group, and made full use of its domestic subsidiaries as platforms to vigorously expand cross-border business. As at the end of the reporting period, income from coordinated corporate banking with the Bank registered HKD495 million, accounting for 23.45% of its total income from corporate banking business. During the reporting period, with the strong need of mainland enterprises for overseas financing and cross-border mergers & acquisitions, the debt capital market business team of CNCBI actively captured business opportunities, and realized HKD171 million in fee income, ranking 3rd among all Chinese institutions in the Chinese offshore USD bond market and 2nd in the Chinese high-yield bond market27. During the reporting period, the cross-border personal banking and commercial banking business maintained a sound development momentum, and over ten thousand customers were acquired through referral by the Bank and subsidiaries of CITIC Group.

CIAM: CIAM is a cross-border asset management company, and is mainly engaged in private equity investment and asset management. During the reporting period, upholding the strategy of “controlling risks, increasing income, reducing costs and streamlining tiers”, CIAM strengthened the management of projects and platform companies, exited in an orderly manner, and continuously increased the recovery of debt projects. In addition, CIAM continued to adjust the organization and strengthen the control of operating cost, continually improved team operation efficiency and reduced operation costs.

2.7.5.2 CNCB Investment

CNCB Investment is an overseas controlled subsidiary of the Bank established in Hong Kong in 1984 with a registered capital of HKD1.889 billion. The Bank holds 99.05% of the equity interest in CNCB Investment and CNCBI holds the rest 0.95%. The business scope of CNCB Investment covers lending (it holds a Hong Kong money lender license), investment (mainly including debt securities investment, fund investment, stock investment and long-term equity investment, etc.), and overseas licensed investment banking business and domestic equity investment fund management business via its own subsidiaries.

CNCB Investment, as the overseas investment banking platform of the Bank, aspires to develop itself into “a versatile overseas investment bank serving the parent bank and featuring strong empowerment, capital-light development and outstanding performance”. During the reporting period, it continuously rebuilt its cross-border marketing service system comprehensively, further improved product chain and business strategies, accelerated the development of an overseas asset management center and continuously strengthened the internal management mechanism. With licensed business as the core, CNCB Investment moved faster to develop an all-round capital-light investment banking product system, and made substantial progress in business transformation and development. Specifically, the number of bond underwriting projects increased steadily, the scale of active asset management business expanded with increasingly diverse products, and income from intermediary services registered sound growth compared with the same period of last year. Meanwhile, CNCB Investment continuously enhanced its internal control and compliance as well as the supporting capacity of middle and back offices, strengthened team building, and optimized the business process, thereby comprehensively improving its internal management.

During the reporting period, CNCB Investment recorded net profit equivalent to RMB933 million. As at the end of the reporting period, CNCB Investment had total assets equivalent to RMB22.460 billion; net assets equivalent to RMB4.347 billion, and AUM equivalent to RMB53.364 billion.

2.7.5.3 CITIC Financial Leasing

Wholly owned by the Bank, CITIC Financial Leasing was incorporated in April 2015 with a registered capital of RMB4 billion. As an important strategic layout for the Bank to serve the real economy, CITIC Financial Leasing pursues a business model featuring limited diversification[28], upholds the original mission of leasing, and continuously deepens transformative development.

[27] Ranking according to the Bloomberg data.

[28] Limited diversification in terms of industries, customers, regions and products.

During the reporting period, CITIC Financial Leasing actively practiced the operation model of limited diversification, registered rising quality and price of the leasing business, and realized a total lease grant of RMB8.701 billion, representing an increase of 103.01% year on year. In line with the national development strategy, CITIC Financial Leasing capitalized on the transformation trend of the photovoltaic industry and actively supported the development of green manufacturing against the trend of green development and the goals of achieving peak carbon emissions and carbon neutrality. During the reporting period, the lease grants to manufacturing and new infrastructure construction stood at RMB2.322 billion, accounting for 26.68%, forming a scale effect. Meanwhile, it actively supported the financing of private medium, small and micro enterprises, with the balance of lease grants to private enterprises accounting for 56.99%, and the business of medium, small and micro enterprises accounting for 81.55%, vigorously supporting the development of the real economy.

As at the end of the reporting period, CITIC Financial Leasing recorded total assets of RMB52.960 billion and net assets of RMB6.446 billion. During the reporting period, CITIC Financial Leasing realized net operating income of RMB812 million and net profit of RMB140 million. The company recorded a provision-to-loan ratio of 7.15% and a capital adequacy ratio of 12.17%.

2.7.5.4 CITIC Wealth Management

CITIC Wealth Management was incorporated in Shanghai on 1 July 2020 with a registered capital of RMB5 billion. As a wholly-owned subsidiary of the Bank, CITIC Wealth Management mainly engages in the issuance of wealth management products, investment and management of investor assets under custody and financial advisory and consulting.

During the reporting period, CITIC Wealth Management maintained sound performance of major business indicators, and registered rapid growth of the scale of new products and steady development of all businesses. Relying on the full-license financial resources of CITIC Group, CITIC Wealth Management gave full play to the advantages in collaborative operations, enhanced its product creation capability, and established a product system covering all markets, all assets, all channels and around the clock to provide diverse wealth management instruments for customers. It accurately matched customer needs, developed single popular products, focused on "fixed income +" products as its core of strategy, expanded product scale, earned reputation among customers, and built up a brand of 100-billion-yuan-level products. Based on specialized division of duties, CITIC Wealth Management continuously strengthened investment research capacity, and provided diversified wealth solutions and featured consulting services. Through one-on-one, interactive asset management services, it satisfied customers' individualized and customized needs by providing wealth management consulting services while giving due consideration to their expected return and risk control.

As at the end of the reporting period, CITIC Wealth Management registered total assets of RMB7.099 billion, net assets of RMB6.585 billion and a balance of non-risk-bearing wealth management products of RMB239.595 billion. During the reporting period, it recorded net operating income of RMB1.495 billion, and net profit of RMB990 million. Its return on equity (ROE) was 32.8%.

2.7.5.5 CITIC aiBank

CITIC aiBank is a new type of internet bank jointly established by the Bank and Fujian Baidu Borui Network Technology Co., Ltd., and officially opened for business on 18 November 2017. In November 2020, CITIC aiBank received the approval on a new round of increase in capital and share from the CBIRC, and brought in Canadian Pension Fund as a new shareholder, after which its registered capital increased from RMB4 billion to RMB5.634 billion with the Bank holding 65.70% of the shares.

CITIC aiBank adheres to business development under the guidance of Party building, upholds the bottom line of prudent and steady operation, deeply integrates into the shareholder ecosystems, continuously strengthens product innovation, keeps improving user experience, and steadily develops various businesses. During the reporting period, relying on the self-operated product "Hao Hui Hua" (Easy Loan), CITIC aiBank built a multi-scenario customer reaching and management system for consumer finance and realized rapid user growth. It successively launched a series of products such as pig breeding loan and agricultural supply loan, and made great efforts to develop financial services for Sannong (i.e., agriculture, rural areas, and rural residents) and boost rural vitalization. It also actively developed small and micro bill business, and launched the first special rediscount product "Jing Lyu Tong II" (Green Finance Rediscounting) in Beijing. In collaboration with China CITIC Bank and Baidu, CITIC aiBank launched the "Smart Auto Finance" brand, joined Baidu's automatic driving plan and rolled out featured products such as "aiBank Merchant Loan" and "aiBank Auto Loan". Driven by "technology + data", CITIC aiBank built four core capabilities of intelligent risk control, intelligent account, intelligent operation and ecological link, and effectively supported business development through technological innovation.

As at the end of the reporting period, CITIC aiBank recorded total assets of RMB67.932 billion and net assets of RMB6.651 billion. During the reporting period, it realized net operating income of RMB1.318 billion and net profit of RMB104 million, respectively. CITIC aiBank received a long-term AAA rating for entity credit for the third consecutive year.

2.7.5.6 JSC Altyn Bank

JSC Altyn Bank was formerly an affiliate of HSBC established in Kazakhstan in 1998. In November 2014, it was wholly acquired by the JSC Halyk Bank of Kazakhstan, the largest commercial bank in the country. On 24 April 2018, the Bank completed the acquisition of a majority stake in JSC Altyn Bank. At present the Bank holds 50.1% of shares in JSC Altyn Bank.

During the reporting period, in face of the severe external operating environment, JSC Altyn Bank registered steady business development and met expectations on the whole through active response and various measures. International rating agency Fitch Ratings confirmed that JSC Altyn Bank's long-term issuer default rating was BBB- with a stable long-term outlook, and bank viability rating as bb, indicating stable international ratings of JSC Altyn Bank.

As at the end of the reporting period, JSC Altyn Bank recorded share capital of 7.050 billion tenge[29], total assets of 625.471 billion tenge and net assets of 66.085 billion tenge. During the reporting period, it realized net operating income of 14.131 billion tenge, net profit of 7.806 billion tenge, and its ROA and ROE stood at 2.53% and 22.98%, respectively.

2.7.5.7 Lin'an CITIC Rural Bank

Lin'an CITIC Rural Bank, located in Lin'an District, Hangzhou, Zhejiang Province, officially started operation on 9 January 2012. It has a registered capital of RMB200 million, with the Bank holding 51% of its equity interest and another 13 enterprises holding the rest 49%. Lin'an CITIC Rural Bank is mainly engaged in general commercial banking business.

During the reporting period, Lin'an CITIC Rural Bank adhered to the market positioning of "supporting agricultural and small and micro enterprises", resolutely implemented the decisions and plans of the CPC Central Committee and the State Council as well as regulatory requirements, and continuously strengthened the credit extension to Sannong (i.e., agricultural, rural areas, and rural residents) customers and small and micro enterprises. As a result, the indicators of loans to small and micro enterprises meeting the "two no-less-than and two control"[30] target, inclusive finance loans granted to small and micro enterprises and agriculture-related loans steadily improved. As at the end of the reporting period, the balance of loans to small and micro enterprises stood at RMB1.380 billion, an increase of 12.46% over the end of the previous year, 0.13 BPs higher than the average growth rate of total loans; the balance of inclusive loans to small and micro enterprises stood at RMB1.233 billion, an increase of 14.27% over the end of the previous year, 1.94 BPs higher than the average growth rate of total loans; the balance of agriculture-related loans stood at RMB1.012 billion, an increase of 7.66% over the end of the previous year; agriculture-related loans accounted for 57.25% of total loans; and the combined proportion of loans to farmers and small and micro enterprises reached 91.65%.

As at the end of the reporting period, Lin'an CITIC Rural Bank recorded RMB2.250 billion total assets, RMB359 million net assets, RMB1.666 billion balance of customer deposits, and RMB1.767 billion combined balance of various loans. Its capital adequacy ratio stood at 23.56%, allowance coverage ratio was 360.87%, and the ratio of allowance for impairment of loans to total loans recorded 4.70%. It realized a net profit of RMB16 million for the reporting period.

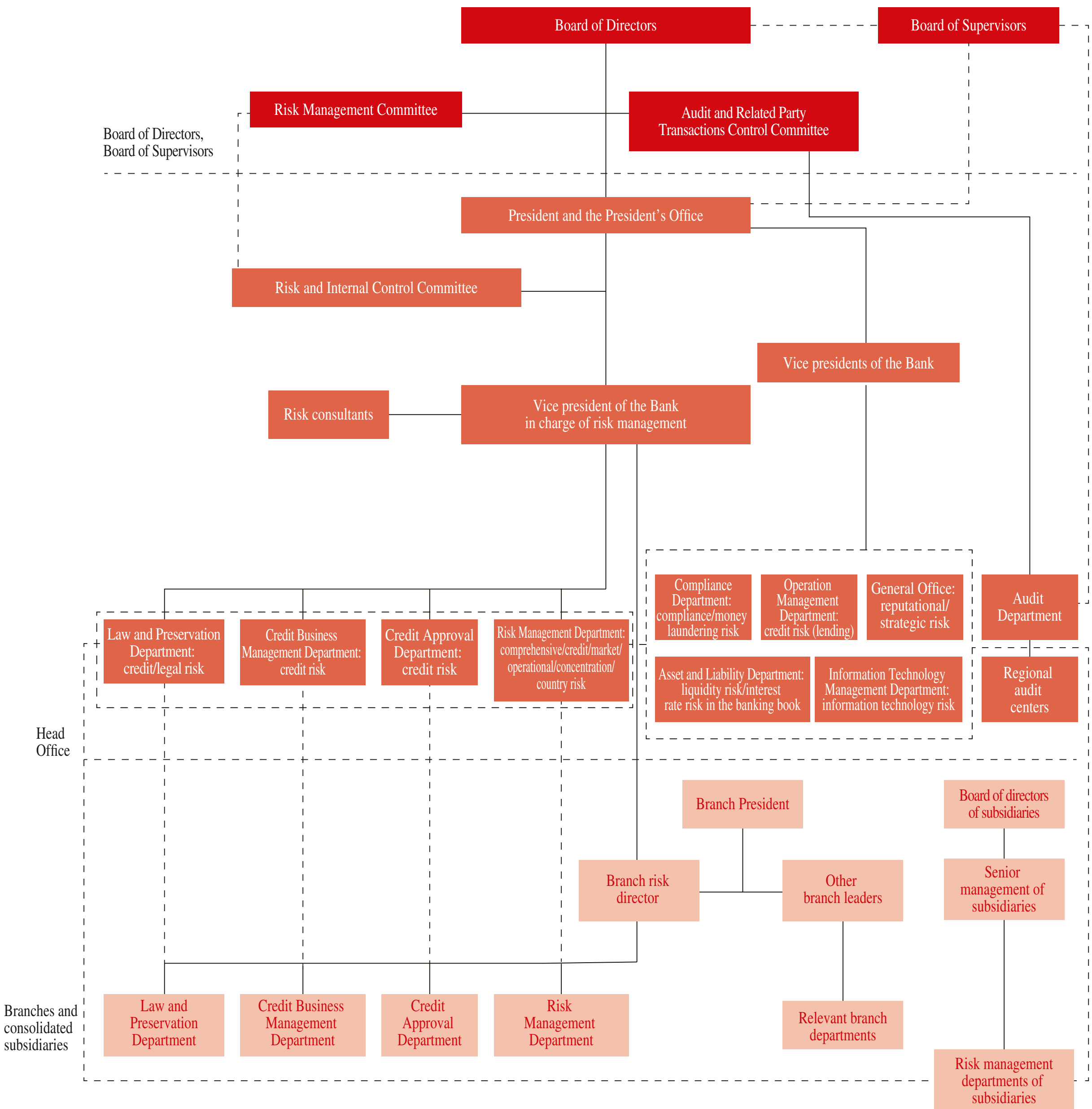
---

29 The rate on 30 June 2021 of tenge against Renminbi was 1:0.015084686.

30 Pursuant to the *Plan for Promoting Inclusive Finance Development (2016-2020)* formulated by the State Council, "two no-less-than" means that lending to SMEs should rise no less than growth in all loans year on year; and the number of small and micro borrowers in a year should be no less than the same period of the previous year; and "two control" means reasonably controlling asset quality and the overall cost of loans to SMEs.

2.8 Risk Management

2.8.1 Risk Management Structure



2.8.2 Risk Management System and Techniques

During the reporting period, the Bank implemented the central government's relevant policies and provisions, and pursued a steady and prudent risk appetite and a proper balance among policy, security, profit and liquidity. It improved relevant policies and procedures and cemented the duties of the three lines of defense. Meanwhile, the Bank strengthened the differentiated authorization system, and released the vitality of community-level institutions while adhering to the bottom line that no systemic risk should occur. It improved the full-time approver system, and further enhanced the professional competence and decision-making ability of full-time approvers, thereby improving the review and approval system. Furthermore, the Bank launched the transformation of corporate post-lending management, and reinforced the differentiated management and on-site inspection requirements for customers. It also enhanced the building of the special assets resolution platform, and strengthened the review of personal loan system and model evaluation. In addition, the Bank accelerated IT system improvement and upgrade, and advanced the improvement of its digital risk control system. The Bank also strengthened the building of a professional team for risk management and improved risk management in an all-out effort.

The Bank continued to enhance its capacity for research and development of risk management technology, deepened the multi-level application of big data and artificial intelligence technology, and accelerated the digital transformation of risk management. During the reporting period, the Bank continued to design online product and risk control system relating to transaction banking, auto finance, inclusive finance and personal credit, launched risk view, regional and industry rating models, multi-dimensional risk portraits and uniform scoring model for corporate and individual customers, and financial visualization and analysis tools, and pressed ahead with the intelligent early warning and intelligent approval based on big data. During the reporting period, the Bank strictly implemented various regulatory provisions, continued to put the large-value risk exposures under intensified management, and managed to control the limit indicators of these exposures within the scopes permitted by the regulators.

2.8.3 Credit Risk Management

Credit risk refers to the risk of a bank incurring losses in its business due to the failure of its borrowers or transaction counterparties to fulfill the obligations specified in relevant agreements or contracts. The Bank's credit risk mainly comes from various credit businesses, including but not limited to loans, guarantee, acceptance, loan commitments and other on- and off-balance sheet credit businesses, bond investment of banking account, derivatives trading and other businesses, as well as businesses with credit risk such as structured financing and financing wealth management. For details on the credit risk management of various businesses of the Bank during the reporting period, please refer to "2.7 Business Overview" of this report.

2.8.4 Loan Monitoring and Post-lending Management

During the reporting period, to adapt to changes in the market and policy environment, the Bank initiated the transformation of post-lending management, established a risk monitoring mechanism for key customers, and facilitated the all-round upgrading of the new-generation credit business system. It accelerated the digital transformation of post-lending management, strengthened the development of the early risk warning system, and made loan monitoring and post-lending management timelier and more effective.

The Bank initiated the transformation of post-lending management, and established a differentiated credit business management system, where credits can be increased, maintained, reduced or withdrawn for performing customers under the four-tier classification based on actual risk conditions, while solutions are made for each problematic customer with the aim to boost risk mitigation.

The Bank set up a long-effect risk monitoring mechanism for large-value key customers, under which it adopted list-based management of such customers and established a dedicated team to timely track the business operation, principal and interest repayment, major public opinions and other information of key customers. In this way, it managed loans close to their maturity and formulated contingency plans in a good manner for risk mitigation to boost risk mitigation and disposal.

The Bank upgraded its new-generation credit business system, and enhanced technology empowerment by closely following the trend in digital transformation to realize full coverage of the Bank's credit data system in terms of institutions, customers and products. It also enhanced information interconnection between the Head Office and branches as well as between segments of the Head Office by breaking information barriers and eradicating information dead zones, so as to push ahead with the intelligent transformation of the Bank's risk control.

The Bank accelerated the digital transformation of post-lending management, and incorporated routine businesses such as entrusted payment, fund use, trade background, post-lending inspection and collateral management into online monitoring, thereby realizing automatic identification, reminding and interception of various risks, and further improving the quality and efficiency of management.

Furthermore, the Bank vigorously promoted the development of the early risk warning system, enhanced warning management at an early stage, and developed risk warning models that conform to the Bank's customer characteristics, truly realizing warning in advance, and detection, response, resolution and exit of credit risk at earlier stages.

2.8.5 Market Risk Management

Market risk refers to the risk of on- and off-balance sheet businesses of a bank incurring losses due to unfavorable changes in market prices (including interest rate, exchange rate, stock price and commodity price). The main market risk confronting the Bank includes interest rate risk and exchange rate (including gold price) risk. The Bank has established a market risk management system covering market risk identification, measurement, monitoring and control. It manages market risk through product access approval and risk limit management, and thus controls market risk within the reasonable range and maximizes risk-adjusted returns.

During the reporting period, the Bank launched the new approach for calculating market risk capital under Basel III, so as to improve the risk measurement capability. It actively conducted research and responded to market volatility, and reviewed and improved the market risk limit scheme, proactively investigated debenture risk, and continued to conduct risk monitoring and reminding, hence strongly supporting the development of relevant financial markets businesses. For details of market risk capital measurement, please refer to Note 53 to the financial report of this report. For details of interest rate gaps and foreign exchange exposures and sensitivity analysis, please refer to Note 52(b) to the financial report of this report.

2.8.5.1 Interest Rate Risk Management

Interest rate risk in the trading book

The Bank established a complete risk limit system for the interest rate risk in the trading book, set limits such as value at risk, interest rate sensitivity and market value loss according to features of different products, and regularly assessed the interest rate risk in the trading book through stress testing and other tools, so as to control the interest rate risk in the trading book within its risk preference.

During the reporting period, affected by the slow economic growth in China, the strained relationship between China and the US and the decelerated issuance of local government bonds, bond market yields dropped, with the 10-year central government bond yield decreasing by 6.5 BPs accumulatively. US Treasury bond yields have increased significantly due to the expectations of tighter monetary policies of the US Federal Reserve and rising inflation, with 10-year US Treasury bond yield going up by 52 BPs. In response to the volatility in domestic and overseas financial markets, the Bank has scaled up efforts in market research, effectively carried out risk monitoring and warning, continuously improved its market risk limit system and prudently controlled the interest rate risk exposure in the trading book.

Interest rate risk in the banking book

Interest rate risk in the banking book is defined as the risk of loss in the economic value and overall earnings of the banking book arising from adverse movements in interest rate, maturity structure and other factors. It mainly consists of gap risk, benchmark risk and option risk. The Bank manages its interest rate risk in the banking book with the overall objective of observing its prudent risk preference principle and ensuring that overall risk exposures are controllable within the Bank's risk tolerance range. Relying on effective comprehensive risk management, the Bank established a sound management system for interest rate risk in the banking book, including a multi-level risk management structure, risk management strategies and processes, risk identification, measurement, monitoring, control and mitigation systems, internal control and audit policies, information management systems, risk reporting and information disclosure mechanism, etc.

During the reporting period, against China's stable monetary policy and the loose policies in Europe and the US, the Bank closely followed changes in monetary policies and fiscal policies, strengthened the analysis and prediction of the trend of market interest rate, and took forward-looking adjustment for proper response. It applied gap analysis, sensitivity analysis, stress testing and other methods to monitor the risk exposure level and changes from multiple dimensions such as re-pricing gap, duration, net interest income fluctuation (ΔNII) and economic value of entity fluctuation (ΔEVE). It also flexibly employed price guidance, duration management, scale limit and other management tools to ensure the overall stability of the Bank's interest rate risk exposures in the banking book, and continued to reduce the re-pricing concentration. Under the above multi-dimensional management measures, the Bank's management indicators for interest rate risk in the banking book fell within the risk tolerance range of the Bank during the reporting period.

2.8.5.2 Exchange Rate Risk Management

Exchange rate risk refers to the risk of on- and off-balance sheet businesses of a bank incurring losses due to unfavorable changes in exchange rates (including gold price). The Bank mainly measures the magnitude of exchange rate risk through foreign exchange exposure analysis. Its foreign exchange exposure mainly comes from the foreign exchange position formed through foreign exchange transactions and from foreign currency capital and foreign currency profits. The Bank manages exchange rate risk by reasonably matching Renminbi and foreign currency denominated assets with liabilities denominated in the same currencies and by making appropriate use of derivative financial instruments. For foreign exchange exposures of bank-wide assets and liabilities as well as foreign exchange exposures formed in foreign exchange settlement and sale, foreign exchange trading and other transactions, the Bank sets foreign exchange exposure limits to manage and control its exchange rate risk at an acceptable level.

The exchange rate risk of the Bank was mainly subject to impacts of the Renminbi exchange rate against the US dollar. During the reporting period, the exchange rate of RMB against the US dollar increased after a decline, appreciating by 1.22% in the first half of 2021. The Bank actively responded to the fluctuations with continuous improvement of the measurement and management of foreign exchange exposures, strict control of the foreign exchange risk exposures of relevant businesses, and more intensive routine risk monitoring, forewarning and reporting. As a result, the Bank was able to control its exchange rate risk within the acceptable range.

2.8.6 Liquidity Risk Management

Liquidity risk refers to the risk that a bank is unable to obtain adequate capital in a timely manner and at reasonable cost to repay matured debts, perform other payment obligations or meet other capital needs for normal business. The Bank's liquidity risk management aims to effectively identify, measure, monitor and control the liquidity risk at the legal person level and the Group level by establishing a science-based and sound system for liquidity risk management, and ensure that the liquidity demand can be met at a reasonable cost in a timely manner on the premise of complying with regulatory requirements.

The Bank has set up a robust governance structure for liquidity risk management, which clearly lays out the division of duties among the Board of Directors, the Board of Supervisors and the senior management and their subordinate specialized committees and the relevant management departments of the Bank, and explicitly defines the strategies, policies and procedures on liquidity risk management. The Board of Directors assumes the ultimate responsibility for liquidity risk management of the Bank, and shall review and approve the liquidity risk appetite, strategy, important policies and procedures, etc. The Board of Supervisors is responsible for supervising and evaluating the performance of the Board of Directors and the senior management in liquidity risk management, and reporting to the general meeting of shareholders. The senior management shall take charge of specific management of liquidity risk, keep abreast of major changes in liquidity risk and regularly report to the Board of Directors. The Asset and Liability Committee of the Head Office shall perform part of responsibilities of the senior management under the latter's authorization. As the leading department for liquidity risk management of the Bank, the Asset and Liability Department of the Head Office is responsible for formulating policies and procedures for liquidity risk management, measuring, monitoring and analyzing liquidity risk and other specific management work. The Audit Department of the Head Office is responsible for auditing, supervising and evaluating the Bank's liquidity risk management.

The Bank maintains a prudent liquidity risk level, implements a prudent, coordinated liquidity risk management strategy, and effectively identifies, measures, monitors and controls liquidity risk by gap management, stress testing, emergency drills and premium liquid assets management. The Group has put in place a unified liquidity risk management framework. The Head Office is responsible for formulating liquidity risk management policies and strategies of the Group and its legal-person institutions, and for managing liquidity risk at the legal-person institution level in a centralized manner. All domestic and overseas affiliates of the Group are responsible for developing and implementing their own strategies and procedures for liquidity risk management pursuant to the requirements of competent regulators and within the Group's master policy framework on liquidity risk management.

During the reporting period, the central bank continued to pursue a prudent monetary policy, strengthened cross-cycle management and expectation management, maintained the continuity, stability and sustainability of policies, and employed approaches including open market operations, medium-term lending facility, lending and discounting. The market liquidity was reasonable and abundant, the market fund price fluctuated around the policy rate. The Bank continued to strengthen liquidity risk management. It stepped up efforts in improving the total amount and structure of fund sources and utilization, and maintained a dynamic balance between liquidity and efficiency. It also enhanced liquidity risk measurement and monitoring, kept practicing liquidity risk limit management, and worked to make liquidity risk meeting regulatory requirements. Moreover, the Bank properly managed premium liquidity assets by increasing the holding of interest rate bonds at the appropriate time. It reinforced active management of liabilities, and made overall plans for the scale and timing of various fund sources with an overall consideration of quantity, price and maturity, so as to ensure the smooth and diversified channels of financing and reasonably reduce the cost of proactive liabilities. In addition, the Bank promoted the issuance of financial bonds as a stable manner to replenish liabilities. It also improved routine liquidity management, reinforced market analysis and pre-judgment, and arranged funds in a forward-looking manner, thereby improving the efficiency of fund utilization while ensuring the Bank's liquidity security. During the reporting period, the Bank reasonably set stress scenarios and conducted liquidity risk stress tests on a quarterly basis, taking into account major factors and external environmental factors that may trigger liquidity risk. Under the mild, medium and severe scenarios, the Bank's minimum survival periods all exceeded the 30-day limit specified by the regulator.

As at the end of the reporting period, the Group's liquidity indicators continued to meet regulatory requirements. The liquidity coverage ratio was 117.31%, 17.31 percentage points higher than the minimum regulatory requirement, indicating that the Bank had an adequate reserve of premium liquid assets and strong capacity to withstand the short-term liquidity risk, which is set out as below:

Unit: RMB million

Item	**30 June 2021**	31 March 2021	31 December 2020
Liquidity coverage ratio	**117.31%**	133.42%	135.14%
Qualified premium liquid assets	**799,088**	800,974	823,822
Net cash outflow in the coming 30 days	**681,151**	600,353	609,593

Note: The Group disclosed relevant information on its liquidity coverage ratio in accordance with the *Rules on Disclosure of Liquidity Coverage Ratio of Commercial Banks* (CBRC Decree [2015] No.52).

The net stable funding ratio was 103.36%, 3.36 percentage points higher than the minimum regulatory requirement, indicating that the available stable funding sources for the Bank could support the needs of sustainable business development, which is set out as below:

Unit: RMB million

Item	**30 June 2021**	31 March 2021	31 December 2020
Net stable funding ratio	**103.36%**	103.98%	106.14%
Available stable funding	**4,534,668**	4,538,008	4,397,208
Required stable funding	**4,387,056**	4,364,134	4,142,676

Note: The Group disclosed relevant information on its net stable funding ratio in accordance with the *Rules on Disclosure of Net Stable Funding Ratio of Commercial Banks* (CBIRC Decree [2019] No.11).

For relevant information about the Group's liquidity gaps as at the end of the reporting period, please refer to Note 52(c) to the financial report of this report.

2.8.7 Operational Risk Management

Operational risk refers to the risk of losses resulting from imperfect or deficient internal procedures, employees and information technology systems and external incidents. It includes legal risk but excludes strategic risk and reputational risk. During the reporting period, the Bank continued to strengthen its operational risk control and intensified the daily management of operational risk. It launched the implementation of the new standardized approaches for calculating operational risk capital under Basel III, carried out operational risk and control assessment of main business processes, established a stratified and layered indicator monitoring system, strengthened the upgrading of its operational risk management system, and improved the capability for in-process monitoring of operational risk. At the same time, the Bank continuously reinforced the mechanism for grading and reporting risk incidents, and conducted stricter risk screening on the business stages highly prone to operational risk. Moreover, it made further endeavors to establish a robust risk management system for its outsourcing business, strengthened daily management and risk assessment of outsourcing affairs, and organized outsourcing audits and inspections, thus effectively standardizing the risk management of cooperation with third parties. In addition, the Bank continuously built up capacity for emergency response, improved the business continuity management system, and enhanced the business continuity management of key technology projects, in major events and during the Covid-19 pandemic. In the meantime, it also further strengthened the prevention and control of information technology risks, and conducted comprehensive assessment and continuous monitoring of such risks. During the reporting period, the operational risk management system of the Bank operated stably, placing operational risk under control in the overall sense.

2.8.8 Reputational Risk Management

Reputational risk mainly refers to the risk that damages the Bank's brand value, adversely affects its normal operation and even affects market and social stability due to negative evaluation of the Bank by stakeholders, the public and the media resulted from the Bank's behaviors, employees' behaviors or external events. During the reporting period, the Bank further improved its reputational risk management system in terms of governance structure, whole-process management, routine development and supervision management. It also strengthened the source management of reputational risk, and achieved progress in preparing contingency plans and mitigating risk by identifying potential risk points and intensifying research, forecast and early warning. At the same time, the Bank organized reputational risk management training and practical drills, and hence strengthened branches' capabilities for controlling reputational risk and responding to public opinions. The Bank also continued to monitor public opinions on a daily basis and actively addressed the concerns of the media and the public. During the reporting period, the Bank steadily improved its reputational risk management and effectively maintained a good image and reputation.

2.8.9 Country Risk Management

Country risk refers to the risk of losses to the business or assets of the Bank in a country or region or other losses of the Bank caused by the inability or refusal of the borrower or debtor in the country or region to repay the Bank's debts due to economic, political and social changes and events in the country or region. The Bank followed the principle of adaptation and continuous improvement in country risk management. It gradually improved country risk management policies and procedures, and formulated concrete methods and procedures based on its country risk management objectives, country risk exposure scale and business complexity, so as to effectively identify, measure, monitor and control country risk, and promote the steady development of its business.

During the reporting period, the Bank continued to enhance country risk management in line with regulatory requirements and operating strategies, improved and reviewed annual country risk limits, and strengthened limit management of high-risk countries. It also regularly conducted country risk ratings, monitored changes in country risk exposures, and carried out stress tests on country risk, thus controlling country risk at an acceptable level.

2.9 Internal Control

2.9.1 Internal Control System

During the reporting period, the Bank remained committed to improving the effectiveness of internal control, established an integrated working mechanism of "problem rectification, screening of existing problems and long-effect control of new problems", and further promoted the comprehensive rectification of key issues related to macro policies, repeated occurrence despite inspection, and regulatory focuses. Centering on the typical and prominent problems identified in internal and external inspections, the Bank thoroughly reviewed and improved related systems and mechanisms, organizational structure and policy system in a way to further enhance the quality and effectiveness of internal control and compliance management throughout the Bank.

The Bank's internal control efforts looked to actively implement national macro-control policies, serve the transformation of corporate, retail and financial markets, as three major business sectors, and continue to strengthen differentiated authorization. It also worked to revise authorization rules, establish and improve an accountability system involving authorization and exercise of delegated powers while drawing a clear line of demarcation between rights and duties, and refine the rules of management and procedures of rights delegation. It also added new requirements for the machine control of authorization, improved the supervision and inspection mechanism for authorization, and thereby enhanced the management of tier-one legal person institutions across the Bank. Furthermore, the Bank made timely and dynamic adjustments to authorization, thus further increasing business efficiency and promoting business development.

During the reporting period, in strict compliance with the requirements of the CBIRC, the Bank launched a bank-wide "Year for Enhancing Internal Control and Compliance Management" campaign, during which it conducted self-inspection and self-correction item by item concerning ten major areas including corporate governance, consolidated management, internal control and compliance in key risk areas, and systematic governance of repeated occurrence despite inspection, with a view to boosting the root-cause rectification of problems and deep-seated crackdown of irregularities, as part of its efforts to firmly safeguarded the bottom line that no systemic risk should occur.

2.9.2 Compliance Management

To push forward the establishment of a new "process-centered" policy system in an orderly manner, the Bank streamlined policies of branches, implemented category-based rules reporting and approval management of branches, worked unremittingly for a streamlined and unified policy system, and strengthened the policy implementation capacity of the whole Bank.

Incorporating the employee behavior management and fraud risk prevention and control into the responsibilities of line departments, the Bank encouraged line departments to formulate the code of conduct for employees in line with their respective business characteristics and strengthen supervision and management in a targeted fashion. Furthermore, the Bank stepped up efforts to reinforce the day-to-day monitoring and abnormality monitoring and endeavored to research and establish an off-site monitoring model system to identify hidden risks, for the purpose of forging a synergy among Party, government and discipline supervision and exploring a full internal control and compliance portrait.

Aiming to consolidate the publicity and implementation of compliance culture, the Bank issued risk alerts on fraud prevention and employees behavior management according to the problems identified in internal and external inspections. It also made in-depth analysis to the causes and hazards of non-compliance cases, as part of its efforts to intensify the warning education, build up the ideological defense line of all employees, and enhance their capability to identify, prevent and control compliance risk.

2.9.3 Anti-Money Laundering (AML)

The Bank continuously strengthens the AML risk management and internal control management, and further improves its AML management system in accordance with the *Law of the People's Republic of China on Anti-Money Laundering*, the *Measures for the Administration of Anti-Money Laundering and Counter Terrorist Financing by Banking Financial Institutions* and the *Guidelines for Risk Management Regarding Money Laundering and Terrorist Financing in Corporate Financial Institutions (Trial)*, as well as other laws and regulations regarding AML.

During the reporting period, the Board of Directors, the Board of Supervisors and the senior management earnestly performed the Bank's legal person AML responsibilities, and continuously practiced an "all-employee, all-aspect and full-process" AML risk culture concept under the guidance of the comprehensive risk management system. The Bank gave full play to the decision-making role of the Anti-Money Laundering Work Leadership Group, improved its AML legal person corporate governance, and refined its AML authorization management. It created an assessment system and indicators for money laundering risk of institutions, promoted the "Three Defense Lines" to perform their duties, and thus strengthened the coordinated prevention and control of money laundering risk. In addition, the Bank enhanced the building of the AML policy system by formulating and revising 3 AML rules. It also strengthened the AML management of subsidiaries and overseas institutions, and improved the routine management and made the AML reports more standardized. Meanwhile, the Bank continuously focused on the AML review of "new policies, new products and new systems" to effectively leverage the role of money laundering risk review at earlier stages. What's more, the Bank remained committed to reinforcing the IT empowerment, launched a monitoring and supervision model on doubtful transactions, and improved the compliance of large-amount transaction reports. It adjusted the customer rating indicators, and strengthened the AML data cycle management. It also consolidated AML training for directors, supervisors, senior management members and employees at all levels, conducted AML publicity through multiple ways and channels, and thereby firmly created an AML risk culture atmosphere.

2.10 Internal Audit

In accordance with its work objective of "promoting audit transformation and enhancing auditing value", pursuant to the overall arrangements set out in the 2021-2023 development plan, and with the guidance of the *Opinions on Comprehensively Improving Audit Quality and Leveraging the Supervisory Role of Audit*, the Bank's internal audit stood firm in the transformation towards "value-oriented internal audit" and "strengthening audit with technology", earnestly fulfilled its duties of audit supervision, continuously advanced digital transformation of audit, effectively promoted the application of audit findings, and remained committed to enhancing auditing value, thus making the audit more independent and effective.

During the reporting period, pursuant to the risk-oriented and value-oriented principles and the work requirements of "coverage maximization and strict implementation of audit", the Bank built an audit model that integrated audit projects, continuous auditing and rapid verification, adhered to the work model of "centralized analysis, decentralized verification", and accentuated audit supervision of policy and strategy implementation and of key institutions, key fields and major risks. What's more, the Bank conducted special audits on manufacturing financing, emerging strategic industries, green finance, inclusive finance, personal business loans etc. and overall audits on branches, kept track of internal control risks in a complicated business environment, and endeavored to promote the construction of "Safe CITIC Bank" project and the Bank's high-quality development by virtue of high-quality audit.

2.11 Material Investments, Material Acquisitions, Disposal of Assets and Equity and Restructuring of Assets

Except for the day-to-day businesses such as transfer of credit assets that were involved in its business operation, the Bank was not aware of any other material investments, acquisitions, disposals or restructuring of assets that took place in the reporting period.

2.12 Information about Structured Entities

For relevant information about structured entities beyond the scope of the Bank's consolidation of financial statements, please refer to Note 56 to the financial report of this report.

Chapter 3 Corporate Governance

3.1 Overall Profile of Corporate Governance

During the reporting period, aiming at high-quality development, the Bank resolutely implemented the state's decisions and plans and regulators' requirements, improved corporate governance mode, strengthened the building of the governance system, and thereby enhanced governance capacity. It made continuous efforts to incorporate leadership of the Party into corporate governance, optimized its corporate governance mechanism, and followed relevant regulations and requirements of the banking regulators, securities regulators at the places where the Bank's shares are listed and Shanghai Stock Exchange and SEHK in its corporate governance operation. The Bank fully protected the legitimate rights of directors and supervisors, and strictly implemented the mechanism of independent voting and one person per vote for directors and supervisors. The Board of Directors, the Board of Supervisors and their specialized committees performed their functions faithfully and diligently, and the directors, supervisors and senior management members complied with the code of professional ethics. The appointment of each and every member of the Board of Directors was decided based on comprehensive consideration of the professional competence, skills, knowledge and experience needed for overall operation of the Board of Directors. The composition of the Board of Directors complied with the rules on the diversification of Board members under the *Hong Kong Listing Rules*.

Guided by national policies and regulatory orientation, the Board of Directors of the Bank formulated the Bank's 2021-2023 development plan in the principles of scientificity, rationality and robustness. It adhered to supporting the real economy as the original purpose of finance, deepened its business transformation, and made greater efforts to improve green finance capabilities. It also strengthened the philosophy of prudent operation, forestalled and defused financial risks, improved the long-effect mechanism for internal control and compliance, and safeguarded the legitimate rights and interests of stakeholders, thereby improving the quality and efficiency of its operation and management. During the reporting period, the Bank's annual general meeting elected directors and supervisors via accumulative voting for the first time. The Board of Supervisors of the Bank diligently performed the legal duties of supervision. Centering around the supervision orientation and the central tasks of the Bank, it focused on the supervision of key areas such as strategies, finance, risk management, internal control, and rectification of problems identified in regulatory inspections, and reminded the Board of Directors and senior management of overall, trending and latent issues, thus further strengthening its ability to perform duties and fulfilling its functions. The senior management of the Bank carried out operation and management activities in strict accordance with the Bank's Articles of Association and the authorization of the Board of Directors, earnestly implemented the resolutions adopted by the general meeting of shareholders and the Board of Directors, and actively accepted the supervision of the Board of Supervisors as well.

During the reporting period, in accordance with its Articles of Association, the Bank convened 3 general meetings, 9 meetings of the Board of Directors and 8 meetings of the Board of Supervisors. The general meetings, the meetings of the Board of Directors and those of the Board of Supervisors were all held in compliance with relevant laws and regulations and the procedures specified in the Articles of Association of the Bank.

3.2 Responsibilities of General Meeting, Board of Directors and Board of Supervisors and Meetings Thereof

3.2.1 General Meeting

Responsibilities of the general meeting

The general meeting is the Bank's organ of power. It is responsible for making decisions on the Bank's business guiding principles and investment plans; deliberating and approving the Bank's annual financial budget plans, final accounts plans, profit distribution plans and loss remedy plans; deliberating and approving the use of financing proceeds for other than set purposes; electing and replacing directors as well as shareholder representative supervisors and external supervisors, and deciding on the remunerations of directors and supervisors; deliberating and approving work reports of the Board of Directors and Board of Supervisors; producing resolutions on the Bank's plan for increase or decrease of registered capital; producing resolutions on the Bank's plans for merger, division, dissolution, liquidation or change in the corporate form of the Bank, issue of debt securities or other negotiable securities for the purpose of capital replenishment of the Bank as well as the listing thereof, and repurchase of the Bank's ordinary shares; amending the Bank's Articles of Association; engaging and dismissing accounting firms and deciding on their remunerations or the ways to determine their remunerations; deliberating proposals put forward by shareholders who individually or collectively hold 3% or more of the voting shares of the Bank; deliberating matters involving major investments, purchase or disposal of major assets within one calendar year that exceed 10% of the audited net asset value of the Bank for the latest reporting period; deliberating share incentive plans; deciding on or authorizing the Board of Directors to decide on matters relating to the issued preference shares of the Bank, including but not limited to determining whether to repurchase or convert preference shares or pay dividends; deliberating related party transactions that shall be reviewed and approved by the general meeting pursuant to relevant laws, administrative regulations, rules and the securities regulatory rules of the places where the Bank's shares are listed; and deliberating other matters that shall be decided by the general meeting in accordance with relevant laws, administrative regulations, ministerial rules, requirements of the securities regulators at the places where the Bank's shares are listed and relevant provisions of the Articles of Association of the Bank.

Convening of General Meetings

During the reporting period, the Bank convened 1 annual general meeting and 2 extraordinary general meetings, where 19 proposals were adopted after deliberation. These meetings were all convened in compliance with the procedures specified in the Articles of Association of the Bank.

On 14 January 2021, the Bank held the 1st Extraordinary General Meeting of 2021 at Conference Room 804, 8th Floor, CITIC Plaza, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing. 21 ordinary shareholders and duly authorized proxies, holding 38,727,446,361 voting shares of the Bank and representing approximately 79.140849% of the total voting shares of the Bank were present at the meeting. The then Chairperson and executive director Ms. Li Qingping presided over the meeting. Some directors and supervisors and the Secretary to the Board of Directors attended the meeting, and some senior management members were present at the meeting as non-voting attendees. The meeting reviewed one non-accumulative voting ordinary resolution regarding the appointment of Ms. Li Rong as a shareholder representative supervisor for the Fifth Session of the Board of Supervisors. The proposal was approved by more than half of the voting rights held by attending ordinary shareholders and duly authorized proxies with voting rights.

On 7 May 2021, the Bank held the 2nd Extraordinary General Meeting of 2021 at Conference Room 804, 8th Floor, CITIC Plaza, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing. 26 ordinary shareholders and duly authorized proxies, holding 38,905,295,933 voting shares of the Bank and representing approximately 79.504288% of the total voting shares of the Bank were present at the meeting. Executive Director, President and Chief Financial Officer Mr. Fang Heying (who performed the duties of the Chairman according to the resolution of the Board of Directors) presided over the meeting. Some directors and supervisors and the Secretary to the Board of Directors attended the meeting, and some senior management members were present at the meeting as non-voting attendees. The meeting reviewed two proposed non-accumulative voting ordinary resolutions regarding the appointment of Mr. Zhu Hexin as a non-executive director of the Fifth Session of the Board of Directors of the Bank and the formulation of implementation rules for the accumulative voting mechanism. The above two proposals were approved by more than half of the voting rights held by attending ordinary shareholders with voting rights and duly authorized proxies with voting rights. The meeting also reviewed one non-accumulative voting special resolution regarding the amendments to the Articles of Association of the Bank. The proposal was approved by more than two third of the voting rights held by attending ordinary shareholders and duly authorized proxies with voting rights.

On 24 June 2021, the Bank held the Annual General Meeting of 2020 at Conference Room 818, 8th Floor, CITIC Plaza, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing. 34 ordinary shareholders and duly authorized proxies, holding 39,039,640,705 voting shares of the Bank and representing approximately 79.778825% of the total voting shares of the Bank were present at the meeting. Chairman and non-executive director Mr. Zhu Hexin presided over the meeting. Other directors, some supervisors and the Secretary to the Board of Directors attended the meeting, and some senior management members were present at the meeting as non-voting attendees. The meeting reviewed 10 non-accumulative voting ordinary resolutions regarding the 2020 Annual Report, 2020 financial report, 2020 profit distribution plan, 2021 financial budget plan, engagement of accounting firms and their fees for 2021, special report of related party transactions for 2020, report of the Board of Directors for 2020, report of the Board of Supervisors for 2020, director allowance policy of the Sixth Session of the Board of Directors, and supervisor allowance policy of the Sixth Session of the Board of Supervisors. The above proposals were approved by more than half of the voting rights held by attending ordinary shareholders and duly authorized proxies with voting rights. The meeting also reviewed five accumulative voting ordinary resolutions regarding the appointment of non-executive directors of the Sixth Session of the Board of Directors, the appointment of executive directors of the Sixth Session of the Board of Directors, the appointment of independent directors of the Sixth Session of the Board of Directors, the appointment of external supervisors of the Sixth Session of the Board of Supervisors and the appointment of shareholder representative supervisors of the Sixth Session of the Board of Supervisors. The votes won by all the candidates for directors and non-employee representative supervisors surpassed half of the total voting rights (non-accumulative) held by attending ordinary shareholders and duly authorized proxies with voting rights, so the proposals were approved.

3.2.2 Board of Directors

Responsibilities of the Board of Directors

The Board of Directors is the decision-making body of the Bank. As per the Articles of Association of the Bank, the principal responsibilities of the Board of Directors include the following: to convene the general meeting and make a work report to the meeting; to implement the resolutions adopted by the general meeting; to determine the development strategies, business plans and investment proposals of the Bank; to prepare the annual financial budget and final accounts of the Bank; to prepare the profit distribution plans and loss remedy plans of the Bank; in accordance with the Articles of Association and within the scope of authorization of the general meeting, to determine the plans for major investment, major assets acquisition and disposal and other major matters of the Bank; to prepare proposals for the amendment of the Bank's Articles of Association; to appoint or dismiss the President of the Bank and the board secretary and to determine matters relating to their remuneration, awards and punishment; according to the nomination of the President, to appoint or dismiss the Vice President of the Head Office, as well as Business Directors and other senior management members who shall be appointed by the Board according to regulatory requirements, and to determine matters relating to their remuneration, awards and punishment; to review and establish the basic management rules and internal management structure of the Bank, etc. The Board of Directors should listen to the opinions of the Bank's Party Committee prior to making decisions on major issues of the Bank.

Work of the Board of Directors

During the reporting period, the Board of Directors implemented high standards of professional ethics and performed duties faithfully, diligently, responsibly and prudently. It convened 9 meetings (including 6 on-site meetings and 3 meetings through correspondence). At the meetings, the Board of Directors deliberated and adopted 61 proposals, and listened to 33 presentations. According to the Articles of Association of the Bank, significant events were all submitted to the on-site board meetings for deliberation, and the Board of Directors listened to the opinions of Party Committee of the Bank in advance when making decisions on major issues of the Bank. Matters requiring voting through correspondence and eligible for the same as per laws, regulations and the Article of Association of the Bank were deliberated at the meetings through correspondence. The Board of Directors continued to strengthen the building of the governance system, deliberated and adopted the proposal to amend the Articles of Association of the Bank, and incorporated relevant requirements for upholding the Party's overall leadership into the Articles of Association, thus further improving the corporate governance structure of the Bank. The Board of Directors completed the general election on schedule in accordance with the Articles of Association. In June 2021, the cumulative voting system was adopted for the first time when the Bank's 2020 Annual General Meeting elected members of the Board of Directors, which fully demonstrated the great importance the Bank attached to the protection of the legitimate rights and interests of minority investors. In addition, the Board of Directors conscientiously implemented the country's decisions and plans as well as regulatory requirements, continued to increase credit supply in key areas of the real economy such as inclusive finance, green finance, private enterprises, strategic emerging industries and manufacturing, improved the capabilities of providing financial support for green, low-carbon and high-quality development, and strengthened the standardized, digital and refined management of consumer protection. Meanwhile, the Board of Directors strengthened strategic decision-making and all-round performance of duties, and deliberated and adopted the Bank's 2020 Annual Report and 2020 Sustainable Development Report. Adhering to the scientific, rational and robust principles, it formulated, deliberated and adopted the 2021-2023 development plan, 2021-2022 overseas development plan and 2021-2023 capital plan, and put forward the development goal of striving for a leading role in the banking industry. Furthermore, the Board of Directors strengthened the prudent business philosophy and the building of the risk prevention and control system, listened to the report on the Bank's comprehensive risk management in 2020, report on internal control and compliance work in 2020, and report on the business cooperation with the top ten credit customers (groups) in 2020, and thereby improved the professionalism and early warning capabilities of the Bank's risk management and control.

3.2.3 Board of Supervisors

Responsibilities of the Board of Supervisors

According to the Bank's Articles of Association, the principal responsibilities of the Board of Supervisors of the Bank include the following: to supervise the performance of the duties by and due diligence of the directors and senior management members; to examine and supervise the financial activities of the Bank; to verify the financial information such as financial reports, business reports and profit distribution plan and periodic reports that the Board of Directors intends to submit to the general meeting; to audit the business decision-making, risk management and internal control of the Bank, and if necessary, to provide guidance and conduct supervision on the work of the internal audit department of the Bank; to supervise the establishment and implementation of the internal control by the Board of Directors; and to supervise the Board of Directors on its consolidation management of the Bank; among others.

Work of the Board of Supervisors

During the reporting period, the Board of Supervisors convened 8 meetings (all onsite meetings) where it deliberated 23 proposals, including those respectively regarding the Bank's periodic reports, profit distribution plan, internal control assessment report, sustainable development report, annual assessment report on the performance of duties, work report of the Board of Supervisors for the year 2020, and re-election of the Board of Supervisors being studied and reviewed; and the Board of Supervisors listened to 32 presentations respectively regarding the Bank's circular on guiding principles of the CPC Central Committee and regulatory policies that touch on corporate governance, plan implementation assessment report for 2018-2020, report on the 2021-2023 development plan, report on operating results, report on comprehensive risk management, report on internal control and compliance and anti-money laundering, report on regulatory inspection opinions and rectification plan, report on internal capital adequacy assessment, report on implementation of consolidated management, report on equity management of substantial shareholders, report on implementation of opinions and suggestions of the Board of Supervisors, etc. During the reporting period, based on comments and suggestions of supervisors, the Board of Supervisors issued 5 *Supervision Work Letters* to relevant business units for research and feedback, and strengthened the transmission and implementation of supervisory opinions, thereby improving the supervision opinions' transmission and implementation. In addition, the Board of Supervisor members attended all on-site meetings of the Board of Directors and some of the meetings of the specialized committees of the Board of Directors as non-voting delegates to ensure adequate supervision over the decision-making process on the Bank's significant events. Meanwhile, it supervised the Bank's operation and management activities by attending senior management meetings as non-voting delegates and reviewing various documents and materials submitted by the management.

During the reporting period, the Board of Supervisors supplemented and improved the *Supervision List of the Board of Supervisors of CITIC Bank* pursuant to the new regulations, and thus made the supervision more comprehensive and targeted. It continued to broaden the channels for performing its supervisory functions to deepen the influence of supervision. In line with the requirements of the CPC Central Committee and the regulatory orientation, the Board of Supervisors sent the *Supervision Reminder Letter* to timely convey its supervisory suggestions concerning key supervision areas and the Bank's priority tasks to the Board of Directors and the senior management. During the reporting period, the Board of Supervisors issued 3 *Supervision Reminder Letters*, and played a sound supervisory and reminding role by proposing the following supervisory suggestions to the Board of Directors and the senior management: paying attention to the risks of key credit customers, intensifying efforts in green finance development, and further improving the fraud case prevention system. Meanwhile, the Board of Supervisors conducted a thematic survey on the development and risk control of inclusive finance business, developed a special survey report, and put forward systematic and pertinent opinions and suggestions for the reference of the Party Committee, the Board of Directors and the senior management of the Bank, contributing to the high-quality development of the Bank.

3.2.4 Senior Management

The senior management is the executive arm of the Bank accountable to the Board of Directors and subject to the supervision of the Board of Supervisors. There is a strict division of duties and separation of power between the Bank's senior management and the Board of Directors. As authorized by the Board of Directors, the senior management manages and makes decisions on business operation within its mandate. The Board of Directors evaluates the performance of the senior management members, the results of which shall be used as the basis for determining remunerations and other incentive arrangements for the senior management members. The senior management should, as required by the Board of Directors or the Board of Supervisors, timely, accurately and completely report information regarding the Bank's strategy management, business investment, risk management, internal control and compliance, finance and accounting, and provide relevant materials. As at the disclosure date of this report, the Bank's senior management comprised 10 members. For details thereof, please refer to Section 3.3 "Basic Information on Directors, Supervisors and Senior Management Members" of this report.

3.3 Overview of Directors, Supervisors and Senior Management Members

3.3.1 List and Resumes of Directors, Supervisors and Senior Management Members

As of the disclosure date of this report, the Bank's directors, supervisors and senior management members were listed as follows:

3.3.1.1 Directors

Mr. Zhu Hexin Chinese Nationality

Chairman and non-executive director of the Bank. Mr. Zhu is the secretary to Party committee and chairman of CITIC Group Corporation Limited, and the chairman of CITIC Limited, CITIC Corporation Limited, CITIC Myanmar (Hong Kong) Holding Limited and CITIC Group (Myanmar) Co., Ltd. Prior to that, Mr. Zhu successively served as the vice president of the Bank of Communications of China, the executive director and vice president of the Bank of China, the vice governor of Sichuan Province, and the vice president of the People's Bank of China. Mr. Zhu has over twenty years' work experience in finance with rich theoretical knowledge and has accumulated extensive practical experience. Mr. Zhu graduated from Shanghai University of Finance and Economics with a bachelor's degree of engineering in economic information management system. Mr. Zhu is a senior economist.

Mr. Fang Heying Chinese Nationality

Secretary of the Party committee, Vice Chairman, executive director, President and Chief Financial Officer of the Bank. Mr. Fang has served as deputy general manager of CITIC Group Corporation Limited, deputy general manager and member of the executive committee of CITIC Limited, and deputy general manager of CITIC Corporation Limited since December 2020, and as a Party committee member of CITIC Group Corporation Limited since November 2020. Mr. Fang is concurrently a director of CITIC International Financial Holdings Limited and CITIC Bank International Limited. Prior to that, Mr. Fang was president of the Bank's Suzhou Branch, president of the Bank's Hangzhou Branch, and head of the Bank's financial markets business, and vice president of the Bank. He was a teacher at Zhejiang Banking School, assistant general manager of the credit department of the experimental urban credit cooperative of Zhejiang Banking School, and deputy director of Hangzhou Chengdong Office of Shanghai Pudong Development Bank. Mr. Fang has over 20 years of experience in the Chinese banking industry. He graduated from Peking University with a master's degree in business administration for senior management member. He is a senior economist.

Mr. Cao Guoqiang Chinese Nationality

Non-executive director of the Bank. Mr. Cao has served as chief financial officer of CITIC Limited since April 2018. He is concurrently a director of CITIC Metal Co., Ltd., CITIC Agriculture Limited, CITIC Myanmar (Hong Kong) Holdings Limited and CITIC Heye Investment Co., Ltd. Mr. Cao used to be a deputy chief staff member and deputy section chief of the planning and treasury division of the PBOC Shaanxi branch; assistant general manager, deputy general manager and general manager of the planning and treasury department at the Head Office of China Merchants Bank (CMB); general manager of the Budget and Finance Department of the Head Office, assistant president, vice president and chairman of the Board of Supervisors of the Bank; and general manager of the Finance Department of CITIC Group Corporation Limited. Mr. Cao has over 30 years' experience in the Chinese banking industry. He graduated from Hunan College of Finance and Economics with a bachelor's degree in monetary banking and obtained his master's degree in monetary banking from Shaanxi College of Finance and Economics. He is a senior economist.

Mr. Guo Danghuai Chinese Nationality

Party committee member, executive director and Vice President of the Bank. He is concurrently a director of CITIC International Financial Holdings Limited, CNCB (Hong Kong) Investment Co., Ltd., CITIC Bank International Limited and CITIC aiBank Corporation Limited, and chairman of CITIC Wealth Management Corporation Limited. Previously, Mr. Guo was vice president of Beijing Branch, president of Shenyang Branch, president of Tianjin Branch, general manager of Business Department of Head Office (currently Beijing Branch), general manager of International Business Department, and assistant vice president and chief audit officer of the Bank. Mr. Guo has over 30 years of work experience in the Chinese banking industry. He graduated from Peking University with a master's degree in business administration. He is a senior economist.

Ms. Huang Fang Chinese Nationality

Non-executive director of the Bank. Ms. Huang has served as a director of Xinhu Zhongbao Co., Ltd. since November 2015, a director of Zhejiang Xinhu Group Co., Ltd. since August 2013, and vice president and chief financial officer of Zhejiang Xinhu Group Co., Ltd. since July 2011. Previously, Ms. Huang worked at Agricultural Bank of China (ABC) where she successively served as deputy general manager of the international business department at the Zhejiang Provincial Branch business department, deputy general manager (presiding) of Hangzhou Baojiao sub-branch, deputy general manager of the corporate banking unit at the Zhejiang Provincial Branch business department, deputy general manager (presiding) and general manager of the personal finance unit at the Zhejiang Provincial Branch business department; and was vice president and chief financial officer of Xinhu Holdings Limited. Ms. Huang graduated from Zhejiang University with a bachelor's degree in law. She is an intermediate economist.

Mr. Wang Yankang Chinese Nationality

Non-executive director of the Bank. Mr. Wang has served as chief of State-owned Assets Management Division of the Financial Management and Supervision Department (Audit Department) of the State Tobacco Monopoly Administration since August 2016. Previously, he worked at the Financial Management and Supervision Department (Audit Department) of the State Tobacco Monopoly Administration where he successively served as cadre, deputy chief staff member, and chief staff member of the Audit Division; deputy chief of the First Audit Division; deputy chief of the State-owned Assets Management Division; and consultant and deputy chief of the State-owned Assets Management Division. He was once appointed as the deputy county chief of Yunxi County, Hubei Province. Prior to that, Mr. Wang worked at the Finance Department of Tsinghua University and was assigned by the National Audit Office to the Audit Bureau of the State Tobacco Monopoly Administration. Mr. Wang graduated from Renmin University of China with a bachelor's degree in accounting, and obtained a master's degree in accounting from Beijing Technology and Business University. He is a senior accountant.

Mr. He Cao Chinese Nationality

Independent non-executive director of the Bank. Mr. He used to be chairman, executive director and CEO of Franshion Properties (China) Co., Ltd., chairman of Jinmao Investment and Jinmao (China) Investment Holding Co., Ltd., president, vice chairman and chairman of China Jinmao (Group) Co., Ltd. and Assistant to the President of Sinochem Corporation (regarded as a vice president of Sinochem from 2013 onward). Previously, Mr. He once served as co-chair of the "China Hotel Owner Alliance" under the China Hotel Industry Association, and vice president of the All-China Real Estate Chamber of Commerce. In addition, he was a delegate to the 12nd and 13rd session of the Shanghai Municipal People's Congress and was named Shanghai's model worker and one of the economic figures in Shanghai Pudong's 20-year development and opening-up. Mr. He graduated from Renmin University of China with a degree in economics, and from the Graduate School of Political Economics in Jilin University, and obtained his MBA from the China Europe International Business School. He is a senior economist.

Ms. Chen Lihua Chinese Nationality

Independent non-executive director of the Bank. Ms. Chen is a professor and Ph.D. tutor of the Management Science and Information System Department of Guanghua School of Management at Peking University, and also an executive director of the Center for Research of Circulation Economy and Management, director of Liantai Supply Chain Research and Development Center, and deputy dean of the China National Institute for Research of Development Strategy on Hi-Tech Industry Development Zone of Peking University. In addition, she is vice president of the China Society of Logistics, director of the Supply Chain and Logistics Committee of the China Management Science Society, an expert with special contribution to the logistics industry over the 40 years of China's reform and opening-up, a core expert in the National Strategy Research Group for Supply Chain Innovation and Application, and an expert on national high-tech zones engaged by the Ministry of Science and Technology. Ms. Chen is currently an independent director of Zhongrong Fund Management Co., Ltd. She used to be general manager of Beijing Jun Shi Century Information Technology Co., Ltd., and an independent director of Tiger, a Singaporean listed company. She received a Bachelor of Science degree and a Master of Science degree from Jilin University of Technology, got her doctoral degree in management science from the City University of Hong Kong, and did her post-doctoral studies at the Institute of Mathematics and Systems Science of the Chinese Academy of Sciences. In her capacity as leader or research backbone, Ms. Chen has participated in numerous international cooperation projects and key research and development projects sponsored by the National Natural Science Foundation, ministries and provincial governments in China. She also sits on the review and assessment panels of multiple domestic and foreign academic journals, and has published numerous papers on prestigious international publications.

Mr. Qian Jun Chinese Nationality

Independent non-executive director of the Bank. Mr. Qian is a professor of finance and executive dean of Fanhai International School of Finance at Fudan University, a research fellow at the Wharton School of the University of Pennsylvania and an associate editor of *Frontiers of Economics in China*, an international academic journal. Previously, Mr. Qian was a lifetime professor of finance at the Carroll School of Management of Boston College, a visiting associate professor at MIT's Sloan School of Management, a special-term professor of finance at the School of Economics and Management of Tsinghua University, a special-term professor, professor and Ph.D. tutor, co-director of the EMBA program, and co-director of the EMBA/DBA/EE program at Shanghai Advanced Institute of Finance (SAIF) of Shanghai Jiao Tong University, deputy dean of the China Academy of Financial Research of Shanghai Jiao Tong University, and an associate editor of *Review of Finance*, an international academic journal. Mr. Qian obtained his B.S. degree from the University of Iowa and his Ph.D. from the University of Pennsylvania, and did his undergraduate program at the Department of International Economics of Fudan University. Mr. Qian's research interests span many topics of theoretical and empirical corporate finance and financial institutions, including commercial and investment banking, mutual and hedge funds, credit rating agencies, mergers and acquisitions, legal systems related to finance, comparison of financial systems in emerging markets, development of financial systems during China's economic transformation, and financial risk prevention and control. He published multiple research papers on top academic journals, and contributed chapters of several books on financial system development. His books recently finished include *Power of China's Finance*.

Mr. Yan Lap Kei Isaac Chinese (Hong Kong) Nationality

Independent non-executive director of the Bank. Mr. Yan joined Arthur Young & Co. (UK) and KPMG Certified Public Accountants (UK), and served as assistant manager, manager, senior manager and partner at KPMG Certified Public Accountants (Hong Kong). He served as a partner at KPMG Huazhen Certified Public Accountants LLP and established the quality control and risk management department of KPMG (China). Mr. Yan used to serve as a consulting expert of the former CBRC, an accounting standards consulting expert of the PRC Ministry of Finance, a consultant to the Accounting Department of the CSRC (full-time for a year), a member of the Delisting Committee of the Shenzhen Stock Exchange, and a member of the China Technical Professionals Group, Professional Standards Supervisory Committee and Risk Management Committee of the Hong Kong Institute of Certified Public Accountants. He was a visiting professor at Beijing National Accounting Institute and Shanghai National Accounting Institute. He also participated in the review of the first draft of the audit and accounting standards issued by the PRC Ministry of Finance and the English translation work of the audit standards. Mr. Yan graduated from Liverpool University with an (accounting) Bachelor of Arts degree, and has the chartered accountant qualification in England and Wales as well as the Hong Kong Institute of Certified Public Accountants senior fellowship. Mr. Yan has abundant experience in aspects such as accounting, audit and risk management, and used to participate many times in the public listing and annual audit of state-owned large and medium-sized enterprises in industries including finance, telecommunications, electricity and manufacturing. He enjoys a wealth of practical experience in merger, acquisition, restructuring and public listing projects in the Chinese mainland and Hong Kong capital markets.

3.3.1.2 Supervisors

Mr. Liu Cheng Chinese Nationality

Deputy secretary of the Party committee, chairman of the Board of Supervisors and employee representative supervisor of the Bank. Mr. Liu is concurrently a director of Asian Financial Cooperation Association (AFCA). Mr. Liu used to be a secretary at the division chief level, a secretary at the deputy director general level and a secretary at the director general level at the General Office of the State Council; and an official at the division chief level, a first Secretary, a researcher and deputy division chief of Division One of the Second Secretary Bureau at the General Office of the State Council. Previously, he was an assistant researcher and researcher of the Finance Division under the Finance Department of the National Development and Reform Commission. Mr. Liu graduated from the Finance Department of the Central College of Finance and Economics (now Central University of Finance and Economics), and the School of Finance at Renmin University of China, and obtained a bachelor's degree, a master's degree and a doctoral degree in economics.

Mr. Wei Guobin Chinese Nationality

External supervisor of the Bank. Mr. Wei served as a board director of BOC Hong Kong Investment Co., Ltd. and chairman of the board of supervisors of Zhongyi Shanyuan (Beijing) Technology Co., Ltd. Prior to that, he worked at Bank of China Limited and served successively as assistant president and deputy president of Hebei Branch, president of Shanxi Branch, general manager of the Personal Banking Department of the Head Office, and president of Hunan Branch. Mr. Wei is a senior economist, and graduated from Hebei Banking School with a degree in finance.

Ms. Sun Qixiang Chinese Nationality

External supervisor of the Bank. Ms. Sun is now a professor and doctoral supervisor of School of Economics, Peking University, and the Boya Distinguished Professor at Peking University (PKU). Ms. Sun also holds many other prestigious titles, which include the C.V. Starr Professor, the chief expert of the projects sponsored by the National Social Science Fund of China, and the expert receiving Special Government Allowances from the State Council. Ms. Sun concurrently holds a wide array of posts: member of the CBIRC International Advisory Council, member of the Academic Committee at China Society for Finance and Banking, member of the U.S.-based International Insurance Society (IIS) Board, director of the China Center for Insurance and Social Security Research, Peking University (CCISSR), independent director of AVIC Industry-Finance Holdings Co., Ltd. (formerly AVIC Capital Co., Ltd.), independent director of Bank of China Investment Management Co., Ltd., and independent director of China Development Bank Securities Co., Ltd. Among the previous posts she ever held are dean of the PKU School of Economics, chairperson of the Asia-Pacific Risk and Insurance Association, and visiting professor at Harvard University. Ms. Sun graduated from the School of Economics of Peking University with a doctorate degree in economics.

Mr. Liu Guoling Chinese Nationality

External supervisor of the Bank. Mr. Liu used to work at Agricultural Bank of China (ABC). The positions Mr. Liu ever held at ABC include deputy general manager of the Credit Management Department at the Head Office, vice president of ABC Guangxi Branch, deputy general manager of the Sannong Credit Department at the Head Office, deputy general manager of the Credit Management Department at the Head Office, and head of the Specialized Inspection Team at the Head Office. Mr. Liu is a senior economist and graduated from Renmin University of China, with a bachelor's degree of economics majoring in statistics.

Ms. Li Rong Chinese Nationality

Employee representative supervisor of the Bank. Ms. Li is currently the general manager of the Compliance Department of the Bank. Previously, she served as general manager of Retail Banking Department, assistant president and vice president of the Bank's Chongqing Branch, and general manager of the Interbank Business Department of the Bank. Prior to that, Ms. Li worked at the Chongqing Branch of China Merchants Bank Co., Ltd., serving successively as deputy director of the General Office, general manager of the Personal Banking Department, general manager of the Business Department, general manager of the Retail Banking Department, etc. Ms. Li graduated from Chongqing University with a master's degree of business administration.

Mr. Li Gang Chinese Nationality

Employee representative supervisor of the Bank. Mr. Li is currently the general manager of the Bank's Audit Department. Previously, he served as assistant general manager and deputy general manager of the Budget and Finance Department of the Bank; general manager of the Bank's Compliance and Audit Department; general manager of the Audit Department; and president of the Bank's Hefei Branch. Prior to that, he worked at the Business Department of the Bank's Head Office (now the Beijing Branch) and CITIC Daxie Development Limited. Mr. Li graduated from Peking University with a degree of executive master of business administration.

Mr. Chen Panwu Chinese Nationality

Employee representative supervisor of the Bank. Mr. Chen serves as general manager of the Bank's Culture and Labor Union Department, and executive vice chairman of the labor union of the Bank. Prior to that, he was general manager of the personnel department, assistant president and concurrently general manager of the human resources department of the Bank's Hangzhou Branch; deputy general manager and general manager of the Human Resources Department of the Bank's Head Office; and general manager of the Culture, Labor Union Office & Security Department of the Bank's Head Office. Mr. Chen graduated from Suzhou University with a doctoral degree in finance.

Ms. Zeng Yufang Chinese Nationality

Employee representative supervisor of the Bank. Ms. Zeng serves as vice president of the Bank's Guangzhou Branch. Earlier, she was deputy general manager and general manager of the accounting department of the Bank's Shenzhen Branch, and assistant president and vice president of the branch. Prior to that, she was assistant chief of the finance and accounting division of State Development Bank Shenzhen Branch. Ms. Zeng graduated from East-West University of the USA with a master's degree in business administration.

3.3.1.3 Senior Management Members

Mr. Fang Heying Chinese Nationality

Secretary of the Party Committee, Vice Chairman, executive director, President and Chief Financial Officer of the Bank. Please refer to "3.3.1.1 Directors" in this chapter for Mr. Fang's resume.

Mr. Guo Danghuai Chinese Nationality

Party Committee member, executive director and Vice President of the Bank. Please refer to "3.3.1.1 Directors" in this chapter for Mr. Guo's resume.

Mr. Hu Gang Chinese Nationality

Party Committee member, Vice President and Chief Risk Officer of the Bank. Mr. Hu used to be deputy head of the preparatory team for the establishment of the Bank's Changsha Branch, Party committee member and vice president of Changsha Branch; Party committee member, vice president, secretary of Party committee and president of the Bank's Chongqing Branch; secretary of Party committee and president of the Bank's Shanghai Branch; head of the wholesale business and Chief Risk Officer of the Bank. Prior to that, he successively worked for the Political Department of Hunan Provincial Procuratorate, and served as deputy section chief at the personnel department of Hunan Provincial Party Committee Office, Assistant General Manager and General Manager of Beihaixiang Properties Development Company, Vice Chairman of Hongdu Enterprise Company and Chairman of Changsha Xiangcai Urban Credit Cooperative in Hunan Province (both affiliated to Hunan Zhongli Industrial Group Co., Ltd.,). Mr. Hu graduated from Hunan University with a doctoral degree in economics. He has over 20 years of experience in the Chinese banking industry and is a senior economist.

Mr. Xie Zhibin Chinese Nationality

Party Committee member and Vice President of the Bank. Mr. Xie serves as a director of China UnionPay Co., Ltd. Previously, he was a Party Committee member and assistant general manager of China Export Credit Insurance Corporation (during which he temporarily worked as a standing member of the Party Committee and Deputy Mayor of Hohhot City in Inner Mongolia Autonomous Region); and Secretary of the Committee for Disciplinary Inspection and Party Committee member of China Everbright Group Co., Ltd. Prior to that, Mr. Xie served as assistant general manager, deputy general manager and general manager of the human resources department (assistant director, deputy director and director of the organization department under the Party Committee) of China Export Credit Insurance Corporation, Party committee secretary of the company's Shenzhen branch, and person in charge, Party committee secretary and general manager of the company's Hebei provincial branch. Mr. Xie graduated from Renmin University of China with a doctorate degree in economics. He is a senior economist.

Mr. Xiao Huan Chinese Nationality

Party Committee member and Secretary of the Committee for Disciplinary Inspection of the Bank. Mr. Xiao once worked at CITIC Group, and served as head of the Organization Division of the Organization Department (Human Resources and Education Department) of the Party Committee of CITIC Group; deputy chief and chief of the Organization Division and assistant director of the Party Affairs Department of CITIC Group; deputy secretary of the Committee for Disciplinary Inspection and general manager of Department for Disciplinary Inspection and Supervision of China CITIC Bank; director of the Party Affairs Department and executive deputy secretary of Party committee directly under CITIC Group. Prior to that, he was a teacher at the Moral Education Office of PLA Medical College and an officer at the Political Department of Beijing Military Medical College. Mr. Xiao graduated from PLA Nanjing Institute of Political Sciences with a bachelor's degree in law.

Mr. Lu Wei Chinese Nationality

Party Committee member and Vice President of the Bank. Mr. Lu serves as secretary of Party committee and president of the Bank's Shenzhen Branch, deputy head of the preparatory team for the establishment of the Bank's Hong Kong Branch, and a board director of JSC Altyn Bank. Previously, Mr. Lu was deputy general manager of the Business Department of the Bank's Head Office (currently Beijing Branch), general manager of the Budget and Finance Department, general manager of the Asset and Liability Department, Board Secretary, Company Secretary, authorized representative and Business Director of the Bank and a board director of CITIC aiBank Corporation Limited. Prior to that, he worked for Beijing Youth Industrial Group Corporation. Mr. Lu graduated from Deakin University in Australia with a master's degree in accounting. He is a certified public accountant of PRC, Hong Kong SAR and Australia, with over 20 years' experience in the Chinese banking industry.

Mr. Lü Tiangui Chinese Nationality

Party Committee member and Vice President of the Bank. Mr. Lü serves as secretary of Party committee of the Bank's Credit Card Center, and concurrently as board director of CITIC aiBank Corporation Limited and a core member of the China Ageing Finance Forum (CAFF50). Previously, Mr. Lü served as president of the Bank's Credit Card Center, general manager of the Bank's Retail Banking Department and Private Banking Department, and Business Director of the Bank. Earlier, he was deputy chief of the risk management division at Jilin Branch of Bank of China Limited. Mr. Lü has 27 years' practicing experience in the Chinese banking industry. Mr. Lü graduated from Sichuan University with a master's degree in business administration. He holds qualifications such as senior accountant, Certificated Internal Auditor (CIA) and PRC certified public accountant (CPA).

Mr. Lu Jingen Chinese Nationality

Business Director of the Bank. Mr. Lu serves as secretary of Party committee and president of Nanjing Branch of the Bank. Prior to that, he served as deputy head of the corporate loan division, head of the asset preservation division, general manager of the Asian Games Village sub-branch, general manager of the Olympic Village sub-branch, general manager of the CITIC International Building sub-branch, and assistant general manager and Party committee member of the Business Department of the Head Office of the Bank (currently Beijing Branch); assistant general manager (presiding) of the corporate banking department of the Bank; secretary of Party committee, vice president (presiding) and president of the Bank's Kunming Branch; and secretary of Party committee and president of the Bank's Changsha Branch. Mr. Lu has over 20 years' experience in the Chinese banking industry. He graduated from Harbin Engineering University with a bachelor's degree in mechatronics, received his master's degree in economics from Renmin University of China and obtained his EMBA degree from Peking University and his doctorate degree in management from Central South University. He is a senior economist.

Ms. Zhang Qing Chinese Nationality

Board Secretary and Company Secretary of the Bank. Ms. Zhang serves as the head of the Organizing Department of the Party Committee and general manager of the Human Resources Management Department of the Bank, and is concurrently a board director of CITIC Financial Leasing Co., Ltd. and CNCB (Hong Kong) Investment Limited. Prior to that, Ms. Zhang served as assistant general manager, deputy general manager (presiding), and general manager of the Credit Management and Approval Department of the Bank's Xi'an branch, assistant president, Party committee member and vice president of the branch, and general manager of the Credit Management Department of the Bank. Prior to that, she worked at the Shaanxi branch of Industrial and Commercial Bank of China, successively working on the accounting, planning, credit management in the sub-branch and project review in the branch. She has 28 years of professional experience in the Chinese banking industry. She graduated from Xi'an University of Technology (formerly "Shaanxi Institute of Mechanical Engineering") with a master's degree in engineering. Ms. Zhang is a senior economist.

Mr. Liu Honghua Chinese Nationality

Business Director of the Bank. Mr. Liu is secretary of Party committee and president of the Bank's Beijing Branch. He once worked for the Business Department of the Head Office of the Bank (currently Beijing Branch), and held various positions including president of the Bank's Fuhua Sub-branch, general manager of the Corporate Banking Department, assistant general manager, Party committee member and deputy general manager of the Business Department. He also served as secretary of Party committee and president of Taiyuan Branch of the Bank, general manager of the Asset Custody Department and the Corporate Banking Department of the Bank. Prior to that, Mr. Liu worked at China International Trust Investment Company, and successively served as assistant manager, deputy manager and manager of the Business Department II, assistant manager of China Leasing Co., Ltd. and manager, deputy general manager of the Administrative Management Division at China Leasing Co., Ltd. He has nearly 20 years of professional experience in the Chinese banking industry. He graduated from Peking University with a degree of executive master of business administration. He is a senior economist.

3.3.2 Appointment and Dismissal of Directors, Supervisors and Senior Management Members

3.3.2.1 Directors

On 15 March 2021, Ms. Li Qingping resigned as Chairperson and Executive Director of the Bank due to work rearrangements, with effect from 15 March 2021.

On 30 October 2020, the Bank's 2nd Extraordinary General Meeting of 2020 elected Mr. Wang Yankang as a non-executive director of the 5th Session of the Board of Directors. Upon the approval by CBIRC, Mr. Wang Yankang began to serve as non-executive director of the Bank as of 16 April 2021.

On 21 April 2021, the Board of Directors of the Bank received a resignation report from Mr. Wan Liming, a non-executive director of the Bank. Due to work adjustments, Mr. Wan Liming tendered his resignation from the position of the non-executive director of the Bank. The resignation of Mr. Wan Liming became effective from 21 April 2021.

On 15 March 2021, the 43rd meeting of the 5th Session of the Board of Directors of the Bank reviewed and approved relevant proposals, nominating Mr. Zhu Hexin as non-executive director candidate of the Bank, and electing Mr. Zhu Hexin as Chairman of the Board of Directors. Before the general meeting of the Bank elected him to serve as a non-executive director of the Bank and the regulatory authority approved his qualifications for the Bank's non-executive director and Chairman, pursuant to the regulatory requirements, the Board of Directors agreed to appoint executive director and President Mr. Fang Heying to perform the duties of the Chairman of the Bank, with effect from 15 March 2021 to the date when Mr. Zhu Hexin assumed non-executive director and Chairman of the Bank. On 7 May 2021, the 2nd Extraordinary General Meeting of 2021 elected Mr. Zhu Hexin as a non-executive director of the Bank. Upon the approval by CBIRC, Mr. Zhu Hexin began to serve as non-executive director and Chairman of the Bank as of 21 June 2021.

On 15 March 2021, the 43rd meeting of the 5th Session of the Board of Directors of the Bank reviewed and approved relevant proposals, electing Mr. Fang Heying as Vice Chairman of the 5th Session of the Board of Directors of the Bank. Upon the approval by CBIRC, Mr. Fang Heying began to serve as Vice Chairman of the Bank as of 21 June 2021.

On 24 June 2021, upon expire of the term of the 5th Session of the Board of Directors of the Bank, the 6th Session of the Board of Directors was elected at the 2020 Annual General Meeting of the Bank. Mr. Zhu Hexin, Mr. Cao Guoqiang, Ms. Huang Fang and Mr. Wang Yankang served as non-executive directors of the 6th Session of the Board of Directors of the Bank; Mr. Fang Heying and Mr. Guo Danghuai served as executive directors of the 6th Session of the Board of Directors of the Bank; Mr. He Cao, Ms. Chen Lihua, Mr. Qian Jun and Mr. Yan Lap Kei Isaac served as independent non-executive directors of the 6th Session of the Board of Directors of the Bank.

On 24 June 2021, the first meeting of the 6th Session of the Board of Directors of the Bank reviewed and approved relevant proposals, electing Mr. Zhu Hexin and Mr. Fang Heying as Chairman and Vice Chairman of the 6th Session of the Board of Directors of the Bank, respectively. The above-mentioned personnel were all re-appointed upon election and took office as of 24 June 2021.

3.3.2.2 Supervisors

On 14 January 2021, the 1st Extraordinary General Meeting of 2021 elected Ms. Li Rong as a shareholder representative supervisor of the 5th Session of the Board of Supervisors of the Bank. Pursuant to regulatory requirements and the Articles of Association of the Bank, Ms. Li Rong served as shareholder representative supervisor of the 5th Session of the Board of Supervisors of the Bank as of 14 January 2021.

The staff representative conference of the Bank held on 23 June 2021 and the 2020 Annual General Meeting of the Bank on 24 June 2021 elected the 6th Session of the Board of Supervisors of the Bank, which consists of 8 supervisors, including 4 employee representative supervisors (Mr. Liu Cheng, Mr. Li Gang, Mr. Chen Panwu and Ms. Zeng Yufang), 3 external supervisors (Mr. Wei Guobin, Ms. Sun Qixiang and Mr. Liu Guoling) and 1 shareholder representative supervisor (Ms. Li Rong). Among them, Ms. Sun Qixiang and Mr. Liu Guoling were newly appointed supervisors, and the other supervisors were re-appointed upon election. All of the above-mentioned supervisors assumed their posts as of 24 June 2021. Meanwhile, Mr. Jia Xiangsen and Mr. Zheng Wei ceased to serve as external supervisors due to the expiration of their terms of office.

On 24 June 2021, the first meeting of the 6th Session of the Board of Supervisors of the Bank reviewed and approved relevant proposal, electing Mr. Liu Cheng as Chairman of the 6th Session of the Board of Supervisors.

3.3.2.3 Senior Management Members

On 24 November 2020, the 36th meeting of the 5th Session of the Board of Directors of the Bank reviewed and approved relevant proposals, approving the appointment of Mr. Lu Wei and Mr. Lü Tiangui as Vice Presidents of the Bank. Upon the approval of CBIRC, Mr. Lu Wei and Mr. Lü Tiangui began to serve as Vice Presidents of the Bank as of 2 April 2021.

3.3.3 Work Performance of Independent Directors and External Supervisors

The independent non-executive directors of the Bank had no business or financial interests in the Bank or its subsidiaries, nor did they assume any positions other than directors in the Bank. The Bank protected independent non-executive directors' right to know, and provided them with the necessary information in a timely manner and the necessary working conditions for performing duties. During the reporting period, pursuant to regulatory requirements and the Articles of Association of the Bank, the independent non-executive directors of the Bank performed their duties with good faith, independence and diligence, exercised their legal rights such as the right to know and right to make decisions in accordance with laws and regulations. They earnestly participated in the general meetings, and meetings of the Board of Directors and its special committees. What's more, they actively carried out community-level researches, made independent, professional and objective judgments, and expressed objective, fair and independent opinions, safeguarding the legitimate rights and interests of the Bank, minority shareholders and financial consumers. The independent non-executive directors of the Bank ensured sufficient time and energy to effectively perform their duties, and their entrustment of directors to attend board meetings on proxy due to conflicting schedule complied with regulatory provisions.

During their decision-making and supervision, the external supervisors of the Bank were immune from the influence of substantial shareholders and senior management members as well as other entities and individuals that had a stake in the Bank. They focused on safeguarding the legitimate rights and interests of minority shareholders and other stakeholders, and were able to perform their supervisory duties independently. During the reporting period, the external supervisors of the Bank attended the Bank's important meetings such as board meetings and general meetings as non-voting attendees, so as to ensure full supervision of the Bank's decision-making process regarding significant events. They also followed the Bank's corporate governance, strategic management, business investment, risk management, internal control and compliance, finance and accounting, etc. Meanwhile, they participated in meetings and deliberated on issues, put forward opinions and suggestions, and exercised voting rights in compliance with laws and regulations, and made independent, professional and objective judgments on matters within their sphere of accountability, thus improving the quality and efficiency of the supervision carried out by the Board of Supervisors. The external supervisors of the Bank invested sufficient time and energy to perform their duties, as they worked at the Bank for more than 15 working days, which complied with regulatory provisions.

3.4 Profit Distribution

The formulation and implementation of the Bank's cash dividend policy complies with the Articles of Association of the Bank and the requirements of the resolutions of the general meeting, the dividend standard and proportion are clear and definite, and the decision-making process and mechanism are complete. The 2020 profit distribution plan proposed by the Board of Directors of the Bank was approved by independent directors, and adopted through resolution by more than 99.88% shareholders holding less than 5% of the Bank's shares at the 2020 Annual General Meeting held on 24 June 2021, effectively protecting the rights and interests of minority shareholders.

3.4.1 Profit Distribution Plan for 2020

Upon review and approval by the general meeting, the Bank distributed dividends on ordinary shares for 2020 in cash to the A shareholders on the register as at 28 July 2021 and the H shareholders on the register as at 6 July 2021. Cash dividends of RMB2.54 (before tax) were distributed for every 10 shares, amounting to about RMB12,429 million. The 2020 profit distribution plan of the Bank were explained in detail in the 2020 Annual Report, documents of the 2020 Annual General Meeting, the H-share circular of the 2020 Annual General Meeting and the announcement on the implementation of dividend distribution of A ordinary shares for the year 2020. For details, please refer to the relevant announcements published on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com).

3.4.2 Interim Profit Distribution for 2021

The Bank neither distributed profit nor converted capital reserve into share capital for the first half of 2021.

3.5 Information Disclosure

During the reporting period, strictly following the principles of truthfulness, accuracy, completeness, timeliness and fairness, abiding by laws and regulations, and in the light of the information needs of investors, the Bank published over 230 periodic reports, interim announcements and other documents at the SSE and the SEHK, totaling more than 3 million words. Meanwhile, the Bank kept improving the framework and contents of its periodic reports, increased disclosures regarding market concerns, constantly improved the pertinence and effectiveness of information disclosure, so as to provide investors with timely, sufficient and effective information for the effective protection of investors' right to know.

The Bank continued to strengthen the refined management of information disclosure, and intensified efforts in process control and quality control. It took the initiative to strengthen internal and external communication, and made reasonable disclosure plans to consolidate the compliance foundation and ensure the orderly disclosure. During the reporting period, the Bank kept pace with regulatory developments to develop internal policies and procedures in line with the latest regulatory rules. In accordance with the *Regulations on the Registration and Management Policies on Insiders of Listed Companies* and *The Information Disclosure Management Measures for Listed Companies* newly promulgated by CSRC, the Bank revised its *Administrative Measures for Insider Information and Insiders* and *Code of Conduct for Directors, Supervisors and Senior Management Members in Information Release*, further fortifying the compliance foundation for information disclosure.

3.6 Management of Related Party Transactions

During the reporting period, the Bank continued to attach great importance to the management of related party transactions pursuant to the policy trends and management requirements of the CBIRC, the CSRC, the SSE and the SEHK. It continuously optimized its rules and mechanism for such management, raised the awareness for compliance of related party transactions, accelerated the IT application in related party transactions, and enhanced the efficiency and degree of refinement of the management of related party transactions. The Bank also promoted the creation of synergistic value and shareholder value under the premise of compliance, and effectively protected the interests of the Bank and all investors.

The Bank upheld its management system that featured decision making by the Board of Directors, supervision by the Board of Supervisors, execution by the senior management, division of duties and cooperation among business units. In strict compliance with relevant requirements on the management of related party transactions, the Bank effectively performed its obligations of reviewing and disclosing related party transactions, submitted material related party transactions to the Audit and Related Party Transactions Control Committee for review and to the Board of Directors for deliberation on a case-by-case basis, and disclosed such transactions and filed them with the CBIRC and the Board of Supervisors of the Bank for record. The Audit and Related Party Transactions Control Committee under the Board of Directors consisted fully of independent non-executive directors who carried out preliminary review of material related party transactions and expressed independent opinions thereabout on behalf of minority shareholders to ensure that such transactions were made pursuant to internal approval procedures and in a fair manner on terms no more favorable than those available to independent third parties and in the overall interests of the Bank and all of its shareholders.

During the reporting period, guided by the concept of "returning to original purposes of regulation and creating value through compliance" and considering policy trends and regulatory requirements, the Bank managed related party transactions more effectively through a further standardized process to enhance the IT application and intelligent operation of related party transactions management and to ensure the compliance and orderly conduct of related party transactions. It kept close communication with shareholders' related parties, made overall plans for related party transactions, improved the structure of credit business with such related parties based on their actual needs and on the prerequisite of compliance first, and focused on improving the utilization ratio of approved limit of related party transactions. The Bank stepped up efforts in reporting to directors and supervisors, and enhanced the depth, breadth and refinement of reporting of related party transactions by means of reporting in writing, reporting via correspondence and on-site reporting, which helped directors and supervisors to have a timely and in-depth understanding of related party transactions management and relevant risks, contributed to more scientific and effective decision-making and avoided improper transfer of interests. Furthermore, the Bank continued to conduct self-inspection on compliance of related party transactions. In consideration with the relevant requirements of CBIRC and the Bank's management requirements for related party transactions, the Bank pushed forward special self-inspection in an all-round and in-depth manner, and made regular self-inspection and timely rectification. Meanwhile, the Bank further improved the related party transactions management system. Based on the integration of information on related parties and related party transactions, the Bank made efforts to gradually realize the system's connection to the human resources system, business systems and external data platforms, thus continuously increasing the automated collection and statistical processing of information.

3.7 Management of Investor Relations

Attaching consistent and great importance to investor protection, the Bank continued to optimize its multi-dimensional and multi-tier investor communication and service in response to the communication needs of different types of investors at home and abroad. In the first half of 2021, the Bank communicated with over 800 capital market participants through receiving and visiting investors, participating in investor forums, holding domestic and overseas institutional investor seminars, and various approaches such as investor hotline, emails and SSE e-interaction platform, effectively meeting the communication needs of domestic and overseas investors as well as analysts. Meanwhile, the Bank adopted new communication methods by holding the 2020 annual results briefing through the form of "phone access + live streaming", and posting the meeting record on its official website after the meeting. In this case, investors who failed to attend the meeting in time could also be informed of the Bank's operation and management. After disclosing its annual results, the Bank carried out road shows in Beijing, Shanghai, Shenzhen etc. and actively promoted the Bank's performance to enhance the capital market's recognition of the Bank's investment value. During the reporting period, the Bank actively participated in the 4th "Shareholders Are Coming" knowledge contest on investor rights and interests hosted by the Investor Protection Bureau of CSRC. On top of that, it published the participation information on the Bank's official account, and promoted the contest to small and medium-sized investors during the annual general meeting, as a way to encourage investors to actively pay attention to and participate in the activity, which achieved good results.

In terms of equity management, the Bank continued to implement the *Interim Measures for Equity Management of Commercial Banks* and other regulatory requirements thereof promulgated by the CBIRC, and maintained close communication with its substantial shareholders to improve equity management in a coordinated manner. Meanwhile, the Bank continued to track and monitor changes in shareholders' shareholdings, and properly managed equity pledge, thus continuously and effectively enhancing its equity management.

3.8 Remuneration Policy

Upholding the remuneration philosophy highlighting position value, performance contribution and competence unleash, during the reporting period the Bank formulated or revised remuneration policies such as the *Guidelines of CITIC Bank on Remuneration and Welfare of Employees* and the *Management Measures of CITIC Bank for the Implementation of Enterprise Annuity*. And it established and improved differentiated remuneration policies for professionals in the fields of information technology, credit approval etc., and continuously improved the remuneration system compatible with competitiveness sharpening, risk control and steady development.

3.9 Implementation of Equity Incentive Scheme, Employee Stock Ownership Plan or Other Employee Incentive Measures during the Reporting Period

The Bank did not have any equity incentive scheme in effect as at the end of the reporting period.

3.10 Information on Staff and Affiliates

As at the end of the reporting period, the Group had 58,229 employees, including 57,062 under labor contracts and 1,167 dispatched or hired with letters of engagement. The Group had 1,955 retirees. The Bank had 54,503 employees, including 53,467 under labor contracts and 1,036 dispatched or hired with letters of engagement. The Bank had 1,854 retirees.

The Bank's Affiliates List (subsidiaries not included)

Region	Name of affiliate	Address/Postal code	Number of outlets	Number of staffers	Total assets (RMB million)
Headquarters	Head Office	Address: 6-30/F and 32-42/F, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing Postal Code: 100020	1	2,184	2,769,856
	Credit Card Center	Address: CITIC Bank Building, No. 121 Fuhua 1st Road, Futian Street, Futian District, Shenzhen, Guangdong Province Postal Code: 518048	1	5,088	500,811
Bohai Rim	Beijing Branch	Address: Building C, 1/F Building E and Room A 1/F Building F of Fuhua Building, No. 8 Chaoyangmen North Street, Dongcheng District, Beijing Postal Code: 100027	75	3,079	1,143,756
	Tianjin Branch	Address: A5 No. 162 Zhangzizhong Road, Heping District, Tianjin Postal Code: 300020	36	996	101,859
	Shijiazhuang Branch	Address: CITIC Tower, No. 10, Ziqiang Road, Qiaoxi District, Shijiazhuang, Hebei Province Postal Code: 050000	62	1,741	104,089
	Jinan Branch	Address: CITIC Plaza, No. 150, Luoyuan Street, Jinan, Shandong Province Postal Code: 250002	46	1,534	115,586
	Qingdao Branch	Address: No. 22, Hong Kong Middle Road, Qingdao, Shandong Province Postal Code: 266071	53	1,638	118,385
	Dalian Branch	Address: No. 29, Renmin Road, Zhongshan District, Dalian, Liaoning Province Postal Code: 116011	24	799	69,087

Region	Name of affiliate	Address/Postal code	Number of outlets	Number of staffers	Total assets (RMB million)
Yangtze River Delta	Shanghai Branch	Address: B1, Room 102-109 1/F, 201-2 2/F, 302-4 3/F, 9-15/F, No. 112 & 138 Expo Road, Pudong New Area, Shanghai Postal Code: 200126	52	1,734	523,893
	Nanjing Branch	Address: CITIC Tower, No. 348, Zhongshan Road, Nanjing, Jiangsu Province Postal Code: 210008	84	3,270	415,292
	Suzhou Branch	Address: West Building, Business Center, Financial Harbor, No. 266 East Suzhou Avenue, Suzhou Industrial Park, Suzhou, Jiangsu Province Postal Code: 215028	28	1,087	173,726
	Hangzhou Branch	Address: No. 9 Jiefang East Road, Jianggan District, Hangzhou, Zhejiang Province Postal Code: 310016	91	3,548	553,354
	Ningbo Branch	Address: CITIC Tower, No. 36, Zhenming Road, Haishu District, Ningbo, Zhejiang Province Postal Code: 315010	28	846	107,429
Pearl River Delta and West Strait	Fuzhou Branch	Address: Hengli Financial Center, No. 6, Guanfengting Street, Gulou District, Fuzhou, Fujian Province Postal Code: 350000	53	1,466	92,881
	Xiamen Branch	Address: 334-101, 201, 301, 401, Hubin South Road, Siming District, Xiamen, Fujian Province Postal Code: 361000	16	461	23,364
	Guangzhou Branch	Address: CITIC Plaza, No. 233, Tianhe North Road, Guangzhou, Guangdong Province Postal Code: 510613	101	3,230	379,945
	Shenzhen Branch	Address: 5-10/F, North Tower, Phase II Time Square, No. 8 Third Central Road, Futian District, Shenzhen, Guangdong Province Postal Code: 518048	49	1,556	424,684
	Haikou Branch	Address: Banshan Garden, No. 1 Jinmao Middle Road, Longhua District, Haikou, Hainan Province Postal Code: 570125	11	337	14,106
Middle China	Hefei Branch	Address: No. 396, Huizhou Avenue, Baohe District, Hefei, Anhui Province Postal Code: 230001	40	1,105	126,334
	Zhengzhou Branch	Address: CITIC Bank Building, No. 1 Business Inner Ring Road, Zhengdong New District, Zhengzhou, Henan Province Postal Code: 450018	82	2,256	237,086
	Wuhan Branch	Address: CITIC Tower, No. 747 Jianshe Avenue, Hankou, Wuhan, Hubei Province Postal Code: 430000	44	1,428	164,125
	Changsha Branch	Address: No. 1500 Third Section of Xiangjiang North Road, Kaifu District, Changsha, Hunan Province Postal Code: 410011	41	1,201	112,764
	Nanchang Branch	Address: CITIC Tower, Building D3, Greenland Central Plaza, 998 Honggu Middle Avenue, Honggutan New District, Nanchang, Jiangxi Province Postal Code: 330038	21	669	82,627
	Taiyuan Branch	Address: 1-4/F, Building A Wangfu Mansion, No. 9 Fuxi Street, Xinghualing District, Taiyuan, Shanxi Province Postal Code: 030002	30	927	56,202

Region	Name of affiliate	Address/Postal code	Number of outlets	Number of staffers	Total assets (RMB million)
West China	Chongqing Branch	Address: No. 5 Jiangbeicheng West Avenue, Jiangbei District, Chongqing Postal Code: 400021	30	1,039	125,813
	Nanning Branch	Address: No. 36-1, Shuangyong Road, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region Postal Code: 530021	18	536	52,382
	Guiyang Branch	Address: North Second Tower, BL Zone, Guizhou Financial City, Changling North Road, Guanshanhu District, Guiyang, Guizhou Province Postal Code: 550081	14	430	40,892
	Hohhot Branch	Address: CITIC Tower, Ruyihe Avenue, Ruyi Development Area, Hohhot, Inner Mongolia Autonomous Region Postal Code: 010010	34	852	47,770
	Yinchuan Branch	Address: No. 160 Beijing Middle Road, Jinfeng District, Yinchuan, Ningxia Hui Autonomous Region Postal Code: 750002	8	252	17,488
	Xining Branch	Address: No. 1 Jiaotong Lane, Chengxi District, Xining, Qinghai Province Postal Code: 810008	9	219	13,325
	Xi'an Branch	Address: No. 1, Middle Section of Zhuque Road, Xi'an, Shaanxi Province Postal Code: 710061	39	1,094	83,580
	Chengdu Branch	Address: La Defense Tower, No.1480 North Section of Tianfu Avenue, High-Tech Zone, Chengdu, Sichuan Province Postal Code: 610042	45	1,297	144,520
	Urumqi Branch	Address: CITIC Bank Tower, No. 165, Xinhua North Road, Urumqi, Xinjiang Uygur Autonomous Region Postal Code: 830002	11	366	25,305
	Kunming Branch	Address: Fulin Square, Baoshan Street, Wuhua District, Kunming, Yunnan Province Postal Code: 650021	31	840	65,301
	Lanzhou Branch	Address: No. 9 Minzhu West Road, Chengguan District, Lanzhou, Gansu Province Postal Code: 730000	14	331	18,756
	Lhasa Branch	Address: No. 22 Jiangsu Road, Lhasa, Tibet Autonomous Region Postal Code: 850000	2	120	5,199
Northeast China	Harbin Branch	Address: No. 236, Hongqi Avenue, Nangang District, Harbin, Heilongjiang Province Postal Code: 150000	18	495	36,005
	Changchun Branch	Address: No. 718, Jiangong South Road, Chaoyang District, Changchun, Jilin Province Postal Code: 130000	19	466	33,693
	Shenyang Branch	Address: No. 336, Daxi Road, Shenhe District, Shenyang, Liaoning Province Postal Code: 110014	51	1,374	48,300
Overseas	London Branch	5th Floor, 99 Gresham Street, London, EC2V 7NG, UK	1	31	13,906
	Sydney Representative Office	Level 27, Gateway, 1 Macquarie Place, Sydney, NSW 2000, Australia	1	6	–

Notes: (1) In addition to the data listed in the above table, the Bank's staff also included 2,570 employees at its Data Center and Software Development Center; as well as four employees seconded to JSC Altyn Bank and one employee seconded to preparatory team for the establishment of the Bank's Hong Kong Branch.

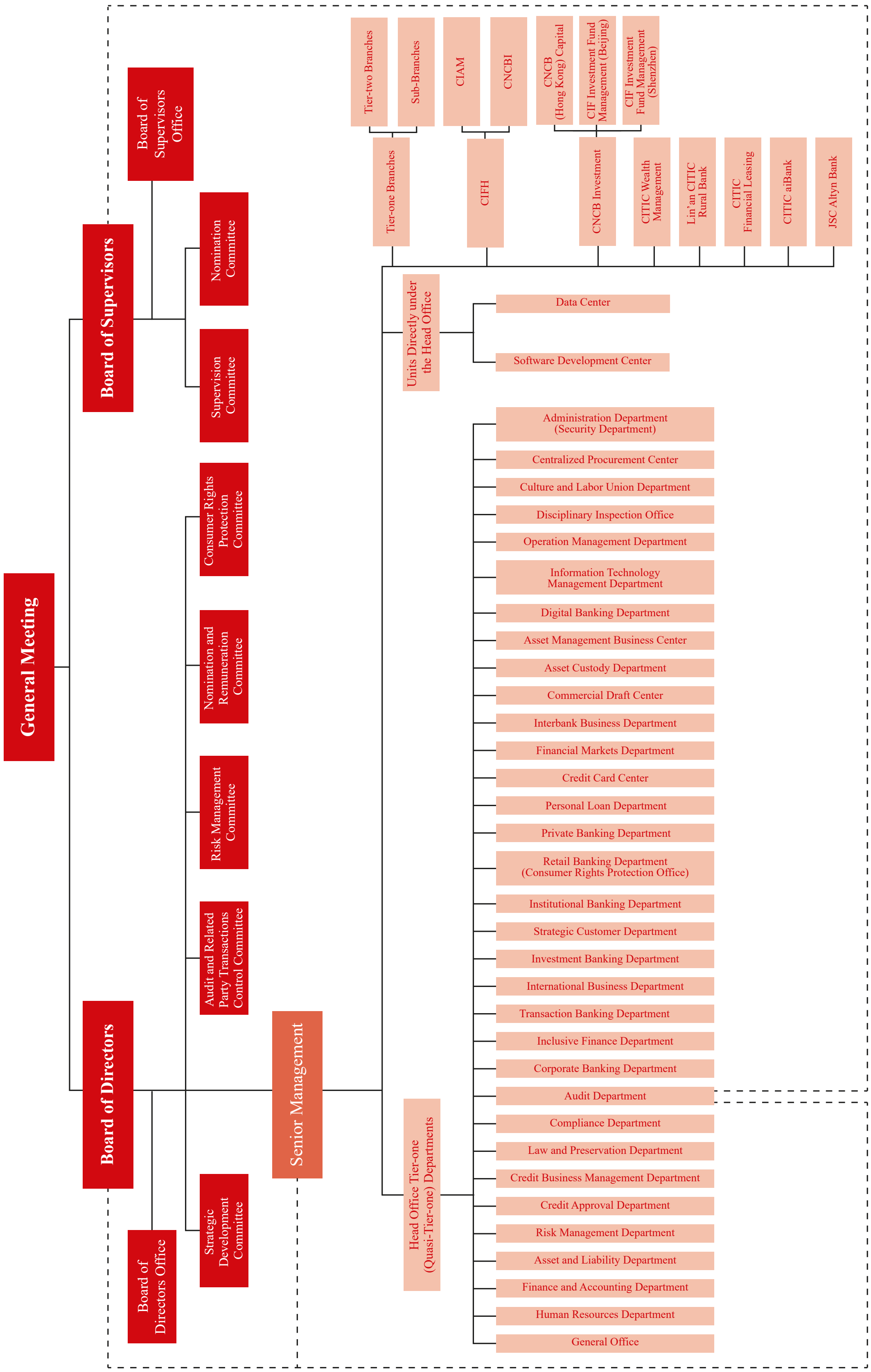
(2) The Credit Card Center mentioned in the above table had 75 sub-centers which consisted of 43 tier-one sub-centers and 32 tier-two sub-centers.

(3) The "total assets" in the above chart did not deduct the offset balance between affiliates.

3.11 Human Resources Management

During the reporting period, centering on its development plan, the Bank continuously optimized human resources management mechanism by enhancing talent selection, appointment and manager supervision, advancing the quality fostering of managers and talents in a systematic way, and strengthening the incentive mechanism for improved human resource allocation, so as to lay a solid talent foundation for the Bank's quality and sustainable development.

3.12 Organizational Chart



Chapter 4 Environmental and Social Responsibilities

The Bank attaches great importance to the sustainable development along with all stakeholders. It fully integrated the sustainable development concept of "committed to becoming a green bank, humanistic bank, charity bank, honest bank, value bank and brand bank" into its strategy and culture, continuously improved the sustainable development management system, and made remarkable achievements in green credit, "carbon footprint" management, inclusive finance, customer services and supplier management.

4.1 Environment-related Performance and Policies

The Bank incorporated green finance into its strategic planning, established a green finance development system, formulated green finance credit policies, and actively supported the development of green finance. Following the requirements of national policies on energy conservation and environmental protection, the Bank actively pushed forward relevant measures for green operation, always advocated "green office", strengthened "carbon footprint" accounting, and supported the realization of the goals of "peak carbon emissions" and "carbon neutrality".

4.1.1 Green Financing

The Bank fully implemented the national 14th Five-Year Plan and the Long-Range Objectives through the Year 2035 and earnestly carried out *China CITIC Bank's 2021-2023 Development Plan*. Adhering to the green development philosophy, the Bank promoted the building of green bank, sped up the transformation of credit structure, and strengthened risk management in a bid to achieve carbon emissions peak and carbon neutrality.

During the reporting period, the Bank implemented relevant industrial policies and regulatory requirements and increased support for green finance business. It supported financing demand in the fields of energy conservation and environmental protection, clean production, clean energy, ecological environment, infrastructure green upgrade and green services, and increased the proportion of credit business. Besides, the Bank strictly controlled loan granting to heavy pollution, high energy consumption, and overcapacity industries, and differentially provided support to premium enterprises with advanced technology, high efficiency, good potential and ready market. It resolutely implemented the "veto" system in the environmental protection so as to guide credit resources further towards industries and enterprises of low energy and resource consumption, low pollution and low emission.

The Bank continued to promote innovation in green finance business. It actively developed energy efficiency credit and green credit asset securitization, and supported green industry enterprises to go public for financing and refinancing. The Bank also developed environmental rights, carbon emission rights, ecological compensation for collateral financing and explored innovative products including green M&A financing climate bonds and blue bonds. Furthermore, it also conducted research on ESG[31] wealth management, green supply chain, green industry fund, etc. Besides, the Bank developed green small and micro enterprise loans, personal green business loans and green consumer loans.

The Bank reinforced ESG management. It strengthened the environmental and social risk management of credit projects and incorporated both risks into the whole credit process. By enhancing the assessment of environmental and social risks in the pre-credit investigation, the Bank accurately classified enterprises by these two risks. It took customers' environmental, social and governance conditions as an important basis for credit review and approval, regularly carried out ESG post-lending inspection of stock projects and dynamically adjusted the classification of environmental and social risks of customers.

4.1.2 Green Office

The Bank actively followed and complied with the *Environmental Protection Law of the People's Republic of China, the Law on Energy Conservation of the People's Republic of China* and other relevant laws and regulations, advocated "green office", and formulated relevant rules and regulations. It also strengthened publicity in terms of allocation and procurement of official vehicles, office lighting and water use, waste on dining tables and office printing to reduce resource consumption and emissions, practiced the concept of green operation, and improved intensive management.

[31] ESG refers to Environmental, Social, and Governance.

4.2 Fulfillment of Social Responsibilities

In response to the national inclusive finance policy, the Bank provided financial support for small and micro enterprises and carried out rural revitalization works through financial services. It spared no effort to protect customers' rights and interests, and strengthened financial knowledge publicity and education. The Bank also continuously strengthened supplier management, and urged the performance of environmental and social responsibilities by suppliers.

4.2.1 Precision Poverty Alleviation with Financial Services

During the reporting period, the Bank proactively fulfilled its responsibilities as a state-owned financial enterprise by advancing efforts of precision poverty alleviation with financial services and serving rural revitalization. It also established a steering group for inclusive finance, where the Secretary of Party Committee served as the team leader, to improve the five specialized systems and mechanisms[32] and promote business development as a whole.

During the reporting period, the Bank consolidated poverty alleviation outcomes. It strictly implemented the requirements of shaking off no responsibilities, policies, assistance and regulations even when poverty has been shaken off, and input more efforts to build the financial support system for precision poverty alleviation. It also intensified consumer rights protection and maintained the overall stability of assistance policies and support. Furthermore, the Bank enhanced the construction of financial infrastructure, extended the service radius of electronic channels, optimized policies on credit, assessment and incentive, and due diligence liability exemption, and prioritized the approval of poverty alleviation loans or projects when other conditions were equal. Making good use of the list of poverty alleviation identification information, the Bank focused on poverty alleviation through industrial development, people out of poverty and areas that have been lifted out of poverty. Specifically, it increased industry-driven loans, providing micro-credit for those who have got rid of poverty, advanced the standardized management, self-inspection and rectification of poverty alleviation loans, thus achieving the sustained growth of loans in previously impoverished areas and improvement of precision poverty alleviation with financial services. As at the end of the reporting period, the Bank's balance of loans for precision poverty alleviation with financial services stood at RMB29.097 billion, which remained overall stable. It granted loans to 1,091,700 customers, up by 49,100 from the end of the previous year, and the average interest rate of loans newly granted remained overall stable over the previous year.

During the reporting period, the Bank proactively carried out rural revitalization with financial services. It formulated rural revitalization development plan, held special seminars on implementing the rural revitalization strategy and promoting the development of sub-branches in county areas. While actively implementing the national strategy, the Bank also explored the blue ocean of business and seized business opportunities. It formulated specialized credit programs for agriculture-related loans, agriculture-related inclusive loans and new types of agribusiness loans and strengthened the innovation of credit products in agriculture-related fields. Moreover, the Bank supported the development of local distinctive industries and expanded the coverage of outlets and self-service terminals at county level. What's more, the Bank incorporated rural revitalization loans into the comprehensive performance appraisal of branches, set up special-purpose subsidies, defined risk tolerance requirements, and implemented the policy on ensuring no one who has fulfilled their due diligence is held liable so as to continuously improve the services for rural revitalization. As at the end of the reporting period, the balance of agriculture-related loans[33] stood at RMB366.705 billion, up by RMB23.872 billion from the end of the previous year, benefiting 38,400 customers. The average interest rate of new agriculture-related loans granted was basically unchanged from the previous year. Among the agriculture-related loans, the balance of agriculture-related inclusive loans was RMB18.924 billion, up by RMB2.605 billion from the end of the previous year, 10.36 percentage points higher than the average growth of the Bank's loans.

[32] The "five specialized systems and mechanisms" refer to the specialized mechanisms for integrated services, statistical accounting, risk management, resource allocation, and assessment.

[33] According to the *Measures for the Appraisal and Evaluation of Financial Institutions' Services for Rural Revitalization*, starting from 2021, agriculture-related loans will be counted based on the data of loans granted in RMB and foreign currencies.

4.2.2 Consumer Rights Protection and Service Quality Management

During the reporting period, committing to a people-centered development philosophy, the Bank continuously strengthened the building of system and mechanism for consumer protection, pressed ahead with the whole-process management and source control of all business links and systematically promoted the high-quality development of consumer protection from the regulation, team, process control, assessment and other perspectives. It incorporated the protection of financial consumers' rights and interests into the Bank's strategic planning, corporate culture building and corporate governance, improved the working mechanism of the Consumer Rights Protection Committee headed by the President of the Bank, and revised and improved policies on consumer rights protection. Furthermore, the Bank advanced the building of teams of part-time managerial officials and employees on consumer protection, and launched and popularized the application of a consumer protection examination system. Besides, the Bank improved the information disclosure and inquiry procedures for its products and services, and implemented and regularly monitored its financial marketing and promotion. What's more, it established an inspection and data analysis mechanism for consumer protection to intensify the rectification of problems found and process optimization.

The Bank attached great importance to the complaint management. During the reporting period, all business lines worked together to intensively handle and reduce customer complaints; branches forged partnership with local financial mediation organizations, and steadily pushed forward the implementation of the diversified dispute resolution mechanism; the Bank launched the "Shuobei" (meaning voicing out your opinions) front line opinion management platform to collect branches' comments and suggestions on the Head Office's products and businesses; it also built a customer complaint data analysis and management system relying on big data, artificial intelligence and other new technologies to strengthen customer complaint management. During the reporting period, the timeliness ratio of first-call complaint handling at the Credit Card Center reached 100%.

The Bank continued to increase financial knowledge dissemination and education in a bid to enhance the self-protection awareness and risk prevention ability of consumers and provide customer services with "a human touch". During the reporting period, the Bank cooperated with CBIRC and People's Bank of China in carrying out such activities as "March 15 Banking and Insurance Consumer Protection Awareness Week" and "Protecting Your Pockets with Financial Knowledge". The Bank held more than 6,000 publicity activities and distributed over 8.30 million copies of publicity materials covering over 100 million customers.

4.2.3 Supplier Management

According to the their cooperation with the Bank, suppliers are classified into general suppliers, important suppliers, strategic suppliers and synergistic supplier. And differentiated management in terms of registration and access, preparation of candidate suppliers, dynamic maintenance, examination and evaluation, etc. In accordance with relevant laws and regulations, in the stage of supplier access approval, the Bank required suppliers to include environmental and social responsibility information in their access materials, and entrusted third-party institutions to screen risk information including environmental impact of suppliers. The Bank collected information on environmental and social risks of all contracted suppliers, such as compliance with laws and regulations, social responsibility, material changes and legal disputes, and incorporated these information in the overall assessment of suppliers. It also guided suppliers to fulfill their environmental and social responsibilities, advocated green procurement, and gave priority to the procurement of energy-saving and environmental protection products.

Chapter 5 The Report of Board of Directors

5.1 Purchase, Sale or Redemption of Shares of the Bank

During the reporting period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any shares of the Bank.

5.2 Material Contracts and Their Performance

5.2.1 Custody, Contracting or Lease of Material Assets

During the reporting period, the Bank did not have any material custody, contracting or leasing of assets of other companies that took place during the reporting period or that took place in previous periods but went on to the reporting period; neither did other companies hold custody of, contract or lease material assets of the Bank.

5.2.2 Material Guarantees

The guarantee business is one of the Bank's regular off-balance sheet items. During the reporting period, the Bank did not have any other material guarantee that needs to be disclosed except for the financial guarantee business that is within its approved business scope.

5.3 Appropriation of Funds by the Controlling Shareholder and Other Related Parties

During the reporting period, there was no appropriation of the Bank's funds by either the controlling shareholder or other related parties.

5.4 Material Related Party Transactions

When engaging in related party transactions with related parties during its ordinary and usual course of business, the Bank executed the transactions with terms being no more favorable than those available to independent third parties according to general business principles. For statistical details of the related party transactions, please refer to Note 55 to the financial statement contained in this report, of which the transactions constituting connected transactions as per Chapter 14A of *the Hong Kong Listing Rules* all complied with the disclosure requirements of Chapter 14A of *the Hong Kong Listing Rules*. Except what has been disclosed under this sector, other related transactions constitute no connected transactions as per Chapter 14A of *Hong Kong Listing Rules*.

5.4.1 Related Party Transactions Involving Disposal and Acquisition of Assets or Equity

During the reporting period, the Bank was not engaged in any material related party transactions involving the disposal or acquisition of assets or equity under the rules and requirements of the SSE.

5.4.2 Credit Extension Continuing Related Party Transactions

In line with the need for business development, and with approval from the 2nd Extraordinary General Meeting of 2020 convened on 30 October 2020, the Bank applied to SSE for the respective annual caps on credit extension from 2021 to 2023 for related party transactions with CITIC Group and its associates, with related parties where the Bank's related natural persons invested in/worked. In line with the need for business development, and with approval from the 32nd meeting of the 5th session of the Board of Directors convened on 27 August 2020, the Bank applied to SSE for the respective annual caps on credit extension from 2021 to 2023 for related party transactions with Xinhu Zhongbao and its associates, and China Tobacco and its associates. Subject to the regulatory requirements applicable to the Bank, the 2021 annual caps on credit extension for related party transactions with the aforementioned parties under the SSE regulatory criteria were listed as follows:

Unit: RMB100 million

Counterparty		Business type	Basis of calculation	Annual cap in 2021
CITIC Group and its associates		Credit extension transactions	Credit line	2,000
Xinhu Zhongbao and its associates				200
China Tobacco and its associates				200
Related parties where the Bank's related natural persons invested in/worked for	Yunnan Health & Cultural Tourism Holding Group Co., Ltd.			100
	Ping An Insurance (Group) Company of China, Ltd.			100
	New China Life Insurance Company Ltd.			50
	Cinda Securities Co., Ltd.			20
	China Life Pension Company Limited			50

In addition, as per relevant CBIRC requirements, the balances of the Bank's credit extension to CITIC Group and its associates, Xinhu Zhongbao and its associates, and China Tobacco and its associates may not exceed 15% of the Bank's net capital of the preceding quarter end, and the balances of the Bank's credit extension to Ping An Insurance (Group) Company of China, Ltd. and Cinda Securities Co., Ltd. may not exceed 10% of the Bank's net capital of the preceding quarter end. All credit extension transactions between the Bank and the above-mentioned related parties followed general commercial principles and were executed with terms no more favorable than those available to independent third parties.

The Bank attached great importance to the day-to-day monitoring and management of credit extension related party transactions and ensured lawfulness and compliance of such transactions by enhancing relevant measures such as more intensive process-based management, strict risk review and better post-lending management of related credit extension. As at the end of the reporting period, the balance of credit that the Bank and its subsidiaries extended to all related enterprises under the SSE regulatory criteria amounted to RMB38.463 billion, including RMB31.741 billion to CITIC Group and its associates, RMB6.192 billion to Xinhu Zhongbao and its associates, zero to China Tobacco and its associates, RMB530 million to related parties where the Bank's related natural persons invested in or worked for (specifically, zero to Ping An Insurance (Group) Company of China, Ltd., New China Life Insurance Company Ltd. and China Life Pension Company Limited, and RMB30 million to Cinda Securities Co., Ltd.[34]). Under the CBIRC regulatory criteria, the balance of credit that the Bank and its subsidiaries extended to all related enterprises amounted to RMB58.397 billion, including RMB33.016 billion to CITIC Group and its associates, RMB23.167 billion to Xinhu Zhongbao and its associates, RMB20 million to China Tobacco and its associates, and RMB2.194 billion to related parties where the Bank's related natural persons invested in or worked for (specifically, zero to Ping An Insurance (Group) Company of China, Ltd. and RMB30 million to Cinda Securities Co., Ltd.[35]). Such credit extensions to related enterprises were of good quality in general, with one being suspicious loan (RMB339 million) and two being loss loans (RMB983 million), and all others being performing loans. As such, these credit extension transactions will not exert material impacts on the normal operation of the Bank in terms of transaction volume, structure and quality.

[34] Yunnan Health & Cultural Tourism Holding Group Co., Ltd. was no longer a related party of the Bank as of 29 April 2021. As at 31 March 2021, the balance of credit that the Bank and its subsidiaries extended to Yunnan Health & Cultural Tourism Holding Group Co., Ltd. was RMB896 million.

[35] New China Life Insurance Company Ltd. and China Life Pension Company Limited only constituted related parties under regulatory rules of SSE.

The Bank stringently followed the SSE and CBIRC requirements on review and disclosure procedures. As at the end of the reporting period, there was no fund exchange or appropriation as set forth in the *Notice on Several Issues Concerning the Standardization of Fund Exchanges between Listed Companies and Their Related Parties and External Guarantees Provided by Listed Companies* (as amended in 2017) (CSRC Announcement [2017] No.16) and the *Notice on Standardization of External Guarantees Provided by Listed Companies* (CSRC Release [2005] No. 120). The related loans that the Bank extended to CITIC Group and its associates, Xinhu Zhongbao and its associates, China Tobacco and its associates, and the related parties which the Bank's related natural persons invested in/worked for had no material adverse impact on the operating results or financial position of the Bank.

5.4.3 Non-Credit Extension Continuing Related Party Transactions

In line with the need for business development, and with approval from the 32nd meeting of the 5th session of the Board of Directors convened on 27 August 2020 and the 2nd Extraordinary General Meeting of 2020 convened on 30 October 2020, the Bank applied to SSE and SEHK for the annual caps on the seven main categories of non-credit extension continuing related party transactions with CITIC Group and its associates for 2021-2023, and has entered into relevant continuing related party transactions framework agreements on the same day. The non-credit extension transactions between the Bank and the above-mentioned related parties followed general commercial principles and were executed with terms no more favorable than those available to independent third parties.

The Bank carried out continuing related party transactions with CITIC Group and its associates according to the applicable provisions of Chapter 14A of the Hong Kong Listing Rules and Chapter 10 of the *Rules Governing the Listing of Stocks on the Shanghai Stock Exchange*. Particulars thereof are described as follows:

5.4.3.1 Third-Party Escrow Services

Third-party escrow services between the Bank and CITIC Group and its associates shall be delivered on terms no more favorable than those available to independent third parties. The service fees payable to the Bank by CITIC Group and its associates shall be determined on the basis of relevant market price and subject to periodic reviews. The principal terms of the Third-Party Escrow Service Framework Agreement are set out as follows: (1) to provide third-party escrow services in connection with the transaction settlement funds of the customers of different securities companies; (2) the services to be provided under the agreement include but are not limited to funds payment, funds transfer, payment of interest and other settlement-related matters; (3) the service recipient shall, and will procure its associates to, pay service fees to the service provider (if applicable); (4) the third-party escrow services to be provided under the agreement shall be made on terms no more favorable than those applicable to comparable independent third parties.

During the reporting period, related party transactions on third-party escrow services between the Bank and CITIC Group and its associates are as follows:

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2021	Transaction amount in January-June 2021
CITIC Group and its associates	Third-Party Escrow Services	Service fee income/expense	2	0.10

As at the end of the reporting period, related party transactions on third-party escrow services between the Bank and CITIC Group and its associates didn't exceed the corresponding approved annual cap of the Bank.

5.4.3.2 Asset Custody Services

Asset custody services, account management services and third-party regulatory services provided between the Bank and CITIC Group and its associates shall be delivered on terms no more favorable than those available to independent third parties. The service fees payable to each other shall be determined on the basis of relevant market price and the categories of assets or funds under custody, subject to periodic review. The principal terms of the Asset Custody Service Framework Agreement are set out as follows: (1) to provide asset custody services and account management services in connection with financial assets or funds, including but not limited to, assets under management by fund companies (including securities investment funds), assets under management by securities companies, assets under management by trust companies, wealth management products of commercial banks, assets under management by insurance companies, private funds, enterprise annuities, QDII, QFII, social insurance funds, welfare plans, funds of third-party transactions, etc.; (2) to conduct third-party supervising services, the service recipient shall pay the service fees; (3) the service recipient shall, and will procure its associates to, pay service fees to the service provider; and (4) the asset services, account management services and third-party regulatory services to be provided under the agreement shall be made on terms no more favorable than those applicable to comparable independent third parties.

During the reporting period, related party transactions on asset custody services between the Bank and CITIC Group and its associates are as follows:

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2021	Transaction amount in January-June 2021
CITIC Group and its associates	Asset Custody Services	Service fee income/expense	5	2.85

As at the end of the reporting period, related party transactions on asset custody services between the Bank and CITIC Group and its associates didn’t exceed the corresponding approved annual cap of the Bank.

5.4.3.3 Financial Consulting and Asset Management Services

The financial consulting and asset management services provided between the Bank and CITIC Group and its associates shall have no fixed prices or rates. The price and rate applicable to a particular service may be calculated on the basis of the scale, rate and duration of the service, and shall be determined on terms no more favorable than those available to independent third parties. The principal terms of the Financial Consulting Service and Asset Management Service Framework Agreement are set out as follows: (1) services conducted include but are not limited to bond underwriting, financing and financial consulting services, financial products agency sales services, asset securitization underwriting, entrusted loans services, underwriting of investment and financing projects, consulting services, and management of factoring receivables, collection of receivables and guarantee for bad debts, etc.; (2) the service recipient shall, and will procure its associates to pay service fees to the service provider (if applicable); (3) the financial consulting and asset management services to be provided under the agreement shall be made on terms no more favorable than those applicable to comparable independent third parties.

During the reporting period, related party transactions on financial consulting and asset management services between the Bank and CITIC Group and its associates are as follows:

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2021	Transaction amount in January-June 2021
CITIC Group and its associates	Financial Consulting and Asset Management Services	Service fee income/expense	40	0.96

As at the end of the reporting period, related party transactions on financial consulting and asset management services between the Bank and CITIC Group and its associates didn't exceed the corresponding approved annual cap of the Bank.

5.4.3.4 Capital Transactions

The Bank and CITIC Group and its associates shall conduct capital transactions in their ordinary and usual course of business according to applicable general market practices and on normal commercial terms. The prices and rates applicable to such transactions shall be the prevailing market prices with reference to the rates generally applicable to independent third parties for similar transactions. Specifically, for foreign exchange and precious metals transactions, precious metals leasing, money market transactions, bond transactions and other business, the two parties shall price their transactions according to publicly available market prices; for agency settlement of bonds business, the two parties shall decide on the rates thereof according to prevailing industrial regulations; and for financial derivatives, transaction prices shall be decided in accordance with factors such as the level of market activity of the underlying products, openly available market quotes and the Bank's requirements relating to the management of various risks. The principal terms of the Capital Transactions Framework Agreement are set out as follows: transactions covered, including but not limited to foreign currency and precious metals transactions, precious metals leasing, money market transactions, bond transactions and agency settlement of bonds and financial derivatives transactions.

During the reporting period, related party capital transactions between the Bank and CITIC Group and its associates are as follows:

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2021	Transaction amount in January-June 2021
CITIC Group and its associates	Capital Transactions	Gains and losses of transactions	20	4.93
		Fair value recorded as assets	22	9.06
		Fair value recorded as liabilities	400	3.13

As at the end of the reporting period, related party capital transactions between the Bank and CITIC Group and its associates didn't exceed the corresponding approved annual cap of the Bank.

5.4.3.5 Comprehensive Services

The Bank and CITIC Group and its associates shall apply prevailing market prices or applicable rates of independent third-party transactions to comprehensive services between them and shall determine the price and rate of a particular type of service through fair and reciprocal negotiations and according to applicable market price and rate. The principal terms of the Comprehensive Service Framework Agreement are set out as follows: (1) services conducted include but are not limited to medical insurance and enterprise annuity, merchandise service procurement (including conference hosting services), outsourcing services, value- added services (including bank card customers' credit point services), advertising services, technology services and property leasing; (2) both parties of the agreement shall provide the services prescribed in the agreement; (3) the service recipient shall pay service fees to the provider for its service; and (4) the comprehensive services to be provided under the agreement shall be made on terms no more favorable than those applicable to comparable independent third parties.

During the reporting period, related party transactions on comprehensive services between the Bank and CITIC Group and its associates are as follows:

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2021	Transaction amount in January-June 2021
CITIC Group and its associates	Comprehensive Services	Service fee expense/income	60	14.82

As at the end of the reporting period, related party transactions on comprehensive services between the Bank and CITIC Group and its associates didn't exceed the corresponding approved annual cap of the Bank.

5.4.3.6 Asset Transfer

Asset transfer transactions between the Bank and CITIC Group and its associates shall be made on terms no more favorable than those available to independent third parties. The transfer prices payable by the transferee shall be determined according to the following principles: (1) for transfer of general assets, as per regulatory requirements, credit assets shall be transferred on the principle of entirety. When transferring a credit asset to the transferee, the transferor shall use the loan principal as the transaction price, make a parity transfer without discount or premium, and prioritize the consideration of post-transfer obligations to be performed by the transferor and the transferee in addition to the market supply and demand; (2) for transfer of assets in asset securitization (with exclusion of the asset transfer to the Bank by related parties), the Bank shall use the loan principal as the transaction price when transferring a credit asset to a related party. Except for securitization of non-performing assets, the Bank shall make parity transfers in general. In terms of the issuance interest rate of the asset-backed securities, the prioritized asset-backed securities' issuance interest rate (with exclusion of the sections held by the originating institutions) shall be determined by the approach of single spread (Netherland Style) bidding through the bidding system of China Central Depository & Clearing Co., Ltd., or book building and the secondary asset-backed securities (with exclusion of the sections held by the originating institutions) are determined by the number of tenders or by the book building approach; and (3) where there is no statutory government-prescribed transfer price available at present for a particular asset transfer, once such statutory prices are available in the future, the concerned asset transfers shall be priced with reference to the government prescribed prices. The principal terms of the Asset Transfer Framework Agreement are set out as follows: (1) to buy or sell the interests in credit loan or other related assets (including but not limited to, to sell corporate and retail credit loan assets, accounts receivable and inter-bank creditor's rights directly or through asset management plan, asset securitization, factoring or other forms); (2) The asset transfer services to be provided under the agreement shall be made on terms no more favorable than those applicable to comparable independent third parties; (3) the agreement shall specify the management rights of the credit loan and other related assets; and (4) undertake confidentiality obligations in respect of the asset transfer.

During the reporting period, related party transactions on asset transfer between the Bank and CITIC Group and its associates are as follows:

Unit: RMB100 million

Counterparty	Business type	Basis of calculation	Annual cap in 2021	Transaction amount in January-June 2021
CITIC Group and its associates	Asset Transfer	Transaction amount	1,700	276.94

As at the end of the reporting period, related party transactions on asset transfer between the Bank and CITIC Group and its associates didn't exceed the corresponding approved annual cap of the Bank.

5.4.3.7 Wealth Management and Investment Services

The Bank and CITIC Group and its associates shall apply general market practices and normal commercial terms in their ordinary and usual course of business. The Bank provides CITIC Group and its associates with wealth management and investment services including non-principal-protected wealth management services and agency services, investment with wealth management funds or proprietary funds, while CITIC Group and its associates provide the Bank with intermediary services of wealth management, such as trust services and management services. The transactions between the two parties shall be made through fair negotiations, determined in accordance with normal commercial terms and conducted on terms no more favorable than those available to independent third parties, in line with the categories and scopes of wealth management services, and with real-time adjustments made according to changes in market prices. The principal terms of the Wealth Management and Investment Service Framework Agreement are set out as follows: (1) the Bank shall provide wealth management and investment services, including non-principal-protected wealth management services and agency services, investment with wealth management funds or proprietary funds; and the related party shall provide the Bank with wealth management intermediary services, including trust services and management services; (2) the related party shall pay service fees to the Bank with respect to the wealth management and investment services provided by the Bank, while the Bank shall also pay service fees to the related party with respect to the wealth management intermediary services; and (3) the wealth management and investment services to be provided under the agreement shall be made on terms no more favorable than those applicable to comparable independent third parties.

During the reporting period, related party transactions on wealth management and investment services between the Bank and CITIC Group and its associates are as follows:

Unit: RMB100 million

Counterparty	Business type		Basis of calculation	Annual cap in 2021	Transaction amount in January-June 2021
CITIC Group and its associates	Non-Principal-Protected Wealth Management Services and Agency Services		Service fee expense/income	65	5.70
	Investment with Wealth Management Funds or Proprietary Funds	Fund Application	Period-end balance of investment funds	1,900	270.48
		Intermediary Cooperation	Bank investment return and fee expenses	45	1.01

As at the end of the reporting period, none of related party transactions on wealth management and investment services between the Bank and CITIC Group and its associates exceeded the corresponding approved annual cap.

5.4.4 Related Party Transactions in Joint External Investment

During the reporting period, the Bank did not have any material related party transaction arising from joint external investment with its related parties.

5.4.5 Related Party Debt Transactions and Guarantees

For details of related party debt transactions and guarantees between the Bank and its related parties, please refer to Note 55 to the financial statements of this report.

5.4.6 Related Party Transactions with Related Finance Companies

5.4.6.1 Deposit business

During the reporting period, the changes in deposits of related finance company with the Group are as follows:

Unit: RMB100 million

Company	Daily Upper Limit for Deposit	Range of Deposit Rate	Opening Balance	Deposited Amount in January-June 2021	Closing Balance
CITIC Finance	None	0.0001-2.7%	97.91	441.77	18.53

During the reporting period, the changes in the Group's deposits with related finance company are as follows:

Unit: RMB100 million

Company	Daily Upper Limit for Deposit	Range of Deposit Rate	Opening Balance	Deposited Amount in January-June 2021	Closing Balance
CITIC Finance	None	1%	0.0002	0.000001	0.0002

5.4.6.2 Loan business

During the reporting period, the loans granted by the Group to its related finance company and the loans granted by the related finance company to the Group were zero respectively.

5.4.6.3 Credit business

During the reporting period, the Group granted a total credit line of RMB12 billion to CITIC Finance, with a credit balance of RMB1.353 billion as at the end of the reporting period. CITIC Finance granted a total credit line of RMB23 billion to the Group, with a credit balance of RMB2.253 billion as at the end of the reporting period.

5.4.6.4 Other financial business

During the reporting period, the Group provided settlement and enterprise annuity management services for CITIC Finance, and collected a total fees of RMB227,600.

5.4.7 Transaction Balances and Risk Exposures of Related Natural Persons

For details of the transaction balances and risk exposures relating to the transactions between the Bank and its related natural persons, please refer to Note 55 to the financial statements of this report.

5.5 Material Litigations and Arbitrations

During the reporting period, the Bank was not involved in material litigation or arbitration cases. The Bank was involved in several litigation and arbitration cases in its ordinary and usual course of business. Most of these litigations and arbitrations were initiated by the Bank for loan recovery, and there were also litigations and arbitrations resulting from disputes with customers. As at the end of the reporting period, there were 100 outstanding litigation and arbitration cases (regardless of the disputed amounts) involved in the Bank's ordinary and usual course of business where the Bank acted as defendant/respondent with an aggregate disputed amount of RMB699 million. The Bank is of the view that the above-mentioned litigation or arbitration cases will not have significant adverse impacts on either its financial or operating results.

5.6 Undertakings by the Company and Its Relevant Stakeholders

According to relevant CSRC regulations, the Bank proposed remedial measures regarding the dilution of immediate returns that may arise from the non-public offering of preference shares and the public issuance of A-share convertible corporate bonds and their listings. These measures include: strengthening capital planning and management to ensure capital adequacy and stability; reinforcing asset restructuring to improve capital allocation efficiency; enhancing operational efficiency and reducing operating costs; improving the internal capital adequacy assessment process for better capital management; strengthening capital stress test and improving capital emergency response plans. At the same time, the directors and senior management members of the Bank also gave undertakings to effectively execute the remedial measures. During the reporting period, the Bank was not aware of any violation of the above-mentioned undertakings.

On 20 January 2016, the Bank completed the registration and custody formalities relating to its private offering of 2,147,469,539 A shares to China Tobacco. China Tobacco undertook to the former CBRC that it would not transfer its subscribed equity in the Bank within 5 years as of the date of completion of the delivery. As at 20 January 2021, the above-mentioned commitments of China Tobacco had been fulfilled, and the shares subject to restrictions on sales had been listed for trading. From the delivery date of the private offering to 20 January 2021, the Bank found no violation of the above commitments by China Tobacco.

Save as disclosed above, during the reporting period, the Bank was not aware of any other undertakings that were performed during the reporting period or overdue undertakings not yet performed as at the end of the reporting period by its de facto controller, shareholders, acquirers and the Bank itself or other parties that had given undertakings.

5.7 Penalties Imposed on the Company and its Directors, Supervisors, Senior Management Members, Controlling Shareholder and De Facto Controller

To the best of the Bank's knowledge, during the reporting period, the Bank was not investigated for suspected crimes according to law, and none of its controlling shareholder, de facto controller, incumbent directors, supervisors and senior management members was suspected of committing crimes or was subject to compulsory measures according to law; the Bank or its controlling shareholder, de facto controller, incumbent directors, supervisors or senior management members were not subject to criminal punishment, investigation by CSRC for suspected violation of laws and regulations or administrative punishment by CSRC, administrative and regulatory measures by CSRC, disciplinary punishment by the stock exchange, or material administrative punishment by other competent authorities; none of the Bank's incumbent directors, supervisors or senior management members was detained by the discipline inspection and supervision organs for suspected serious disciplinary violations or duty-related crimes, or subject to compulsory measures by other competent authorities for suspected violation of laws and regulations, which affected their duty performance.

5.8 Compliance with the Corporate Governance Code under the Hong Kong Listing Rules

The Bank was in compliance with all code provisions as well as most of the recommended best practices of the *Corporate Governance Code* set out in Appendix 14 to the *Hong Kong Listing Rules* throughout the six months ended 30 June 2021, except for the following:

According to Code A.1.3 of the *Corporate Governance Code*, the meeting notice of the Board of Directors shall be given at least 14 days before each regular board meeting, while all directors and supervisors shall be notified in writing 10 days prior to a regular Board meeting according to Article 180 of the Bank's Articles of Association. The Bank's adoption of the abovementioned latter notice practice for regular board meetings complies with applicable PRC laws and regulations, and reasonable time is deemed to have been given for directors' duty performance.

According to Code A.6.7 of the *Corporate Governance Code*, independent non-executive directors and other non-executive directors should attend the general meetings. Some directors were unable to attend all general meetings of the Bank in person due to conflict of schedule or other arrangements.

According to Code A.2.1 of the *Corporate Governance Code*, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. The Bank set separated positions of its Chairman and President. As at the disclosure date of this report, Mr. Zhu Hexin was Chairman and non-executive director of the Bank, responsible for presiding over the general meeting, convening and presiding over meetings of the Board of Directors and examining the implementation of board resolutions and other relevant matters. Mr. Fang Heying was President, Vice Chairman and executive director of the Bank, performing the duties including implementing board resolutions and leading the Bank in its business operation and management and other relevant matters. The division of duties between the Chairperson and President of the Bank was clearly defined and in compliance with the *Hong Kong Listing Rules*. Due to work arrangement, former Chairperson Ms. Li Qingping resigned from her position as the chairperson and executive director of the Bank, and chairperson and member of the Strategic Development Committee of the Board on 15 March 2021. To ensure the proper functioning of the Board, in accordance to the PRC Company Law and other laws and regulations as well as the Articles of Association of the Bank, the Board of Director nominated Mr. Zhu Hexin as a non-executive director candidate of the 5th session of the Board of Directors and elected Mr. Zhu Hexin as the chairman of the 5th session of the Board of Directors, to be effective after the election of him as a non-executive director of the Bank on the General Meeting and on the date of the approval of his qualification to act as non-executive director and chairman of the Bank from the supervisory institution. And the Board of Directors agreed that prior to Mr. Zhu Hexin taking office, in compliance with supervisory provisions, Mr. Fang Heying, executive director and President of the Bank, shall perform the duties of chairman of the Bank from 15 March 2021, to the date when Mr. Zhu Hexin officially takes the office as non-executive director and Chairman of the Bank. On 7 May 2021, the Bank's 2nd Extraordinary General Meeting of 2021 elected Mr. Zhu Hexin as non-executive director of the Bank. Upon approval by CBIRC, Mr. Zhu Hexin began to serve as director and Chairman of the Bank as of 21 June 2021.

5.9 Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Bank has adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 of the *Hong Kong Listing Rules* and has complied with Rules 13.67 and 19A.07B of the *Hong Kong Listing Rules* to regulate the securities transactions of its directors and supervisors. All the directors and supervisors were consulted specifically for this matter and all of them confirmed that they had strictly complied with the relevant provisions of the Model Code throughout the reporting period.

5.10 Review of Interim Results

The Audit and Related Party Transactions Control Committee of the Board of Directors of the Bank has reviewed the accounting policies and practices adopted by the Bank together with the senior management, discussed matters on internal control and financial reporting and reviewed the interim results. It is deemed that the accounting policies adopted in the interim financial report of the Group are consistent with those applied to the Group's annual financial statements for the year ended 31 December 2020.

5.11 Integrity of the Company and Its Relevant Stakeholders

During the reporting period, neither the Bank nor its controlling shareholder or its de facto controller was involved in failure to execute valid court documents or failure to repay matured debts of considerable amounts.

Chapter 6 Changes in Ordinary Shares and Information on Ordinary Shareholders

6.1 Changes in Ordinary Shares

6.1.1 Table on Changes in Shareholdings

Unit: share

	31 December 2020		Changes (+, –)					30 June 2021	
	Number of shares held	Percentage (%)	New issue	Bonus issue	Capital reserve converted to shares	Others	Subtotal	Number of shares held	Percentage (%)
Shares subject to restrictions on sale:	**2,147,469,539**	**4.39**				**-2,147,469,539**	**-2,147,469,539**	**–**	**–**
1. Shares held by the state									
2. Shares held by state-owned legal persons	2,147,469,539	4.39				-2,147,469,539	-2,147,469,539	–	–
3. Shares held by other domestic investors									
Including: Shares held by domestic non-state-owned legal persons									
Shares held by domestic natural persons									
4. Foreign-held shares									
Including: Shares held by overseas legal persons									
Shares held by overseas natural persons									
Shares not subject to restrictions on sale:	**46,787,369,030**	**95.61**				**+2,147,471,256**	**+2,147,471,256**	**48,934,840,286**	**100.00**
1. Renminbi denominated ordinary shares	31,905,206,053	65.20				+2,147,471,256	+2,147,471,256	34,052,677,309	69.59
2. Domestically-listed foreign shares									
3. Overseas-listed foreign shares	14,882,162,977	30.41						14,882,162,977	30.41
4. Others									
Total shares	**48,934,838,569**	**100.00**				**+1,717**	**+1,717**	**48,934,840,286**	**100.00**

6.1.2 Shares Subject to Restrictions on Sale

Publicly tradable time of shares subject to restrictions on sale

Unit: share

Publicly tradable time of shares subject to restrictions on sale	Incremental publicly tradeable shares upon expiry of lock-up period	Number of shares subject to restrictions on sale	Number of shares not subject to restrictions on sale as at the end of reporting period
20 January 2021	2,147,469,539	–	48,934,840,286

Shareholdings of the top 10 shareholders subject to restrictions on sale and the conditions of restrictions on sale

Unit: share

Name of shareholder with restrictions on sale released	Number of shares subject to restrictions on sale held	Publicly tradable time	Incremental publicly tradable shares	Conditions of restrictions on sale
China National Tobacco Corporation	–	20 January 2021	2,147,469,539	On 20 January 2016, the Bank completed the registration and custody formalities relating to its private offering of 2,147,469,539 A shares to China Tobacco. China Tobacco undertook to the former CBRC that it would not transfer its subscribed equity in CITIC Bank within 5 years as of the date of completion of the delivery. As at 20 January 2021, the above-mentioned undertaking of China Tobacco has been fulfilled, and relevant shares subject to restrictions on sale have become tradable. (Refer to the announcements of the Bank published on the official websites of SSE (www.sse.com.cn) and the HKEXnews (www.hkexnews.hk) for details thereof.)

6.2 Issuance and Listing of Securities

6.2.1 Equity Financing

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

6.2.2 Issuance of Bonds

Pursuant to the *Approval regarding the Issuance of Undated Capital Bonds by China CITIC Bank Corporation Limited from China Banking and Insurance Regulatory Commission* (CBIRC Reply [2021] No. 57) and the *Affirmative Decision of Administrative License of the People's Bank of China* (PBOC Decision [2021] No. 58), the Bank has been approved for the issuance of undated capital bonds in the national inter-bank bond market in an amount up to RMB40 billion (hereinafter referred to as "Undated Capital Bonds") to replenish the additional tier-one capital of the Bank in accordance with relevant regulations. The Undated Capital Bonds were book-built on 22 April 2021 and the issuance was completed in the national inter-bank bond market on 26 April 2021. The size of issuance of the Undated Capital Bonds is RMB40 billion. The coupon rate is 4.20% during the first 5 years and will be reset every 5 years. The issuer shall have a conditional redemption right on every dividend payment date from the fifth year onwards. The proceeds from the issuance of the Undated Capital Bonds would be used to replenish the additional tier-one capital of the Bank in accordance with applicable laws and approvals of the regulatory authorities.

Pursuant to the *Reply of the China Banking and Insurance Regulatory Commission on Approving the Issuance of Special Financial Bonds for Loans to Small and Micro Enterprises by China CITIC Bank* (CBIRC Reply [2020] No.4) and the *Affirmative Decision of Administrative License from the People's Bank of China* (PBOC Decision [2020] No. 20), the Bank was approved to issue financial bonds up to RMB50.0 billion (hereinafter referred to as "Financial Bonds") in the national inter-bank bond market. The Financial Bonds were issued in installments, and the issuance of the 2020 Special Financial Bonds for Loans to Small and Micro Enterprises (Tranche 1) in an amount of RMB30 billion was completed on 18 March 2020. The 2021 Special Financial Bonds for Loans to Small and Micro Enterprises (the "21 CITIC SME Bonds") issued was the last tranche of the Financial Bonds. The 21 CITIC SME Bonds were book-built on 8 June 2021 and the issuance was completed in the national inter-bank bond market on 10 June 2021. The size of the issuance of the three-year fixed-rate 21 CITIC SME Bonds was RMB20.0 billion with a coupon rate of 3.19%. The proceeds from the issuance were used to grant loans to small and micro enterprises in accordance with applicable laws and approvals of the regulatory authorities.

Please refer to the relevant announcements published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) for details of the public issuance of the above Undated Capital Bonds and the 21 CITIC SME Bonds.

6.3 Information on Ordinary Shareholders

6.3.1 Total Number of Shareholders

As at the end of the reporting period, the Bank had 164,657 accounts of ordinary shareholders in total, including 136,582 accounts of A shareholders and 28,075 accounts of registered H shareholders, and no preference shareholders with restored voting right.

6.3.2 Information on the Top 10 Shareholders (as at the end of the reporting period)

Unit: share

No.	Name of shareholder	Nature of shareholder	Class of shares	Total number of shares held	Shareholding percentage (%)	Number of shares subject to restrictions on sale	Increase or decrease in shareholding during the reporting period	Shares pledged, marked or frozen
1	CITIC Corporation Limited	State-owned legal person	A share, H share	31,988,728,773	65.37	0	0	0
2	Hong Kong Securities Clearing Company Nominees Limited	Overseas legal person	H share	11,551,639,269	23.61	0	-6,585,861	Unknown
3	China National Tobacco Corporation	State-owned legal person	A share	2,147,469,539	4.39	0	0	0
4	China Securities Finance Corporation Limited	State-owned legal person	A share	1,018,941,677	2.08	0	-95,124,000	0
5	Central Huijin Asset Management Ltd.	State-owned legal person	A share	272,838,300	0.56	0	0	0
6	China Construction Bank Corporation	State-owned legal person	H share	168,599,268	0.34	0	0	0
7	Hong Kong Securities Clearing Company Limited	Overseas legal person	A share	111,085,922	0.23	0	+30,806,323	0
8	China Everbright Bank Company Limited – Aegon-Industrial Commercial Mode Preferred Hybrid Securities Investment Fund (LOF)	Other	A share	45,386,034	0.09	0	+45,386,034	0
9	China Merchants Bank Co., Ltd. – Aegon-Industrial Herun Hybrid Securities Investment Fund	Other	A share	41,770,288	0.09	0	+41,770,288	0
10	China Merchants Bank Co., Ltd. – SSE Dividend Traded Open-ended Index Securities Investment Fund	Other	A share	41,457,306	0.08	0	+15,875,606	0

Notes: (1) All shares held by the above-mentioned shareholders were shares not subject to restrictions on sale of the Bank.

(2) Except for CITIC Corporation Limited and Hong Kong Securities Clearing Company Nominees Limited, the shareholdings of A-share holders and H-share holders in the table above were calculated based on the Bank's share registers respectively maintained with China Securities Depository and Clearing Corporation Limited Shanghai Branch and Computershare Hong Kong Investor Services Limited.

(3) Hong Kong Securities Clearing Company Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited. The total number of shares held by Hong Kong Securities Clearing Company Nominees Limited is the aggregate number of H shares it held in its capacity as nominee on behalf of all institutional (except for CITIC Corporation Limited) and individual investors registered with the company as at the end of the reporting period. Hong Kong Securities Clearing Company Limited is an institution that is designated by others to hold shares, including the Shanghai Stock Connect shares held by Hong Kong and overseas investors, on behalf of others in its capacity as nominee shareholder.

(4) CITIC Corporation Limited is a wholly-owned subsidiary of CITIC Limited. CITIC Corporation Limited confirmed that as at the end of the reporting period, CITIC Limited and its subsidiaries (including CITIC Corporation Limited) together owned 32,284,227,773 shares of the Bank, accounting for 65.97% of the Bank's total shares, including 28,938,928,294 A shares and 3,345,299,479 H shares. CITIC Corporation Limited directly owned 31,988,728,773 shares of the Bank, accounting for 65.37% of the Bank's total shares, including 28,938,928,294 A shares and 3,049,800,479 H shares.

(5) Summit Idea Limited confirmed that, as at the end of the reporting period, it held via Hong Kong Securities Clearing Company Nominees Limited 2,292,579,000 H shares of the Bank, accounting for 4.685% of the Bank's total shares. Summit Idea Limited is a wholly-owned affiliate of Xinhu Zhongbao. In addition to the afore-mentioned stake, Hong Kong Xinhu Investment Co., Ltd., a wholly-owned subsidiary of Xinhu Zhongbao, also owned 153,686,000 H shares of the Bank via Hong Kong Securities Clearing Company Nominees Limited, taking up 0.314% of the Bank's total shares.

(6) Note on connected relations or concerted actions between ordinary shareholders listed in the above table: Hong Kong Securities Clearing Company Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited. According to the *Report for the First Quarter of 2021 of China Construction Bank Corporation*, as at 31 March 2021, Central Huijin Investment Ltd. and its wholly-owned subsidiary Central Huijin Asset Management Ltd. together owned 57.31% equity of China Construction Bank Corporation. Except for these, the Bank was not aware of any connected relations or concerted actions between the shareholders listed in the above table.

(7) None of the top 10 shareholders of the Bank held a special account for repurchase.

(8) As far as the Bank was aware, as at the end of the reporting period, the shareholders listed in the above table neither delegated or obtained from their voting right, nor were delegated with the voting right of any other party.

6.4 Interests and Short Positions Held by Substantial Ordinary Shareholders and Other Persons

The table below sets out the interests and short positions in the shares of the Bank held by substantial shareholders and other persons (except the directors, supervisors and chief executives of the Bank defined according to the Hong Kong Listing Rules) as recorded in the register that the Bank maintained pursuant to Section 336 of the *Securities and Futures Ordinance* and as far as the Bank was aware as at the end of the reporting period.

Name	Class of shares	Identity	Number of shares held	Shareholding percentage of the issued share capital of the same class (%)	Shareholding percentage of the total issued share capital (%)
CITIC Corporation Limited	H share	Beneficiary owner	3,049,800,479 (L)	20.49	6.23
	A share		32,719,444,053 (L)	96.08	66.86
	H share	Interest of controlled corporations	10,313,000 (L)	0.07	0.02
CITIC Limited	H share	Interest of controlled corporations	3,345,299,479 (L)	22.48	6.84
	A share		32,719,444,053 (L)	96.08	66.86
CITIC Polaris Limited	H share	Interest of controlled corporations	3,345,299,479 (L)	22.48	6.84
	A share		32,719,444,053 (L)	96.08	66.86
CITIC Glory Limited	H share	Interest of controlled corporations	3,345,299,479 (L)	22.48	6.84
	A share		32,719,444,053 (L)	96.08	66.86
CITIC Group	H share	Interest of controlled corporations	3,345,299,479 (L)	22.48	6.84
	A share		32,719,444,053 (L)	96.08	66.86
Summit Idea Limited	H share	Beneficiary owner	2,292,579,000 (L)	15.41	4.685
Total Partner Global Limited	H share	Interest of controlled corporations	2,292,579,000 (L)	15.41	4.685
Hong Kong Xinhu Investment Co., Ltd.	H share	Beneficiary owner	153,686,000 (L)	1.03	0.314
		Interest of controlled corporations	2,292,579,000 (L)	15.41	4.685
Xinhu Zhongbao Co., Ltd.	H share	Interest of controlled corporations	2,446,265,000 (L)	16.44	4.999
Zhejiang Xinhu Group Corporation Limited	H share	Interest of controlled corporations	2,446,265,000 (L)	16.44	4.999
Zhejiang Hengxingli Holding Group Co., Ltd.	H share	Interest of controlled corporations	2,446,265,000 (L)	16.44	4.999
Ningbo Jiayuan Industrial Development Co., Ltd.	H share	Interest of controlled corporations	2,446,265,000 (L)	16.44	4.999
Huang Wei	H share	Interest of controlled corporations	2,446,265,000 (L)	16.44	4.999
Li Ping	H share	Interest of controlled corporations	2,446,265,000 (L)	16.44	4.999

(L) – long position, (S) – short position

Notes: (1) The above disclosure is made mainly on the basis of the information released on the HKEXnews (www.hkexnews.hk).

(2) According to Section 336 of the *Securities and Futures Ordinance*, if multiple conditions are met, shareholders of the Bank shall submit the disclosure form. When there is a change to shares of the Bank held by shareholders, unless multiple conditions are met, related shareholders need not to notify the change to the Bank and SEHK. Therefore, the latest shares held by shareholders at the Bank may differ from those already submitted to SEHK.

Except for the afore-mentioned disclosure, as at the end of the reporting period, the Bank didn't know that any person (except the directors, supervisors and chief executives of the Bank defined according to the Hong Kong Listing Rules) held any interests and short positions in the shares of the Bank or underlying shares that shall be recorded in the register that the Bank maintained pursuant to Section 336 of the *Securities and Futures Ordinance*.

6.5 Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Bank or Associated Corporations Held by Its Directors, Supervisors and Senior Management Members

As at the end of the reporting period, there was no change in the holding of shares of the Bank by its directors, supervisors or senior management members, and none of the Bank's directors, supervisors or senior management members held any share options or restrictive shares of the Bank.

The table below sets out the interests in the shares of the Bank held by directors, supervisors and chief executives of the Bank as at the end of the reporting period as recorded in the register that the Bank maintained pursuant to Section 336 of the *Securities and Futures Ordinance*:

Name	Position	Class of shares	Identity	Number of shares held	Shareholding percentage of the issued shares of the same class (%)	Shareholding percentage of the total issued ordinary shares (%)
Fang Heying	Vice Chairman, Executive Director, President, Chief Financial Officer	H share	Beneficiary owner	715,000 (L)	0.0048	0.0015
Guo Danghuai	Executive Director, Vice President	H share	Beneficiary owner	636,000 (L)	0.0043	0.0013
Li Rong	Shareholder Representative Supervisor	H share	Beneficiary owner	364,000 (L)	0.0024	0.0007
Zeng Yufang	Employee Representative Supervisor	H share	Beneficiary owner	188,000 (L)	0.0013	0.0004

Notes: (1) (L) – long position, (S) – short position.

(2) The above disclosure is made mainly on the basis of the information released on SEHK (www.hkexnews.hk).

6.6 Controlling Shareholder and De Facto Controller of the Bank

During the reporting period, the Bank's controlling shareholder and de facto controller remained unchanged. As at the end of the reporting period, CITIC Corporation Limited was the controlling shareholder of the Bank; CITIC Limited was the single direct controlling shareholder of CITIC Corporation Limited; CITIC Group was the controlling shareholder of CITIC Limited, and the de facto controller of the Bank.

CITIC Group was established in 1979 by Mr. Rong Yiren with the support of Mr. Deng Xiaoping. Since its inception, CITIC Group has been a pilot institution for national economic reform and an important window for China's opening to the outside world. With fruitful explorations and innovation in many areas, CITIC Group has built itself a robust image and reputation both domestically and abroad. At present, CITIC Group has developed into a large state-owned multinational conglomerate with both financial and non-financial businesses. Its financial business covers a full range of services including banking, securities, trust, insurance, funds and asset management; and its non-financial business includes real estate, engineering contracting, energy and resources, infrastructure construction, machinery manufacturing and information industry, with clear overall strength and great momentum of growth.

In December 2011, with approval from the State Council, and in alignment with its wholly-owned subsidiary Beijing CITIC Enterprise Management Co., Ltd., CITIC Group contributed the majority of its existing net operating assets to establish CITIC Corporation Limited (named “CITIC Limited” when first established). In particular, CITIC Group held 99.9% equity interest in CITIC Limited, and Beijing CITIC Enterprise Management Co., Ltd. held 0.1%. CITIC Group as a whole was restructured into a wholly state-owned company. To complete the afore-mentioned capital contribution, CITIC Group transferred its entire equity in the Bank to CITIC Corporation Limited as capital contribution. As a result, CITIC Corporation Limited held 28,938,929,004 shares in the Bank both directly and indirectly, accounting for 61.85% of the Bank’s total share capital. The above-mentioned share transfer was approved by the State Council, the Ministry of Finance (MOF), former CBRC, the CSRC and the Hong Kong Monetary Authority. In February 2013, the relevant formalities for the share transfer were officially completed with approvals from the SSE and China Securities Depositary and Clearing Corporation Limited Shanghai Branch. On 20 December 2018, the MOF, and the Ministry of Human Resources and Social Security issued a notice to implement the relevant arrangements of the *Notice of the State Council on Printing and Distributing the Implementation Plan on the Transfer of Some State-owned Capital to Replenish the Social Security Fund*, transferring MOF’s 10% equity in CITIC Group to the National Council for Social Security Fund in a lump sum.

In October 2013, BBVA transferred to CITIC Limited 2,386,153,679 H shares it held in the Bank, accounting for approximately 5.10% of the total share capital of the Bank, after which CITIC Limited increased its shareholding in the Bank to 66.95%.

In August 2014, CITIC Group injected its main business assets entirely into its Hong Kong listed subsidiary, CITIC Pacific, and renamed it CITIC Limited. The former CITIC Limited was renamed CITIC Corporation Limited. CITIC Limited held 100% equity interest in CITIC Corporation Limited.

In September 2014, CITIC Corporation Limited purchased an additional 81,910,800 H shares of the Bank via agreement transfer, after which, CITIC Corporation Limited held a total of 31,406,992,773 A shares and H shares of the Bank, accounting for approximately 67.13% of the Bank’s total share capital.

In January 2016, the Bank completed its private offering of 2,147,469,539 A shares to China Tobacco, upon which time the Bank’s total share capital increased to 48,934,796,573 shares and the proportion of shares owned by CITIC Corporation Limited went down to 64.18%.

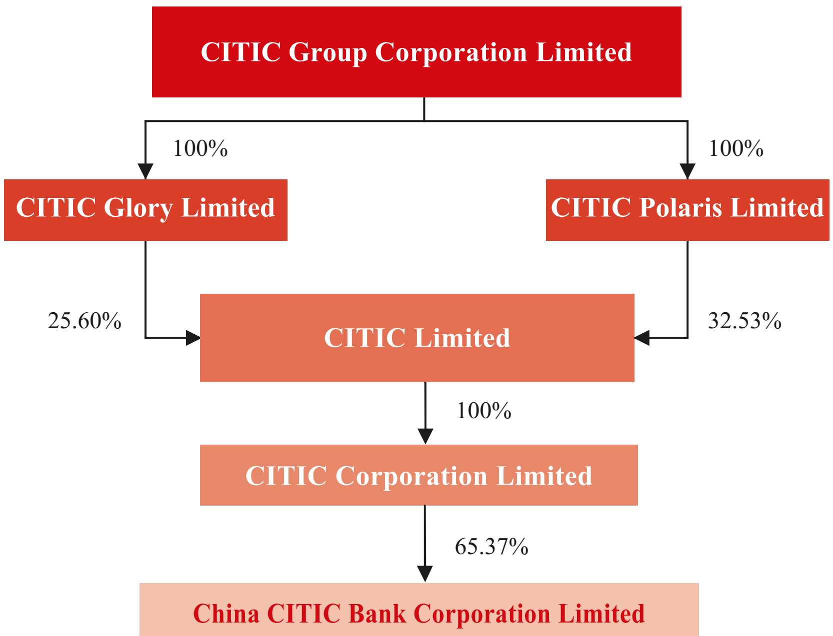
In January 2016, CITIC Limited notified the Bank that it planned to increase its shareholding in the Bank by 21 January 2017 when appropriate, provided that the accumulative percentage of such incremental equity holding did not exceed 5% of the Bank’s total issued share capital. As at 21 January 2017, the implementation of the additional shareholding plan was completed. CITIC Limited and its subsidiaries (including CITIC Corporation Limited) held 32,284,227,773 shares of the Bank in aggregate, of which they held 28,938,928,294 A shares and 3,345,299,479 H shares, representing 65.97% of the total issued shares of the Bank.

As at the end of the reporting period, CITIC Group’s legal representative was Mr. Zhu Hexin. Its business scope covered: investment in and management of domestic and overseas financial enterprises and related industries including banking, securities, insurance, trust, asset management, futures, leases, funds and credit cards; investment businesses in energy, transportation infrastructure, mining, forestry resources development and raw materials industry, machinery manufacturing, real estate development, information infrastructure, basic telecommunications and value-added telecom services, environmental protection, pharmaceuticals, biological engineering and new materials, aviation, transportation, warehousing, hotels, tourism, domestic and international trade, commerce, education, publication, media, culture and sports, domestic and overseas engineering design, construction, contracting and sub-contracting, and industrial investment; asset management; capital operation; project tendering, exploration, design, construction, supervision, contracting and subcontracting and consulting services; external allocation of required workers to overseas projects compatible with its strength, scale and business performance; import and export; and information services business (only restricted to internet information services which excludes information search and inquiry service, information community service, instant information interaction service and information protection and processing service). (The company shall discretionally choose its business projects and conduct its business activities according to the law; conduct its business activities as per approval of competent authorities regarding business items that may only be conducted with such approval according to the law; and may not engage in business activities of projects that are prohibited or restricted by the municipal industrial policies).

As at the end of the reporting period, CITIC Corporation Limited had a registered capital of RMB139 billion; and Mr. Zhu Hexin was its legal representative. Its business scope covered: investment in and management of domestic and overseas financial enterprises and related industries including banking, securities, insurance, trust, asset management, futures, leases, funds and credit cards; investment businesses in energy, transportation infrastructure, mining, forestry resources development and raw materials industry, machinery manufacturing, real estate development, information infrastructure, basic telecommunications and value-added telecom services, environmental protection, pharmaceuticals, biological engineering and new materials, aviation, transportation, warehousing, hotels, tourism, domestic and international trade, commerce, education, publication, media, culture and sports, domestic and overseas engineering design, construction, contracting and sub-contracting, and industrial investment; asset management; capital operation; project tendering, exploration, design, construction, supervision, contracting and subcontracting and consulting services; external allocation of required workers to overseas projects compatible with its strength, scale and business performance; import and export; and information services business (only restricted to internet information services which excludes information search and inquiry service, information community service, instant information interaction service and information protection and processing service). (The company shall discretionally choose its business projects and conduct its business activities according to the law; conduct its business activities as per approval of competent authorities regarding business items that may only be conducted with such approval according to the law; and may not engage in business activities of projects that are prohibited or restricted by the municipal industrial policies).

As at the end of the reporting period, CITIC Limited and its subsidiaries (including CITIC Corporation Limited) held 32,284,227,773 shares of the Bank in aggregate, representing 65.97% of the total issued shares of the Bank, including 28,938,928,294 A shares and 3,345,299,479 H shares. CITIC Corporation Limited directly owned 31,988,728,773 shares in the Bank, accounting for 65.37% of the total share capital of the Bank, including 28,938,928,294 A shares and 3,049,800,479 H shares.

As at the end of the reporting period, the ownership structure between the Bank, its controlling shareholder and its de facto controller was as follows[36]:



[36] CITIC Glory Limited and CITIC Polaris Co., Ltd. are both wholly-owned subsidiaries of CITIC Group. CITIC Corporation Limited directly owned 65.37% of the total share capital of the Bank, in addition to which, CITIC Limited also held part of the Bank's equity via its subsidiaries and CITIC Corporation Limited's subsidiaries.

In accordance with the relevant requirements of *Provisional Measures for Equity Management of Commercial Banks*, as at the end of the reporting period, the controlling shareholder, de facto controller, persons acting in concert and ultimate beneficiary of CITIC Corporation Limited are as follows:

Name of shareholder	Controlling shareholder	De facto controller	Persons acting in concert	Ultimate beneficiary
CITIC Corporation Limited	CITIC Limited	CITIC Group Corporation Limited	Fortune Class Investments Limited, Metal Link Limited	CITIC Group Corporation Limited

6.7 Information on Other Substantial Shareholders

As per the relevant provisions of the *Provisional Measures for the Management of Equity in Commercial Banks*, in addition to CITIC Corporation Limited, the substantial shareholders of the Bank also include Summit Idea Limited and China Tobacco. As at the end of the reporting period, among members of the Board of Directors of the Bank, one non-executive director was recommended by Summit Idea Limited and another non-executive director was recommended by China Tobacco.

Summit Idea Limited is a company incorporated in Hong Kong. As at the end of the reporting period, it held via Hong Kong Securities Clearing Company Nominees Limited 2,292,579,000 H shares of the Bank, accounting for 4.685% of the Bank's total shares, with 1,123,363,710 H shares of the Bank pledged as collateral as at the end of the reporting period. Summit Idea Limited is a wholly-owned subsidiary of Xinhu Zhongbao. In addition to the afore-mentioned stake, Hong Kong Xinhu Investment Co., Ltd., a wholly owned subsidiary of Xinhu Zhongbao, owned 153,686,000 H shares of the Bank via Hong Kong Securities Clearing Company Nominees Limited, taking up 0.314% of the Bank's total shares. Xinhu Zhongbao (SH.600208) was listed on the Shanghai Stock Exchange in 1999. Its principal business is real estate and finance. As at 31 December 2020, the company recorded registered capital of RMB8.599 billion, total assets of RMB135.685 billion and net assets of RMB38.528 billion. The company is an industry leader in terms of the size, strength and quality of its real estate business. Xinhu Zhongbao has developed more than 50 real estate projects in over 30 cities across the country with aggregate development areas reaching over 30 million square meters. In terms of financial business, Xinhu Zhongbao has formed a financial investment pattern that covers securities, banking, insurance, futures, etc. It has made forward-looking investment in high-tech companies engaged in block chain, big data, artificial intelligence and cloud computing, and is an important shareholder of Wind, Bangsun Technology, Hyperchain and other high-tech companies which owned leading technology and market shares.

China Tobacco is a mega state-owned enterprise established with approval from the State Council. As at the end of the reporting period, China Tobacco held 2,147,469,539 A shares of the Bank, accounting for 4.39% of the Bank's total shares, with no pledge of the Bank's shares as collateral. China Tobacco is an enterprise owned by the whole people with registered capital of RMB57 billion. Its legal representative is Zhang Jianmin. The main business scope of China Tobacco includes the production, operation and import and export of tobacco monopoly products, as well as management and operation of state-owned assets.

In accordance with the relevant requirements of *Provisional Measures for Equity Management of Commercial Banks*, as at the end of the reporting period, the above substantial shareholders and their controlling shareholders, de facto controllers, persons acting in concert and ultimate beneficiaries are as follows:

Name of shareholder	Controlling shareholder	De facto controller	Person acting in concert	Ultimate beneficiary
Summit Idea Limited	Total Partner Global Limited	Huang Wei	Hong Kong Xinhu Investment Co., Ltd.	Huang Wei
China Tobacco	State Council	State Council	None	State Council

6.8 Other Legal-Person Shareholders Holding 10% or More of the Bank's Shares

As at the end of the reporting period, there were no other legal-person shareholders that held 10% or more of the Bank's shares except CITIC Corporation Limited.

Chapter 7 Preference Shares

7.1 Issuance and Listing of Preference Shares

After obtaining the *Reply of China Banking Regulatory Commission on Approving China CITIC Bank's Private Offering of Preference Shares and Amendment to the Articles of Association* (CBRC Reply [2015] No.540) from former CBRC and the *Reply on Approving China CITIC Bank's Private Offering of Preference Shares* (CSRC License [2016] No.1971) from China Securities Regulatory Commission, the Bank made the non-public offering of 350 million onshore preference shares at RMB100 par value per share on 21 October 2016. These shares were issued at par at 3.80% initial coupon rate and with no maturity date. These 350 million preference shares, referred to as "CITIC Excellent 1" with the preference share stock code of 360025, have been listed on Shanghai Stock Exchange's Comprehensive Business Platform on 21 November 2016.

Please refer to the relevant announcements published on the websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) for detailed information thereof.

7.2 Number of Preference Shareholders and Their Shareholdings

As at the end of the reporting period, the Bank recorded 32 accounts of preference shareholders (CITIC Excellent 1, preference share stock code: 360025). Information on the top 10 preference shareholders at the end of the reporting period is set out in the table below.

Unit: shares

No.	Name of shareholder (full name)	Nature of shareholder	Changes in shareholding in the reporting period (+, -)	Number of shares held at the end of the period	Shareholding percentage (%)	Class of shares held	Number of shares subject to restrictions on sale	Shares pledged or frozen Status	Shares pledged or frozen Quantity
1	China Mobile Communications Group Co., Ltd.	State-owned legal person	–	43,860,000	12.53	Onshore preference shares	–	–	–
2	China Life Insurance Company Limited – Dividend – Individual Dividend – 005L – FH002 Shanghai	Other	–	38,430,000	10.98	Onshore preference shares	–	–	–
3	China Life Insurance Company Limited – Traditional – Ordinary Insurance Products – 005L – CT001 Shanghai	Other	–	38,400,000	10.97	Onshore preference shares	–	–	–
4	Ping An Life Insurance Company of China, Ltd. – Universal – Individual Universal Insurance	Other	–	30,700,000	8.77	Onshore preference shares	–	–	–
5	Ping An Life Insurance Company of China, Ltd. – Dividend – Dividends for Individual Insurance	Other	–	30,700,000	8.77	Onshore preference shares	–	–	–
6	BOCOM Schroder Asset Management – BOCOM – BOCOM Schroder Asset Management Excellence No. 2 Collective Asset Management Plan	Other	–	25,700,000	7.34	Onshore preference shares	–	–	–
7	AXA SPDB Investment Managers Co., Ltd. – SPDB – Shanghai Pudong Development Bank Shanghai Branch	Other	–	21,930,000	6.27	Onshore preference shares	–	–	–
8	Aegon-Industrial Ruizhong Assets – Ping An Bank – Ping An Bank Co., Ltd.	Other	–	15,350,000	4.39	Onshore preference shares	–	–	–
9	TruValue Asset Management – China Merchants Bank – China Merchants Bank Co., Ltd.	Other	–	10,960,000	3.13	Onshore preference shares	–	–	–
10	BOCOM Schroder Fund Management – Minsheng Bank – China Minsheng Bank Co., Ltd.	Other	–	8,770,000	2.51	Onshore preference shares	–	–	–
	CICC – Agricultural Bank of China – CICC ABC Ruichi No. 2 Collective Asset Management Plan	Other	+8,770,000	8,770,000	2.51	Onshore preference shares	–	–	–

Notes: (1) The shareholdings of the preference shareholders were calculated based on the information contained in the preference-share register of the Bank.

(2) Note on related relations or concerted actions of the above preference shareholders: Based on publicly available information, the Bank came to the preliminary conclusion that there was related relation between China Life Insurance Company Limited – Dividend – Individual Dividend – 005L – FH002 Shanghai and China Life Insurance Company Limited – Traditional – Ordinary Insurance Products – 005L – CT001 Shanghai, between Ping An Life Insurance Company of China, Ltd. – Universal – Individual Universal Insurance and Ping An Life Insurance Company of China, Ltd. – Dividend – Dividends for Individual Insurance, and between BOCOM Schroder Asset Management – BOCOM – BOCOM Schroder Asset Management Excellence No. 2 Collective Asset Management Plan and BOCOM Schroder Fund Management – Minsheng Bank – China Minsheng Bank Co., Ltd. Except for these, the Bank was not aware of any related relation or concerted action between the above-mentioned preference shareholders or between the above-mentioned preference shareholders and the top 10 ordinary shareholders.

(3) "Shareholding percentage" means the number of preference shares held by preference shareholders accounting for in the total issued preference shares.

7.3 Dividend Distribution for Preference Shares

7.3.1 Policy on dividend distribution of preference shares

A nominal dividend rate subject to phase-specific adjustment shall be applied to the Bank's preference shares, i.e., every five years as of the payment date of the subscribed shares constitutes an interest-bearing period and the same nominal dividend rate shall be applied to a whole period. The nominal dividend rate for the first interest-bearing period was set at 3.80% by way of book finding. Cash dividends shall be paid for the above-mentioned preference shares on an annual basis, with the interest-bearing principal calculated as the total par value of the issued ongoing preference shares and the interest start date being the payment date of the subscribed shares (i.e., 26 October 2016). Dividends on the above preference shares shall not be cumulative, i.e., the shortage from a full-amount dividend payout in the current year will not be accumulated to the next interest-bearing year. Except for access to the dividends agreed upon in accordance with the issuance plan, the above-mentioned preference shareholders shall not participate in the distribution of surplus profits together with the ordinary shareholders.

7.3.2 Payment of dividends on preference shares during the reporting period

During the reporting period, the Bank did not distribute any dividend on preference shares.

7.3.3 Plan on payment of dividends on preference shares

The Bank adopted the 2021 Plan on Payment of Dividends on Preference Shares at the Board meeting convened on 25 August 2021, approving that the preference share dividends accrued between 26 October 2020 and 25 October 2021 would be paid on 26 October 2021. The Bank will pay dividends on the preference shares to all the shareholders of "CITIC Excellent 1" (preference share stock code 360025) registered with China Securities Depository and Clearing Corporation Limited Shanghai Branch at the close of SSE trading on 25 October 2021. The Bank will pay out a preference dividend of RMB3.80 per share (before tax), which was calculated at a nominal dividend rate of 3.80%, with total dividend payment for preference shares amounting to RMB1.330 billion (before tax).

7.4 Redemption or Conversion of Preference Shares

No preference share of the Bank was redeemed or converted during the reporting period.

7.5 Restoration of Voting Right of Preference Shares

During the reporting period, there was no matter that restored the voting right of preference shares.

7.6 Accounting Policies for Preference Shares and the Underlying Reasons

According to the relevant accounting standards promulgated by the Ministry of Finance (MOF), namely, *Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments and Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments*, and pursuant to the principal terms of the preference share issuance, the above-mentioned preference shares are eligible to be classified as equity instrument. Hence, the preference shares are accounted equity instrument.

Chapter 8 Convertible Corporate Bonds

8.1 Overview

On 4 March 2019, the Bank completed the issuance of 40 million board lots of A-share convertible corporate bonds (hereinafter referred to as "A-share convertible bonds"), with each issued at the face value of RMB100 at par, raising total proceeds of RMB40 billion, which came to net proceeds of RMB39.9156402 billion after deduction of the issuance costs. These A-share convertible bonds, referred to as "CITIC Convertible Bonds" with the code of 113021, were listed on the Shanghai Stock Exchange for trading on 19 March 2019. All proceeds from the issuance of A-share convertible bonds have been used for operation to support business development, and will be used to replenish the Bank's core tier one capital after the conversion to shares according to relevant regulations.

Please refer to the relevant announcements published on the official websites of SSE (www.sse.com.cn), HKEXnews (www.hkexnews.hk) and the Bank (www.citicbank.com) for details thereof.

8.2 Convertible Bond Holders and Guarantors during the Reporting Period

Unit: RMB Yuan

Convertible bond holders at the period end (accounts)		**19,688**
Guarantors of convertible bonds of the Bank		**None**
Name of top ten convertible bond holders	**Nominal value of bonds held at the end of the period**	**Percentage of bonds held (%)**
CITIC Corporation Limited	26,388,000,000	65.97
China National Tobacco Corporation	2,521,129,000	6.30
Special account for collateralized bond repurchase in the securities depository and clearing system (Industrial and Commercial Bank of China)	1,276,699,000	3.19
Special account for collateralized bond repurchase in the securities depository and clearing system (Bank of China)	622,540,000	1.56
Special account for collateralized bond repurchase in the securities depository and clearing system (China Merchants Bank Co., Ltd.)	482,367,000	1.21
China Merchants Bank Co., Ltd. – Hongde Zhiyuan Hybrid Securities Investment Fund	416,671,000	1.04
Special account for collateralized bond repurchase in the securities depository and clearing system (China Construction Bank)	407,539,000	1.02
Special account for collateralized bond repurchase in the securities depository and clearing system (China Minsheng Banking Corp., Ltd.)	306,484,000	0.77
Special account for collateralized bond repurchase in the securities depository and clearing system (GF Securities Co., Ltd.)	282,061,000	0.71
Orient Securities Co., Ltd.	254,779,000	0.64

8.3 Changes in A-share Convertible Bonds during the Reporting Period

For the A-share convertible bonds issued by the Bank, the conversion period commenced from 11 September 2019 and expires on 3 March 2025, i.e., the first trading day after six months from the completion of the issuance and the convertible bond maturity date. As at the end of the reporting period, a total of RMB312,000 CITIC Convertible Bonds have been converted to A-share ordinary shares of the Bank, making the total number of converted shares reaching 43,713, which accounted for 0.00008933% of the total ordinary shares issued by the Bank before the conversion of CITIC Convertible Bonds.

8.4 Previous Adjustments of Conversion Prices

On 29 July 2021, the Bank distributed dividends on ordinary shares (A share) for the year 2020. According to the related articles of the *Prospectus on the Public Issuance of the A Share Convertible Corporate Bonds of China CITIC Bank Corporation Limited* as well as other applicable laws and regulations, after the issuance of A-share convertible bonds, the Bank will accordingly adjust the conversion price of the A-share convertible bonds in case that changes take place to the Bank's shares due to the distribution of stock dividends, transfer of share capital, issuance of new shares, and rights issue (excluding the share capital increase due to the conversion of convertible bonds issued this time) and that the Bank distributes cash dividends. Therefore, after this profit distribution, the initial conversion price of CITIC Convertible Bonds was adjusted from RMB6.98 per share to RMB6.73 per share since 29 July 2021 (the ex-dividend date). Previous adjustments to conversion prices are set out in the table below:

Unit: RMB Yuan

Date of adjustment to conversion prices	Conversion price after adjustment	Disclosure date	Media of disclosure	Reasons for adjustment to conversion prices
22 July 2019	7.22	15 July 2019	*China Securities Journal, Shanghai Securities News, Securities Times,* website of SSE, website of the Bank	The implementation of profit distribution for ordinary shares (A share) for 2018
15 July 2020	6.98	8 July 2020	*China Securities Journal, Shanghai Securities News, Securities Times,* website of SSE, website of the Bank	The implementation of profit distribution for ordinary shares (A share) for 2019
29 July 2021	6.73	22 July 2021	*China Securities Journal, Shanghai Securities News, Securities Times,* website of SSE, website of the Bank	The implementation of profit distribution for ordinary shares (A share) for 2020
The latest conversion price at the disclosure date of this report				6.73

8.5 The Bank's Outstanding Debts, Creditworthiness and Availability of Cash for Repayment of Debts in Future Years

In accordance with the applicable provisions in the *Administrative Measures for the Issuance of Securities by Listed Companies* and the *Administrative Measures for the Issuance and Trading of Corporate Bonds* of CSRC, the Bank entrusted the credit rating agency Dagong Global Credit Rating Co., Ltd. (hereinafter referred to as "Dagong Global") to track and rate the credit standing of the CITIC Convertible Bonds the Bank issued in March 2019. Dagong Global issued the *Tracking Rating Report on China CITIC Bank Corporation Limited as the Issuer and its Publicly Offered A-share Convertible Corporate Bonds (2021)* which stated the rating results that: maintaining the Bank's issuer long-term credit rating at AAA with a stable outlook and the credit rating of CITIC Convertible Bonds at AAA. The Bank managed to remain stable in all aspects of operation, as exemplified by the reasonable asset structure, the steady liabilities without obvious changes, and the robust credit position. In future years, income from normal operations, cash inflows, and realization of current assets will constitute the principal cash sources for the Bank's debt service.

Chapter 9 Report on Review of Interim Financial Information

To the Board of Directors of China CITIC Bank Corporation Limited

(Incorporated in the People's Republic of China with limited liability)
(This auditor's report is published in English and Chinese. In the event of any inconsistency between the two versions, the Chinese version shall prevail.)

Introduction

We have reviewed the interim financial information set out on pages 118 to 227, which comprises the consolidated interim statement of financial position of China CITIC Bank Corporation Limited (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2021 and the consolidated interim statement of profit or loss and other comprehensive income, the consolidated interim statement of changes in equity, the consolidated interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Bank are responsible for the preparation and presentation of this Interim Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2021

Chapter 9 Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021
(Amounts in millions of Renminbi unless otherwise stated)

		Six months ended 30 June	
	Notes	**2021 Unaudited**	2020 Unaudited
Interest income		**152,367**	149,284
Interest expense		**(78,285)**	(75,360)
Net interest income	4	**74,082**	73,924
Fee and commission income		**21,489**	18,857
Fee and commission expense		**(2,140)**	(2,490)
Net fee and commission income	5	**19,349**	16,367
Net trading gain	6	**3,776**	2,218
Net gain from investment securities	7	**8,011**	9,569
Net hedging loss		**–**	(1)
Other operating income		**438**	123
Operating income		**105,656**	102,200
Operating expenses	8	**(25,413)**	(23,675)
Operating profit before impairment		**80,243**	78,525
Credit impairment losses	9	**(45,329)**	(47,229)
Impairment losses on other assets	10	**(41)**	(496)
Revaluation gain/(loss) on investment properties		**22**	(34)
Share of gain/(loss) of associates and joint ventures		**28**	(20)
Profit before tax		**34,923**	30,746
Income tax expense	11	**(5,443)**	(4,782)
Profit for the period		**29,480**	25,964
Profit attributable to:			
Equity holders of the Bank		**29,031**	25,541
Non-controlling interests		**449**	423
Profit for the period		**29,480**	25,964
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss (net of tax):			
— Fair value changes on financial investments designated at fair value through other comprehensive income		**(14)**	(47)
— Others		**–**	53
Items that may be reclassified subsequently to profit or loss (net of tax):			
— Other comprehensive income transferable to profit or loss under equity method		**4**	(5)
— Fair value changes on financial assets at fair value through other comprehensive income		**463**	(1,601)
— Impairment allowance on financial assets at fair value through other comprehensive income		**(206)**	427
— Exchange difference on translating foreign operations		**(742)**	951
Other comprehensive income, net of tax	12	**(495)**	(222)
Total comprehensive income for the period		**28,985**	25,742
Total comprehensive income attribute to:			
Equity holders of the Bank		**28,565**	25,261
Non-controlling interests		**420**	481
Earnings per share attributable to the ordinary shareholders of the Bank			
Basic earnings per share (RMB)	13	**0.59**	0.52
Diluted earnings per share (RMB)	13	**0.54**	0.48

The accompanying notes form an integral part of these consolidated interim financial statements.

Chapter 9 Consolidated Interim Statement of Financial Position

As at 30 June 2021
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	**30 June 2021 Unaudited**	31 December 2020 Audited
Assets			
Cash and balances with central banks	14	**441,162**	435,169
Deposits with banks and non-bank financial institutions	15	**92,339**	133,392
Precious metals		**5,741**	6,274
Placements with and loans to banks and non-bank financial institutions	16	**142,801**	168,380
Derivative financial assets	17	**25,281**	40,064
Financial assets held under resale agreements	18	**97,963**	111,110
Loans and advances to customers	19	**4,588,169**	4,360,196
Financial investments	20	**2,233,826**	2,092,732
— at fair value through profit or loss		**495,232**	405,632
— at amortised cost		**1,085,024**	959,416
— at fair value through other comprehensive income		**649,205**	724,124
— designated at fair value through other comprehensive income		**4,365**	3,560
Investments in associates and joint ventures	21	**5,592**	5,674
Investment properties	23	**403**	386
Property, plant and equipment	24	**33,076**	33,868
Right-of-use assets	25	**10,998**	11,556
Intangible assets		**2,329**	2,544
Goodwill	26	**849**	860
Deferred tax assets	27	**46,239**	41,913
Other assets	28	**89,561**	67,043
Total assets		**7,816,329**	7,511,161
Liabilities			
Borrowings from central banks		**243,206**	224,391
Deposits from banks and non-bank financial institutions	30	**1,095,523**	1,163,641
Placements from banks and non-bank financial institutions	31	**67,801**	57,756
Financial liabilities at fair value through profit or loss		**777**	8,654
Derivative financial liabilities	17	**24,190**	39,809
Financial assets sold under repurchase agreements	32	**69,158**	75,271
Deposits from customers	33	**4,711,500**	4,572,286
Accrued staff costs	34	**16,620**	20,333
Taxes payable	35	**8,035**	8,411
Debt securities issued	36	**901,735**	732,958
Lease liabilities	25	**10,165**	10,504
Provisions	37	**7,387**	7,208
Deferred tax liabilities	27	**8**	11
Other liabilities	38	**43,818**	29,890
Total liabilities		**7,199,923**	6,951,123

Chapter 9 Consolidated Interim Statement of Financial Position

(Continued)

As at 30 June 2021
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	**30 June 2021 Unaudited**	31 December 2020 Audited
Equity			
Share capital	39	**48,935**	48,935
Other equity instruments	40	**118,080**	78,083
Capital reserve	41	**59,216**	59,216
Other comprehensive (losses)/income	42	**(357)**	109
Surplus reserve	43	**43,786**	43,786
General reserve	44	**90,831**	90,819
Retained earnings	45	**240,215**	223,625
Total equity attributable to equity holders of the Bank		**600,706**	544,573
Non-controlling interests	46	**15,700**	15,465
Total equity		**616,406**	560,038
Total liabilities and equity		**7,816,329**	7,511,161

The accompanying notes form an integral part of these consolidated interim financial statements.

Approved and authorised for issue by the board of directors on 25 August 2021.

Zhu Hexin
Chairman
Non-Executive Director

Fang Heying
Vice Chairman
Executive Director
President and Chief Financial Officer

Guo Danghuai
Executive Director
Vice President in charge of finance and accounting work

Xue Fengqing
Head of the Finance and Accounting Department

Company stamp

Chapter 9 Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2021
(Amounts in millions of Renminbi unless otherwise stated)

		Equity attributable to equity holders of the Bank							Non-controlling interests		
	Notes	Share capital	Other Equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Ordinary shareholders in subsidiaries	Other equity instruments holders	Total equity
As at 1 January 2021		48,935	78,083	59,216	109	43,786	90,819	223,625	8,798	6,667	560,038
(i) Profit for the period		–	–	–	–	–	–	29,031	264	185	29,480
(ii) Other comprehensive income	12	–	–	–	(466)	–	–	–	(29)	–	(495)
Total comprehensive income		–	–	–	(466)	–	–	29,031	235	185	28,985
(iii) Investor capital											
— Issue perpetual bonds		–	39,997	–	–	–	–	–	–	–	39,997
(iv) Profit appropriations											
— Appropriations to surplus reserve	44	–	–	–	–	–	12	(12)	–	–	–
— Dividend distribution to ordinary shareholders of the Bank	45	–	–	–	–	–	–	(12,429)	–	–	(12,429)
— Dividend distribution to other equity instruments holders	46	–	–	–	–	–	–	–	–	(185)	(185)
As at 30 June 2021		48,935	118,080	59,216	(357)	43,786	90,831	240,215	9,033	6,667	616,406

Chapter 9 Consolidated Interim Statement of Changes in Equity
(Continued)

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

		Equity attributable to equity holders of the Bank							Non-controlling interests		
	Notes	Share capital	Other Equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Ordinary shareholders in subsidiaries	Other equity instruments holders	Total equity
As at 1 January 2020		48,935	78,083	58,977	7,361	39,009	81,535	203,411	8,546	6,667	532,524
(i) Profit for the period		–	–	–	–	–	–	25,541	224	199	25,964
(ii) Other comprehensive income	12	–	–	–	(280)	–	–	–	58	–	(222)
Total comprehensive income		–	–	–	(280)	–	–	25,541	282	199	25,742
(iii) Profit appropriations											
— Dividend distribution to ordinary shareholders of the Bank	45	–	–	–	–	–	–	(11,695)	–	–	(11,695)
— Dividend distribution to non-controlling interests		–	–	–	–	–	–	–	(6)	–	(6)
— Dividend distribution to other equity instruments holders	46	–	–	–	–	–	–	–	–	(199)	(199)
As at 30 June 2020		48,935	78,083	58,977	7,081	39,009	81,535	217,257	8,822	6,667	546,366

For the six months ended 31 December 2020
(Amounts in millions of Renminbi unless otherwise stated)

		Equity attributable to equity holders of the Bank							Non-controlling interests		
	Notes	Share capital	Other Equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Ordinary equity holders	Other equity instruments holders	Total equity
As at 1 January 2020		48,935	78,083	58,977	7,361	39,009	81,535	203,411	8,546	6,667	532,524
(i) Net profit		–	–	–	–	–	–	48,980	170	382	49,532
(ii) Other comprehensive income		–	–	–	(7,252)	–	–	–	88	–	(7,164)
Total comprehensive income		–	–	–	(7,252)	–	–	48,980	258	382	42,368
(iii) Investor capital											
— Additional investments in joint ventures		–	–	239	–	–	–	–	–	–	239
(iv) Profit appropriations											
— Appropriations to surplus reserve	43	–	–	–	–	4,777	–	(4,777)	–	–	–
— Appropriations to general reserve	44	–	–	–	–	–	9,284	(9,284)	–	–	–
— Dividend distribution to ordinary shareholders of the Bank	45	–	–	–	–	–	–	(11,695)	–	–	(11,695)
— Dividend distribution to non-controlling interests		–	–	–	–	–	–	–	(6)	–	(6)
— Dividend distribution to preference shareholders		–	–	–	–	–	–	(1,330)	–	–	(1,330)
— Interest paid to holders of perpetual bonds	40	–	–	–	–	–	–	(1,680)	–	(382)	(2,062)
As at 31 December 2020		48,935	78,083	59,216	109	43,786	90,819	223,625	8,798	6,667	560,038

The accompanying notes form an integral part of these consolidated interim financial statements.

Chapter 9 Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2021
(Amounts in millions of Renminbi unless otherwise stated)

	Six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Operating activities		
Profit before tax	**34,923**	30,746
Adjustments for:		
— revaluation gains on investments, derivatives and investment properties	**(3,035)**	(863)
— investment gains	**(5,504)**	(7,979)
— net losses/(gains) on disposal of property, plant and equipment, intangible assets and other assets	**1**	(3)
— unrealised foreign exchange gains	**(1,364)**	(88)
— credit impairment losses	**45,329**	47,229
— impairment losses on other assets	**41**	496
— depreciation and amortisation	**1,656**	1,395
— interest expense on debt securities issued	**12,850**	10,743
— dividend income from equity investment	**(30)**	(3)
— depreciation of right-of-use assets and interest expense on lease liabilities	**1,862**	1,915
— income tax paid	**(10,345)**	(14,562)
Subtotal	**76,384**	69,026
Changes in operating assets and liabilities:		
Increase in balances with central banks	**(22,644)**	(11,530)
(Increase)/Decrease in deposits with banks and non-bank financial institutions	**(7,027)**	9,134
Increase in placements with and loans to banks and non-bank financial institutions	**(16,358)**	(8,476)
Increase at fair value through the profit or loss in financial assets	**(27,316)**	(19,888)
Decrease/(Increase) in financial assets held under resale agreements	**13,127**	(28,099)
Increase in loans and advances to customers	**(253,500)**	(230,062)
Increase/(Decrease) in borrowings from central banks	**15,734**	(113,520)
(Decrease)/Increase deposits from banks and non-bank financial institutions	**(69,205)**	42,895
Increase/(Decrease) in placements from banks and non-bank financial institutions	**10,167**	(20,857)
(Decrease)/Increase in financial liabilities at fair value through profit or loss	**(7,829)**	4,675
Decrease in financial assets sold under repurchase agreements	**(6,103)**	(6,879)
Increase in deposits from customers	**140,178**	400,019
Increase in other operating assets	**(33,007)**	(27,021)
(Decrease)/Increase in other operating liabilities	**(889)**	7,436
Subtotal	**(264,672)**	(2,173)
Net cash flows from operating activities	**(188,288)**	66,853

For the six months ended 30 June 2021
(Amounts in millions of Renminbi unless otherwise stated)

	Notes	**Six months ended 30 June** **2021** **Unaudited**	2020 Unaudited
Investing activities			
Proceeds from disposal and redemption of investments		**1,645,924**	1,141,291
Proceeds from disposal of property, plant and equipment, land use rights, and other assets		**21**	25
Cash received from equity investment income		**152**	421
Payments on acquisition of investments		**(1,766,094)**	(1,257,414)
Payments on acquisition of property, plant and equipment, land use rights and other assets		**(781)**	(1,091)
Net cash flows used in investing activities		**(120,778)**	(116,768)
Financing activities			
Cash received from issuing other equity instruments		**39,997**	–
Cash received from debt securities issued		**503,679**	263,936
Cash paid for redemption of debt securities issued		**(335,816)**	(274,863)
Interest paid on debt securities issued		**(11,801)**	(11,728)
Dividends paid		**(185)**	(205)
Principal and interest paid for leasing liabilities		**(1,649)**	(1,627)
Net cash flows from financing activities		**194,225**	(24,487)
Net decrease in cash and cash equivalents		**(114,841)**	(74,402)
Cash and cash equivalents as at 1 January		**319,566**	342,449
Effect of exchange rate changes on cash and cash equivalents		**(2,019)**	2,406
Cash and cash equivalents as at 30 June	47	**202,706**	270,453
Cash flows from operating activities include:			
Interest received		**157,176**	141,571
Interest paid		**(58,857)**	(57,382)

The accompanying notes form an integral part of these consolidated interim financial statements.

Chapter 9 Notes to the Unaudited Consolidated Interim Financial Statements

For the six months ended 30 June 2021
(Amounts in millions of Renminbi unless otherwise stated)

1 Corporate information

China CITIC Bank Corporation Limited (the "Bank" or "CNCB") is a joint stock company incorporated in the People's Republic of China (the "PRC" or "Mainland China") on 31 December 2006. Headquartered in Beijing, the Bank's registered office is located at 6-30F and 32-42F No.10 Guanghua Road, Chaoyang District, Beijing, China. The Bank listed its A shares and H shares on Shanghai Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited, respectively on 27 April 2007.

The Bank operates under financial services certificate No. B0006H111000001 issued by the China Banking Insurance and Regulatory Commission (the "CBIRC", originally named China Banking Regulatory Commission), and unified social credit code No. 91110000101690725E issued by the State Administration of Industry and Commerce of the PRC.

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

As at 30 June 2021, the Group mainly operates in Mainland China with branches covering 31 provinces, autonomous regions and municipalities, and overseas. In addition, the Bank's subsidiaries have operations in Mainland China, the Hong Kong Special Administrative Region of PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and other overseas countries and regions.

For the purpose of these consolidated interim financial statements, Mainland China refers to the PRC excluding Hong Kong, Macau and Taiwan. Overseas refers to countries and regions other than Mainland China.

The consolidated interim financial statements were approved by the Board of Directors of the Bank on 25 August 2021.

2 Basis of preparation

The consolidated interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3 Principle accounting policies

The consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. The accounting policies and methods of computation used in preparing the consolidated interim financial statements are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

The consolidated interim financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020, which have been audited.

(a) Standards and amendments effective in 2021 relevant to and adopted by the Group

In the current interim period, the Group has adopted the following International Financial Reporting Standards ("IFRSs") and amendments issued by the International Accounting Standards Board ("IASB"), that are mandatorily effective for the current year. Descriptions of these standards and amendments were disclosed in the Group's annual consolidated financial statements for the six months ended 30 June.

(i) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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

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

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

Adoption of the above standards and amendments has no significant impact on the operating results, comprehensive income or financial position of the Group.

(Amounts in millions of Renminbi unless otherwise stated)

3 Principle accounting policies (Continued)

(b) Standards and amendments relevant to the Group that are not yet effective in the current interim period and have not been adopted before their effective dates by the Group

The Group has not adopted the following new and revised IFRSs and IFRS interpretations that have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee but are not yet effective.

				Effective for annual periods beginning on or after
(1)	Amendments to IAS 1	(i)	Classification of Liabilities as Current or Non-current	1 January 2022
(2)	Amendments to IFRS 3	(ii)	Reference to the Conceptual Framework	1 January 2022
(3)	Amendments to IAS 37	(iii)	Cost of Fulfilling a Contract	1 January 2022
(4)	Amendments to IAS 16	(iv)	Proceeds before Intended Use	1 January 2022
(5)	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	(v)	IASB Annual Improvements 2018 – 2020 cycle	1 January 2022
(6)	Amendments to IFRS 10 and IAS 28	(vi)	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred.
(7)	Amendments to IAS 8	(vii)	Accounting Estimates	1 January 2023
(8)	Amendments to IAS 1 and IFRS Practice Statement 2	(viii)	Disclosure of Accounting Policies	1 January 2023
(9)	Amendments to IAS 12	(ix)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

(i) Amendments to IAS 1: Classification of Liabilities as Current or Non-current

On 23 January 2020, the IASB issued a narrow-scope amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The amendment requires the following:

– Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights, since loans are rarely unconditional (for example, because the loan might contain covenants).

– The assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. So, management's expectations do not affect classification.

– The right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

– 'Settlement' is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

3 Principle accounting policies (Continued)

(b) Standards and amendments relevant to the Group that are not yet effective in the current interim period and have not been adopted before their effective dates by the Group (Continued)

(i) Amendments to IAS 1: Classification of Liabilities as Current or Non-current (Continued)

The amendment changes the guidance for the classification of liabilities as current or non-current. It could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. All entities should reconsider their existing classification in the light of the amendment and determine whether any changes are required. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(ii) Amendments to IFRS 3: Reference to the Conceptual Framework

The IASB issued amendments to IFRS 3: Reference to the Conceptual Framework. The amendments have updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(iii) Amendments to IAS 37: Cost of Fulfilling a Contract

The IASB issued amendments to IAS 37: Cost of Fulfilling a Contract. The amendments clarify the meaning of 'costs to fulfil a contract', they explain that the direct cost of fulfilling a contract comprises: the incremental costs of fulfilling that contract and; an allocation of other costs that relate directly to fulfilling contracts. The amendments also clarify that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. The amendments could result in the recognition of more onerous contract provisions, because previously some entities only included incremental costs in the costs to fulfil a contract. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(iv) Amendments to IAS 16: Proceeds before Intended Use

The IASB issued amendments to IAS 16: Proceeds before Intended Use. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The amendment also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management. The amendment requires entities to separately disclose the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. An entity should also disclose the line item in the statement of comprehensive income where the proceeds are included. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(v) Annual improvements 2018-2020 cycle (IFRS 1, IFRS 9, IFRS 16 and IAS 41)

The IASB issued amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: Annual improvements 2018-2020 cycle, which include fees included in the 10% test for derecognition of financial liabilities, illustrative examples accompanying IFRS 16, 'Leases', subsidiary as a first-time adopter and taxation in fair value measurements. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

3 Principle accounting policies (Continued)

(b) Standards and amendments relevant to the Group that are not yet effective in the current interim period and have not been adopted before their effective dates by the Group (Continued)

(vi) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.

In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

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

(vii) Amendments to IAS 8: Accounting Estimates

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

The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

3 Principle accounting policies (Continued)

(b) Standards and amendments relevant to the Group that are not yet effective in the current interim period and have not been adopted before their effective dates by the Group (Continued)

(viii) Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

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

An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;

several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;

the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;

the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and

the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

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

(ix) Amendments to IAS 12:Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

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

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

(Amounts in millions of Renminbi unless otherwise stated)

4 Net interest income

	Six months ended 30 June	
	2021	2020
Interest income arising from (Note(i)):		
Deposits with central banks	**3,083**	3,030
Deposits with banks and non-bank financial institutions	**1,065**	1,406
Placements with and loans to banks and non-bank financial institutions	**2,292**	2,603
Financial assets held under resale agreements	**467**	450
Loans and advances to customers		
— corporate loans	**52,769**	51,729
— personal loans	**57,423**	55,189
— discounted bills	**5,515**	4,947
Financial investments		
— at amortised cost	**19,125**	19,639
— at fair value through other comprehensive income	**10,626**	10,288
Others	**2**	3
Subtotal	**152,367**	149,284
Interest expense arising from:		
Borrowings from central banks	**(3,426)**	(3,620)
Deposits from banks and non-bank financial institutions	**(14,342)**	(12,517)
Placements from banks and non-bank financial institutions	**(1,179)**	(1,184)
Financial assets sold under repurchase agreements	**(896)**	(1,047)
Deposits from customers	**(45,366)**	(46,006)
Debt securities issued	**(12,850)**	(10,743)
Lease liabilities	**(224)**	(241)
Others	**(2)**	(2)
Subtotal	**(78,285)**	(75,360)
Net interest income	**74,082**	73,924

Note:

(i) Interest income includes interest income accrued on credit-impaired financial assets of RMB249 million for the six months ended 30 June 2021 (Six months ended 30 June 2020: RMB173 million).

(Amounts in millions of Renminbi unless otherwise stated)

5 Net fee and commission income

	Six months ended 30 June	
	2021	2020
Fee and commission income:		
Bank card fees	**7,793**	6,838
Agency fees and commission (Note (i))	**3,787**	4,672
Commission for custodian business and other fiduciary	**6,286**	4,102
Guarantee and advisory fees	**2,586**	2,524
Settlement and clearance fees	**976**	679
Others	**61**	42
Total	**21,489**	18,857
Fee and commission expense	**(2,140)**	(2,490)
Net fee and commission income	**19,349**	16,367

Note:

(i) According to the requirement of "Notice on Strictly Implementing Accounting Standards and Effectively Strengthening 2020 Annual Reports Work" issued by the Ministry of Finance (MOF), State-owned Assets Supervision and Administration Commission of the State Council, CBIRC and China Securities Regulatory Commission, the Group recognized credit card installment income, which originally accounted in fee and commission income, as interest income and restated the comparatives.

(ii) Agency fees and commission represent fees earned from selling bonds, investment funds and insurance products, and provision of entrusted lending activities.

6 Net trading gain

	Six months ended 30 June	
	2021	2020
Debt securities and certificates of interbank deposit	**2,419**	1,195
Foreign currencies	**1,471**	1,019
Derivatives and related exposures	**(114)**	4
Total	**3,776**	2,218

7 Net gain from investment securities

	Six months ended 30 June	
	2021	2020
Financial investments		
— at fair value through profit or loss	**6,123**	4,776
— at amortised cost	**13**	379
— at fair value through other comprehensive income	**14**	(68)
Revaluation gain on transfer out of equity at disposal	**1,193**	3,723
Net gain from bills rediscounting	**540**	593
Net gain from securitisation of financial assets	**(6)**	1
Others	**134**	165
Total	**8,011**	9,569

(Amounts in millions of Renminbi unless otherwise stated)

8 Operating expenses

	Six months ended 30 June	
	2021	2020
Staff costs		
— other short-term benefits	**13,329**	12,489
— post-employment benefits – defined contribution plans	**1,191**	735
— other long-term benefits	**86**	2
Subtotal	**14,606**	13,226
Property and equipment expenses		
— depreciation	**2,761**	2,580
— maintenance and others	**548**	729
— amortisation expenses	**533**	489
— rent and property management expenses	**442**	443
Subtotal	**4,284**	4,241
Tax and surcharges	**1,091**	1,012
Other general operating and administrative expenses	**5,432**	5,196
Total	**25,413**	23,675

9 Credit impairment losses

	Six months ended 30 June	
	2021	2020
Credit impairment losses		
Impairment reversal of deposits with banks and non-bank financial institutions	**(26)**	(28)
Impairment (reversals)/losses of placements with and loans to banks and non-bank financial institutions	**(5)**	13
Impairment losses of financial assets held under resale agreements	**5**	5
Impairment losses of interest receivables	**1,956**	2,066
Impairment losses of loans and advances to customers	**32,093**	38,253
Impairment losses/(reversals) of financial investments		
— at amortised cost	**11,157**	6,122
— at fair value through other comprehensive income	**(280)**	557
Impairment losses of other receivables	**244**	203
Impairment losses of off-balance sheet items	**185**	38
Total	**45,329**	47,229

10 Impairment losses on other assets

	Six months ended 30 June	
	2021	2020
Impairment losses of other assets-repossessed assets	**41**	496

(Amounts in millions of Renminbi unless otherwise stated)

11 Income tax

(a) Recognised in the consolidated interim statement of profit and loss and other comprehensive income

	Note	Six months ended 30 June 2021	2020
Current tax			
— Mainland China		**9,565**	14,899
— Hong Kong		**302**	33
— Overseas		**31**	24
Deferred tax	27(c)	**(4,455)**	(10,174)
Income tax		**5,443**	4,782

Mainland China and Hong Kong income tax have been provided at the rate of 25% and 16.5% respectively. Overseas tax has been provided at the rates of taxation prevailing in the regions in which the Group operates respectively.

(b) Reconciliation between income tax expense and accounting profit

	Six months ended 30 June 2021	2020
Profit before tax	**34,923**	30,746
Income tax calculated at PRC statutory tax rate	**8,731**	7,686
Effect of different tax rates in other regions	**(212)**	(64)
Tax effect of non-deductible expenses	**802**	940
Tax effect of non-taxable income		
— interest income arising from PRC government bonds and interest income arising from local government bonds	**(3,213)**	(2,979)
— the dividends of funds	**(593)**	(795)
— others	**(72)**	(6)
Income tax	**5,443**	4,782

(Amounts in millions of Renminbi unless otherwise stated)

12 Other comprehensive income, net of tax

	Six months ended 30 June	
	2021	2020
Items that will not be reclassified subsequently to profit or loss		
Fair value changes on financial asset designated at fair value through other comprehensive income, net of tax		
— net changes in fair value recognised during the year before tax	**(16)**	(45)
— income tax	**2**	(2)
Others		
— net changes during the year	**–**	53
Subtotal	**(14)**	6
Items that may be reclassified subsequently to profit or loss		
Other comprehensive income transferable to profit or loss under equity method		
— net changes during the year	**4**	(5)
Fair value changes on financial assets at fair value through other comprehensive income, net of tax (Note(i))		
— net changes during the year before tax	**1,775**	1,611
— net amount transferred to profit or loss	**(1,187)**	(3,775)
— Income tax	**(125)**	563
Credit impairment allowance on financial assets at fair value through other comprehensive income (Note(ii))		
— net changes during the year	**(292)**	551
— Income tax	**86**	(124)
Exchange differences on translation	**(742)**	951
Subtotal	**(481)**	(228)
Other comprehensive income, net of tax	**(495)**	(222)

Notes:

(i) Fair value changes on financial assets at fair value through other comprehensive income include those of financial investments and loans and advances to customers at fair value through other comprehensive income (Note 19(a)).

(ii) Credit impairment allowance include financial investments and loans and advances to customers at fair value through other comprehensive income (Note 19(b)).

(Amounts in millions of Renminbi unless otherwise stated)

13 Earnings per share

Earnings per share information for the six months ended 30 June 2021 and 2020 is computed by dividing the profit for the period attributable to ordinary shareholders of the Bank by the weighted average number of shares in issue during the period.

The Bank issued non-cumulative preference shares in 2016 under the terms and conditions as detailed in Note 40. No cash dividend on preference shares was declared during the six months ended 30 June 2021.

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 30 June 2021, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

The diluted earnings per share are calculated on the assumption that all the Bank's convertible corporate bonds had been converted into ordinary shares at the beginning of the period, by dividing the net profit for the year attributable to ordinary shareholders of the Bank after adjustments for the interest expenses of convertible corporate bonds for the period, by the adjusted weighted average number of outstanding ordinary shares for the year.

	Six months ended 30 June	
	2021	2020
Profit attributable to equity holders of the Bank	**29,031**	25,541
Less: profit for the period attributable to preference shareholders of the Bank	**–**	–
Profit for the period attributable to ordinary shareholders of the Bank	**29,031**	25,541
Weighted average number of shares (in million shares)	**48,935**	48,935
Basic earnings per share (in RMB)	**0.59**	0.52
Diluted earnings per share (in RMB)	**0.54**	0.48

(Amounts in millions of Renminbi unless otherwise stated)

14 Cash and balances with central banks

	Notes	**30 June 2021**	31 December 2020
Cash		**5,745**	5,951
Balances with central banks			
— statutory deposit reserve funds	(i)	**387,533**	367,592
— surplus deposit reserve funds	(ii)	**40,770**	57,211
— fiscal deposits	(iii)	**5,264**	1,049
— foreign exchange reserve	(iv)	**1,680**	3,200
Accrued interest		**170**	166
Total		**441,162**	435,169

Notes:

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

As at 30 June 2021, the statutory deposit reserve funds placed with the PBOC was calculated at 9% (31 December 2020: 9%) of eligible Renminbi deposits for domestic branches of the Bank and at 9% (31 December 2020: 9%) of eligible Renminbi deposits from overseas financial institutions. The Bank was also required to deposit an amount equivalent to 7% (31 December 2020: 5%) of its foreign currency deposits from domestic branch customers as statutory deposit reserve funds.

The statutory RMB deposit reserve rates applicable to Zhejiang Lin'an CITIC Rural Bank Corporation Limited ("Lin'an Rural Bank"), a subsidiary of the Group, was at 6% (31 December 2020: 6%).

The amounts of statutory deposit reserves funds placed with the central banks of overseas countries are determined by respective jurisdictions. The statutory deposit reserve funds are interest bearing except for the foreign currency reserve funds deposits placed with the PBOC.

(ii) The surplus deposit reserve funds are maintained with the PBOC for the purposes of clearing.

(iii) Fiscal deposits placed with the PBOC are not available for use in the Group's daily operations, and are non-interest bearing.

(iv) The foreign exchange reserve is maintained with the PBOC in accordance with the related notice issued by the PBOC. The reserve is payable on a monthly basis at 20% of the total contract amount of customers driven forward transactions in the previous month. Such foreign exchange reserve is non-interest bearing and will be repayable in 12 months according to the Notice. The PBOC has decided to reduce the foreign exchange risk reserve ratio of forward foreign exchange sales business from 20% to zero from 12 October 2020.

(Amounts in millions of Renminbi unless otherwise stated)

15 Deposits with banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	**30 June 2021**	31 December 2020
In Mainland China			
— banks		**59,947**	65,836
— non-bank financial institutions		**3,335**	3,040
Subtotal		**63,282**	68,876
Outside Mainland China			
— banks		**25,706**	63,556
— non-bank financial institutions		**2,711**	629
Subtotal		**28,417**	64,185
Accrued interest		**744**	461
Gross balance		**92,443**	133,522
Less: Allowances for impairment losses	29	**(104)**	(130)
Net balance		**92,339**	133,392

(b) Analysed by remaining maturity

	Note	**30 June 2021**	31 December 2020
Demand deposits (Note (i))		**39,870**	76,347
Time deposits with remaining maturity			
— within one month		**999**	6,954
— between one month and one year		**50,830**	49,760
Subtotal		**91,699**	133,061
Accrued interest		**744**	461
Gross balance		**92,443**	133,522
Less: Allowances for impairment losses	29	**(104)**	(130)
Net balance		**92,339**	133,392

Note:

(i) As at 30 June 2021, the carrying amount of pledged deposits with banks and other financial institutions was RMB487 million (31 December 2020: RMB501 million). These deposits were mainly maintenance margin with a regulatory body.

(Amounts in millions of Renminbi unless otherwise stated)

16 Placements with and loans to banks and non-bank financial institutions

(a) Analysed by types and locations of counterparties

	Note	**30 June 2021**	31 December 2020
In Mainland China			
— banks		**15,142**	17,242
— non-bank financial institutions		**68,716**	87,500
Subtotal		**83,858**	104,742
Outside Mainland China			
— banks		**57,758**	62,377
Subtotal		**57,758**	62,377
Accrued interest		**1,276**	1,358
Gross balance		**142,892**	168,477
Less: Allowances for impairment losses	29	**(91)**	(97)
Net balance		**142,801**	168,380

(b) Analysed by remaining maturity

	Note	**30 June 2021**	31 December 2020
Within one month		**63,576**	86,315
Between one month and one year		**70,840**	74,604
Over one year		**7,200**	6,200
Accrued interest		**1,276**	1,358
Gross balance		**142,892**	168,477
Less: Allowances for impairment losses	29	**(91)**	(97)
Net balance		**142,801**	168,380

(Amounts in millions of Renminbi unless otherwise stated)

17 Derivatives

Derivatives include forward, swap and option transactions undertaken by the Group in foreign exchange, precious metals, interest rate and credit derivatives related to trading, asset and liability management and customer initiated transactions. The Group, through the operations of its branch network, acts as an intermediary for a wide range of customers for structuring deals to offer risk management solutions to match individual customer needs. These positions are actively managed through hedging transactions with external parties to ensure the Group's net exposures are within acceptable risk levels. The Group also uses these derivatives for proprietary trading purposes and to manage its own asset and liability and structural positions. Derivatives, are held for trading. Derivatives classified as held for trading are for trading and customer initiated transactions purpose, and those for risk management purposes but do not meet the criteria for hedge accounting.

The contractual/notional amounts of derivatives provide a basis for comparison with fair values of derivatives recognised on the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the derivatives and, therefore, do not indicate the Group's exposure to credit or market risks.

	30 June 2021			31 December 2020		
	Nominal amount	**Assets**	**Liabilities**	Nominal amount	Assets	Liabilities
Non-Hedging instruments						
— interest rate derivatives	**2,679,219**	**7,108**	**7,012**	3,058,057	9,395	9,138
— currency derivatives	**2,059,367**	**17,573**	**17,152**	1,977,918	30,363	30,588
— precious metal derivatives	**14,424**	**600**	**26**	19,245	306	83
— credit derivatives	**10**	**–**	**–**	–	–	–
Total	**4,753,020**	**25,281**	**24,190**	5,055,220	40,064	39,809

(a) Nominal amount analysed by remaining maturity

	30 June 2021	31 December 2020
Within three months	**2,002,287**	1,953,495
Between three months and one year	**1,643,677**	2,054,168
Between one year and five years	**1,074,347**	1,020,240
Over five years	**32,709**	27,317
Total	**4,753,020**	5,055,220

(b) Credit risk weighted amounts

The credit risk weighted amount has been computed in accordance with "Regulation Governing Capital of Commercial Banks (provisional)" promulgated by the CBIRC in the year of 2012, and depends on the status of the counterparties and the maturity characteristics of the instruments, including those customer-driven back-to-back transactions. As at 30 June 2021, the total amount of credit risk weighted amount for counterparty was RMB20,115 million (31 December 2020: RMB23,184 million).

(Amounts in millions of Renminbi unless otherwise stated)

18 Financial assets held under resale agreements

(a) Analysed by types and locations of counterparties

	Note	**30 June 2021**	31 December 2020
In Mainland China			
— banks		**61,792**	60,598
— non-bank financial institutions		**35,789**	50,409
Subtotal		**97,581**	111,007
Outside Mainland China			
— banks		**399**	146
— non-bank financial institutions		**33**	–
Subtotal		**432**	146
Accrued interest		**11**	13
Gross balance		**98,024**	111,166
Less: Allowance for impairment losses	29	**(61)**	(56)
Net balance		**97,963**	111,110

(b) Analysed by types of collateral

	Note	**30 June 2021**	31 December 2020
Debt securities		**98,013**	109,655
Discounted bills		**–**	1,498
Subtotal		**98,013**	111,153
Accrued interest		**11**	13
Gross balance		**98,024**	111,166
Less: Allowance for impairment losses	29	**(61)**	(56)
Net balance		**97,963**	111,110

(c) Analysed by remaining maturity

As at 30 June 2021 and 31 December 2020, the financial assets held under resale agreements of the Group all mature within one month.

(Amounts in millions of Renminbi unless otherwise stated)

19 Loans and advances to customers

(a) Analysed by nature

	Note	**30 June 2021**	31 December 2020
Loans and advances to customers at amortised cost			
Corporate loans and advances			
— loans		**2,247,224**	2,124,014
— discounted bills		**4,246**	2,300
— finance lease receivables		**54,132**	43,690
Subtotal		**2,305,602**	2,170,004
Personal loans and advances			
— residential mortgages		**953,661**	916,320
— credit cards		**508,289**	485,600
— personal consumption		**224,456**	198,682
— business loans		**287,700**	284,174
Subtotal		**1,974,106**	1,884,776
Accrued interest		**12,901**	12,592
Gross balance		**4,292,609**	4,067,372
Less: Allowances impairment losses	29		
— principal		**(133,172)**	(125,552)
— interest		**(181)**	(151)
Loans and advances to customers at amortised cost, net		**4,159,256**	3,941,669
Loans and advances to customers at fair value through other comprehensive income			
— loans		**27,756**	2,696
— discounted bills		**401,157**	408,707
Carrying amount of loans and advances at fair value through other comprehensive income		**428,913**	411,403
— fair value changes through other comprehensive income		**223**	(5)
Loans and advances to customers at fair value through profit or loss			
Personal loans and advances		**–**	7,124
Total		**4,588,169**	4,360,196
Allowances for impairment losses on loans and advances to customers at fair value through other comprehensive income	29	**(677)**	(548)

(Amounts in millions of Renminbi unless otherwise stated)

19 Loans and advances to customers (Continued)

(b) Analysed by assessment method of allowance for impairment losses

	Note	**30 June 2021** Stage one	Stage two	Stage three (Note (i))	Total
Gross loans and advances to customers at amortised costs		**4,095,974**	**103,133**	**80,601**	**4,279,708**
Accrued interest		**11,382**	**1,338**	**181**	**12,901**
Less: Allowance for impairment losses	29	**(48,372)**	**(27,681)**	**(57,300)**	**(133,353)**
Carrying amount of loans and advances to customers measured at amortised cost		**4,058,984**	**76,790**	**23,482**	**4,159,256**
Carrying amount of loans and advances to customers at fair value through other comprehensive income		**427,845**	**965**	**103**	**428,913**
Total		**4,486,829**	**77,755**	**23,585**	**4,588,169**
Allowances for impairment losses on loans and advances to customers at fair value through other comprehensive income	29	**(602)**	**(29)**	**(46)**	**(677)**

	Note	31 December 2020 Stage one	Stage two	Stage three (Note (i))	Total
Gross loans and advances to customers at amortised costs		3,874,406	101,971	78,403	4,054,780
Accrued interest		10,899	1,513	180	12,592
Less: Allowance for impairment losses	29	(43,196)	(29,523)	(52,984)	(125,703)
Carrying amount of loans and advances to customers measured at amortised cost		3,842,109	73,961	25,599	3,941,669
Carrying amount of loans and advances to customers at fair value through other comprehensive income		411,313	81	9	411,403
Total		4,253,422	74,042	25,608	4,353,072
Allowances for impairment losses on loans and advances to customers at fair value through other comprehensive income	29	(538)	(4)	(6)	(548)

(Amounts in millions of Renminbi unless otherwise stated)

19 Loans and advances to customers (Continued)

(b) Analysed by assessment method of allowance for impairment losses (Continued)

Note:

(i) Stage 3 loans are loans and advances to customers that have incurred credit impairment.

	30 June 2021	31 December 2020
Secured portion	**55,573**	50,165
Unsecured portion	**25,131**	28,247
Gross balance	**80,704**	78,412
Allowance for impairment losses	**(57,346)**	(52,990)

As at 30 June 2021, the maximum exposure covered by pledge and collateral held of secured portion is RMB54,172 million (as at 31 December 2020: RMB48,629 million).

The fair value of collateral was estimated by management based on the latest revaluation including available external valuation, if any, adjusted by taking into account the current realisation experience as well as market situation.

(c) Overdue loans analysed by overdue period

	30 June 2021				
	Overdue within three months	**Overdue between three months and one year**	**Overdue between one year and three years**	**Overdue over three years**	**Total**
Unsecured loans	**14,883**	**11,122**	**786**	**311**	**27,102**
Guaranteed loans	**1,315**	**4,144**	**4,902**	**298**	**10,659**
Loans with pledged assets					
— loans secured by collateral	**14,070**	**13,984**	**16,049**	**1,014**	**45,117**
— pledged loans	**11,153**	**1,029**	**2,127**	**121**	**14,430**
Total	**41,421**	**30,279**	**23,864**	**1,744**	**97,308**

	31 December 2020				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	16,475	9,231	453	449	26,608
Guaranteed loans	3,536	7,703	2,713	305	14,257
Loans with pledged assets					
— loans secured by collateral	9,276	17,006	11,050	1,007	38,339
— pledged loans	8,998	663	1,803	292	11,756
Total	38,285	34,603	16,019	2,053	90,960

Overdue loans represent loans of which the principal or interest are overdue one day or more.

(Amounts in millions of Renminbi unless otherwise stated)

19 Loans and advances to customers (Continued)

(d) Finance lease receivables and Payment for resale arrangement

Finance lease receivables are attributable to the Group's subsidiaries, CITIC Financial Leasing Limited ("CFLL") and CITIC International Finance Holdings Limited ("CIFH"), include net investment in machines and equipment leased to customers under finance lease and hire purchase contracts which have the characteristics of finance leases. The remaining period of these contracts range from 1 to 25 years. The total finance lease receivables under finance lease and hire purchase contracts and their present values are as follows:

	30 June 2021	31 December 2020
Within one year (including one year)	**15,078**	11,128
One year to two years (including two years)	**12,101**	10,207
Two years to three years (including three years)	**9,356**	7,933
Over three years	**17,597**	14,422
Gross balance	**54,132**	43,690
Less: Allowance for impairment losses		
— stage one	**(1,035)**	(738)
— stage two	**(837)**	(1,204)
— stage three	**(1,994)**	(1,180)
Net balance	**50,266**	40,568

(Amounts in millions of Renminbi unless otherwise stated)

20 Financial investments

(a) Analysed by types

	Note	30 June 2021	31 December 2020
Financial investments at fair value through profit or loss			
Investment funds		**364,663**	286,800
Debt securities		**86,461**	55,394
Certificates of deposit		**32,818**	49,934
Equity instruments		**9,559**	9,105
WMPs and investments through structured entities		**1,731**	4,399
Net balance		**495,232**	405,632
Financial investments at amortised cost			
Debt securities		**809,657**	702,435
Trust investment plans		**228,612**	190,517
Targeted asset management plan		**60,196**	70,038
Subtotal		**1,098,465**	962,990
Accrued interest		**12,431**	10,196
Less: Allowance for impairment losses	29	**(25,872)**	(13,770)
— principal		**(25,838)**	(13,737)
— accrued interest		**(34)**	(33)
Net balance		**1,085,024**	959,416
Financial investments at fair value through other comprehensive income (Note(i))			
Debt securities		**627,915**	678,886
Targeted asset management plan		**10,837**	34,298
Certificates of deposit		**4,356**	4,370
Subtotal		**643,108**	717,554
Accrued interest		**6,097**	6,570
Net balance		**649,205**	724,124
Allowances for impairment losses on investments in financial assets at fair value through other comprehensive income	29	**(2,288)**	(2,651)
Financial investments designated at fair value through other comprehensive income (Note(i))		**4,365**	3,560
Total		**2,233,826**	2,092,732

(Amounts in millions of Renminbi unless otherwise stated)

20 Financial investments (Continued)

(a) Analysed by types (Continued)

Notes:

(i) Financial investments at fair value through other comprehensive income:

	Note	30 June 2021 Equity instruments	Debt security instruments	Total
Costs/Amortised cost		**5,426**	**642,311**	**647,737**
Fair value change on accumulated into other comprehensive income		**(1,061)**	**797**	**(264)**
Fair value		**4,365**	**643,108**	**647,473**
Allowance for impairment losses	29		**(2,288)**	**(2,288)**

	Note	31 December 2020 Equity instruments	Debt security instruments	Total
Costs/Amortised cost		4,798	716,980	721,778
Fair value change on accumulated into other comprehensive income		(1,238)	574	(664)
Fair value		3,560	717,554	721,114
Allowance for impairment losses	29		(2,651)	(2,651)

(b) Analysed by location of counterparties

	Note	30 June 2021	31 December 2020
In Mainland China			
— governments		**856,934**	821,990
— policy banks		**120,053**	118,751
— banks and non-bank financial institutions		**1,084,838**	974,913
— corporates		**92,171**	89,309
— public entities		**4**	27
Subtotal		**2,154,000**	2,004,990
Outside Mainland China			
— governments		**19,058**	18,432
— banks and non-bank financial institutions		**35,525**	36,682
— corporates		**30,755**	27,665
— public entities		**1,832**	1,967
Subtotal		**87,170**	84,746
Accrued interest		**18,528**	16,766
Total		**2,259,698**	2,106,502
Less: Impairment allowance for financial assets at amortised cost	29	**(25,872)**	(13,770)
Net balance		**2,233,826**	2,092,732
Listed in Hong Kong		**33,449**	49,355
Listed outside Hong Kong		**1,851,985**	1,702,808
Unlisted		**348,392**	340,569
Total		**2,233,826**	2,092,732

Bonds traded in China's inter-bank bond market are listed outside Hong Kong.

(Amounts in millions of Renminbi unless otherwise stated)

20 Financial investments (Continued)

(c) Analysed by assessment method of allowance for impairment losses

	Note	30 June 2021			
		Stage one	**Stage two**	**Stage three**	**Total**
Financial assets at amortised cost		**1,046,473**	**5,002**	**46,990**	**1,098,465**
Accrued interest		**12,293**	**57**	**81**	**12,431**
Less: Allowance for impairment losses	29	**(4,496)**	**(1,796)**	**(19,580)**	**(25,872)**
Net balance		**1,054,270**	**3,263**	**27,491**	**1,085,024**
Financial assets at fair value through other comprehensive income		**642,623**	**124**	**361**	**643,108**
Accrued interest		**6,033**	**–**	**64**	**6,097**
Net balance		**648,656**	**124**	**425**	**649,205**
Total carrying amount of financial assets affected by credit risk		**1,702,926**	**3,387**	**27,916**	**1,734,229**
Allowance for impairment losses of other debt instruments included in other comprehensive income		**(1,306)**	**(1)**	**(981)**	**(2,288)**

	Note	31 December 2020			
		Stage one	Stage two	Stage three	Total
Financial assets at amortised costs		930,932	4,120	27,938	962,990
Accrued interest		9,998	198	–	10,196
Less: Allowance for impairment losses	29	(3,378)	(500)	(9,892)	(13,770)
Net balance		937,552	3,818	18,046	959,416
Financial assets at fair value through other comprehensive income		716,969	131	454	717,554
Accrued interest		6,536	1	33	6,570
Net balance		723,505	132	487	724,124
Total carrying amount of financial assets affected by credit risk		1,661,057	3,950	18,533	1,683,540
Allowance for impairment losses of other debt instruments included in other comprehensive income		(1,503)	(1)	(1,147)	(2,651)

(Amounts in millions of Renminbi unless otherwise stated)

21 Investments in associates and joint ventures

	Notes	30 June 2021	31 December 2020
Investments in joint ventures	(a)	**5,071**	5,044
Investments in associates	(b)	**521**	630
Total		**5,592**	5,674

(a) Investment in joint ventures

The details of the joint ventures as at 30 June 2021 were as follows:

Name of company	Form of business structure	Place of incorporation	Effective percentage of shares	Principal activities	Nominal value of issued shares
CITIC aiBank Corporation Limited ("CITIC aiBank") (Note(i))	Corporation	Mainland China	65.7%	Financial services	RMB5.634 billion
JSC Altyn Bank (Note(ii))	Corporation	Kazakhstan	50.1%	Financial services	KZT7.05 billion

Notes:

(i) According to the articles of association of CITIC aiBank, major activities of CITIC aiBank must be decided after the unanimous consent of the bank and Fujian Baidu Borui Network Technology Co., Ltd.

(ii) According to the Articles of Association of JSC Altyn Bank, decisions regarding all major activities of JSC Altyn Bank shall be subject to the joint approval of the Bank and the other shareholder, the JSC Halyk Bank of Kazakhstan.

Financial statements of the joint ventures are as follow:

	As at or for the period ended 30 June 2021				
Name of company	Total assets	Total liabilities	Total net assets	Operating income	Net gain
CITIC aiBank	**67,932**	**61,281**	**6,651**	**1,318**	**104**
JSC Altyn Bank	**9,435**	**8,438**	**997**	**379**	**119**

	As at or for the year ended 2020				
Name of company	Total assets	Total liabilities	Total net assets	Operating income	Net (loss)/ gain
CITIC aiBank	66,473	59,900	6,573	1,723	(388)
JSC Altyn Bank	9,250	8,134	1,116	460	266

Movement of the Group's interests in the joint ventures:

	Six months ended 30 June 2021	Year ended 31 December 2020
Initial investment cost	**5,256**	5,256
As at 1 January	**5,044**	2,914
Additions	**–**	2,027
Other changes in equity	**(100)**	–
Dividend received	**3**	235
Share of net gain/(loss) of the joint ventures for the period	**128**	(131)
Exchange difference	**(4)**	(1)
As at 30 June/31 December	**5,071**	5,044

(Amounts in millions of Renminbi unless otherwise stated)

21 Investments in associates and joint ventures (Continued)

(b) Investment in associates

The Group holds its investment in associates through subsidiaries and details of the associates as at 30 June 2021 was as follows:

Name of company	Form of business structure	Place of incorporation	Effective percentage of shares and voting right held by the Group	Principal of activities	Nominal value issued shares
CITIC International Assets Management Limited ("CIAM")	Corporation	Hong Kong	46%	Investment holding and assets management	HKD2,218 million
Binhai (Tianjin) Financial Assets Exchange Company Limited ("BFAE")	Corporation	Mainland China	20%	Services and investment	RMB500 million

Financial statements of the associates are as follow:

	As at or for the period ended 30 June 2021				
Name of company	**Total assets**	**Total liabilities**	**Total net assets**	**Operating income**	**Net gain**
CIAM	**1,032**	**133**	**899**	**29**	**6**
BFAE	**499**	**95**	**404**	**177**	**(1)**

	As at or for the year ended 2020				
Name of company	Total assets	Total liabilities	Total net asset	Operating Income	Net (loss)/ gain
CIAM	1,246	144	1,102	42	(78)
BFAE	479	63	416	275	15

Movement of the Group's interests in associates:

	Six months ended 30 June 2021	Year ended 31 December 2020
Initial investment cost	**1,168**	1,168
As at 1 January	**630**	758
Share of net loss of associates for the period/year	**(100)**	(98)
Other changes in equity	**1**	4
Exchange difference	**(10)**	(34)
As at 31 December	**521**	630

(Amounts in millions of Renminbi unless otherwise stated)

22 Investments in subsidiaries

	Notes	30 June 2021	31 December 2020
Investments in subsidiaries			
— CIFH	(i)	**16,570**	16,570
— CNCB (Hong Kong) Investment Limited ("CNCB Investment")	(ii)	**1,577**	1,577
— Lin'an Rural Bank	(iii)	**102**	102
— CFLL	(iv)	**4,000**	4,000
— CITIC Wealth Management CO., LTD ("CITIC Wealth")	(v)	**5,000**	5,000
Total		**27,249**	27,249

Major subsidiaries of the Group as at 30 June 2021 are as follows:

Name of entity	Principal place of business	Place of incorporation	Particulars of the issued and paid up capital	Principal activities	% of ownership directly held by the Bank	% of ownership held by subsidiaries of the Bank	The Group's effective interest
CIFH (Note (i))	Hong Kong	Hong Kong	HKD7,503 million	Commercial banking and other financial services	100%	–	100%
CNCB Investment (Note (ii))	Hong Kong	Hong Kong	HKD1,889 million	Investment and lending services	99.05%	0.71%	99.76%
Lin'an Rural Bank (Note (iii))	Mainland China	Mainland China	RMB200 million	Commercial banking	51%	–	51%
CFLL (Note (iv))	Mainland China	Mainland China	RMB4,000 million	Financial lease operations	100%	–	100%
CITIC Wealth (Note (v))	Mainland China	Mainland China	RMB5,000 million	Wealth management	100%	–	100%

Notes:

(i) CIFH is an investment holding company registered and headquartered in Hong Kong. Its business scope through its subsidiaries covers commercial banking and other financial services. The Bank holds 100% shareholding in CIFH. CIFH holds 75% shareholding in CITIC Bank International Limited ("CBI").

(ii) CNCB (Hong Kong) Investment Limited (CNCB Investment), founded in Hong Kong in 1984, formerly China Investment and Finance Limited, incorporated and operating in Hong Kong, holds a money lending licence issued by the Hong Kong Company Registry, and also the No.1, 4, 6 and 9 licenses from Hong Kong Securities Regulatory Commission through its wholly-owned subsidiary CNCB (Hong Kong) Capital Limited. The business scope of CNCB Investment includes investment banking, capital market investment, lending and other related services. The Bank holds 99.05% of the equity shares and voting rights in CNCB Investment, and CITIC International Financial Holding Limited (CIFH) holds the remaining 0.71% of the equity interests. Through indirect shareholding, the Bank effectively holds 99.76% of the equity shares in CNCB Investment.

(iii) Lin'an Rural Bank was founded in Zhejiang Province of Mainland China in 2011 with a registered capital of RMB200 million. Its principal activities are commercial banking related businesses. The Bank holds 51% of Lin'an Rural Bank's shares and voting rights.

(iv) The Bank established CFLL in 2015 with a registered capital of RMB4 billion. Its principal business activities is financial leasing. The Bank holds 100% of its shares and voting rights.

(v) CITIC Wealth was established in 2020 with a registered capital of RMB5 billion. Its principal business operation is wealth management. The Bank holds 100% of its shares and voting rights.

(Amounts in millions of Renminbi unless otherwise stated)

23 Investment properties

	Six months ended 30 June 2021	Year ended 31 December 2020
Fair value as at 1 January	**386**	426
Change in fair value	**22**	(69)
Transfers in	**–**	52
Exchange differences	**(5)**	(23)
Fair value as at 30 June/31 December	**403**	386

Investment properties of the Group are buildings held by subsidiaries and mainly located in Hong Kong and leased to third parties through operating leases. There are active real estate markets where the investment properties are located and the Group is able to obtain market price and related information of similar properties, and therefore makes estimation about the fair value of the investment properties as at 30 June 2021.

All investment properties of the Group were revalued at 30 June 2021 by an independent firm of surveyors on an open market value basis. The fair value is in line with the definition of “IFRS 13 – Fair value measurement”. The revaluation surplus has been recognised in the profit or loss for the current year.

The investment properties of the Group are categorised into Level 3.

24 Property, plant and equipment

	Buildings	**Construction in progress**	**Computer equipment and others**	**Total**
Cost or deemed cost:				
As at 1 January 2021	**33,547**	**2,178**	**12,890**	**48,615**
Additions	**6**	**136**	**240**	**382**
Disposals	**(34)**	**–**	**(350)**	**(384)**
Exchange differences	**(7)**	**–**	**(13)**	**(20)**
As at 30 June 2021	**33,512**	**2,314**	**12,767**	**48,593**
Accumulated depreciation:				
As at 1 January 2021	**(6,318)**	**–**	**(8,429)**	**(14,747)**
Depreciation charges	**(508)**	**–**	**(615)**	**(1,123)**
Disposals	**3**	**–**	**335**	**338**
Exchange differences	**4**	**–**	**11**	**15**
As at 30 June 2021	**(6,819)**	**–**	**(8,698)**	**(15,517)**
Net carrying value:				
As at 1 January 2021	**27,229**	**2,178**	**4,461**	**33,868**
As at 30 June 2021 (Note (i))	**26,693**	**2,314**	**4,069**	**33,076**

(Amounts in millions of Renminbi unless otherwise stated)

24 Property, plant and equipment (Continued)

	Buildings	Construction in progress	Computer equipment and others	Total
Cost or deemed cost:				
As at 1 January 2020	22,599	1,616	11,768	35,983
Additions	11,098	562	1,979	13,639
Transfer out	(55)	–	–	(55)
Disposals	(63)	–	(804)	(867)
Exchange differences	(32)	–	(53)	(85)
As at 31 December 2020	33,547	2,178	12,890	48,615
Accumulated depreciation:				
As at 1 January 2020	(5,524)	–	(8,087)	(13,611)
Depreciation charges	(845)	–	(1,141)	(1,986)
Transfer out	3	–	–	3
Disposals	31	–	756	787
Exchange differences	17	–	43	60
As at 31 December 2020	(6,318)	–	(8,429)	(14,747)
Net carrying value:				
As at 1 January 2020	17,075	1,616	3,681	22,372
As at 31 December 2020 (Note (i))	27,229	2,178	4,461	33,868

Note:

(i) As at 30 June 2021, the registration transfer process of certain buildings acquired has not been completed, and the net book value of such buildings was approximately RMB11,462 million (as at 31 December 2020: RMB11,899 million). The Group believes the incomplete registration procedure does not affect the rights of the Group as the legal successor to these buildings.

25 Right-of-use assets

	Buildings	**Land use right**	**Equipment**	**Vehicles and others**	**Total**
Cost or deemed cost:					
As at 1 January 2021	**16,146**	**1,221**	**113**	**53**	**17,533**
Additions	**1,199**	**–**	**2**	**3**	**1,204**
Reductions	**(905)**	**–**	**(8)**	**(2)**	**(915)**
Exchange differences	**(17)**	**–**	**–**	**–**	**(17)**
As at 30 June 2021	**16,423**	**1,221**	**107**	**54**	**17,805**
Accumulated depreciation:					
As at 1 January 2021	**(5,606)**	**(298)**	**(57)**	**(16)**	**(5,977)**
Accrual	**(1,602)**	**(15)**	**(15)**	**(6)**	**(1,638)**
Reductions	**796**	**–**	**7**	**1**	**804**
Exchange differences	**4**	**–**	**–**	**–**	**4**
As at 30 June 2021	**(6,408)**	**(313)**	**(65)**	**(21)**	**(6,807)**
Net carrying value:					
As at 1 January 2021	**10,540**	**923**	**56**	**37**	**11,556**
As at 30 June 2021	**10,015**	**908**	**42**	**33**	**10,998**

(Amounts in millions of Renminbi unless otherwise stated)

25 Right-of-use assets (Continued)

	Buildings	Land use right	Equipment	Vehicles and others	Total
Cost or deemed cost:					
As at 1 January 2020	14,501	1,219	126	47	15,893
Additions	3,109	2	7	18	3,136
Reductions	(1,420)	–	(20)	(12)	(1,452)
Exchange differences	(44)	–	–	–	(44)
As at 31 December 2020	16,146	1,221	113	53	17,533
Accumulated depreciation:					
As at 1 January 2020	(3,186)	(267)	(39)	(11)	(3,503)
Accrual	(3,287)	(31)	(35)	(11)	(3,364)
Reductions	847	–	17	6	870
Exchange differences	20	–	–	–	20
As at 31 December 2020	(5,606)	(298)	(57)	(16)	(5,977)
Net carrying value:					
As at 1 January 2020	11,315	952	87	36	12,390
As at 31 December 2020	10,540	923	56	37	11,556

(i) As at 30 June 2021, the balance of the Group's lease liabilities amounted to RMB10,165 million (31 December 2020: 10,504 million), including RMB3,150 million of lease liabilities that will mature within a year(31 December 2020: 3,245 million).

(ii) As at 30 June 2021, lease payments relating to lease contracts signed but yet to be executed amounted to RMB121 million (31 December 2020: 157 million).

(iii) For the six months ended 30 June 2021, the lease expense of short-term leases with a lease term of no more than 12 months and leases of assets with low values when new amounted to RMB83 million (for the six months ended 30 June 2020: 87 million).

26 Goodwill

	Six months ended 30 June 2021	Year ended 31 December 2020
As at 1 January	**860**	912
Exchange differences	**(11)**	(52)
As at 30 June/31 December	**849**	860

Based on the result of impairment test, no impairment losses on goodwill were recognised as at 30 June 2021 (31 December 2020: Nil).

(Amounts in millions of Renminbi unless otherwise stated)

27 Deferred tax assets/(liabilities)

	30 June 2021	31 December 2020
Deferred tax assets	**46,239**	41,913
Deferred tax liabilities	**(8)**	(11)
Net balance	**46,231**	41,902

(a) Analysed by nature and jurisdiction

	30 June 2021		31 December 2020	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
— allowance for impairment losses	**177,477**	**44,250**	159,950	39,870
— fair value adjustments	**(6,765)**	**(1,654)**	(4,555)	(1,103)
— employee retirement benefits and salaries payable	**12,260**	**3,071**	10,316	2,579
— others	**2,180**	**572**	2,347	567
Subtotal	**185,152**	**46,239**	168,058	41,913
Deferred tax liabilities				
— fair value adjustments	**(49)**	**(8)**	(63)	(11)
Total	**185,103**	**46,231**	167,995	41,902

(b) Offsetting of deferred tax assets and deferred tax liabilities

As at 30 June 2021, the deferred tax assets/liabilities offset by the Group were RMB2,019 million (31 December 2020: RMB1,483 million).

(c) Movement of deferred tax

	Allowance for impairment losses	Fair value adjustments	Employee retirement benefits and accrued staff cost	Others	Total deferred tax
As at 1 January 2021	**39,870**	**(1,114)**	**2,579**	**567**	**41,902**
Recognised in profit or loss	**4,383**	**(429)**	**492**	**9**	**4,455**
Recognised in other comprehensive income	**–**	**(123)**	**–**	**(2)**	**(125)**
Exchange differences	**(3)**	**4**	**–**	**(2)**	**(1)**
As at 30 June 2021	**44,250**	**(1,662)**	**3,071**	**572**	**46,231**
As at 1 January 2020	32,209	(2,875)	2,551	200	32,085
Recognised in profit or loss	7,679	(63)	28	356	8,000
Recognised in other comprehensive income	–	1,821	–	8	1,829
Exchange differences	(18)	3	–	3	(12)
As at 31 December 2020	39,870	(1,114)	2,579	567	41,902

(Amounts in millions of Renminbi unless otherwise stated)

28 Other assets

	Notes	30 June 2021	31 December 2020
Advanced payments and settlement accounts		**43,354**	21,123
Fee and commission receivables		**11,614**	5,591
Assets with continuing involvement		**9,361**	7,124
Precious metal leasing		**7,797**	6,687
Interest receivables	(i)	**6,038**	6,408
Repossessed assets	(ii)	**1,380**	1,367
Prepayments for properties and equipment		**814**	971
Leasehold improvements		**543**	638
Prepaid rent		**18**	14
Assets transfer receivables		**–**	3,151
Others	(iii)	**8,642**	13,969
Total		**89,561**	67,043

Notes:

(i) Interest receivable

Interest receivable represents interest on financial instruments due and receivable but not yet received as at the balance sheet date and is stated net of corresponding impairment allowances. The Group's interest receivable net of impairment allowances was RMB3,756 million.

(ii) Repossessed assets

	30 June 2021	31 December 2020
Premises	**2,737**	2,688
Others	**2**	2
Gross balance	**2,739**	2,690
Less: Allowance for impairment losses	**(1,359)**	(1,323)
Net balance	**1,380**	1,367

As at 30 June 2021, the Group intended to dispose all of the repossessed assets, and had no plan to transfer the repossessed assets for own use. (as at 31 December 2020: Nil)

(iii) Others include provisional legal costs for lawyers, other prepayments, other receivables, etc.

(Amounts in millions of Renminbi unless otherwise stated)

29 Movements of allowance for impairment losses

	Notes	Six months ended 30 June 2021				
		As at 1 January	(reversal)/ Charge for the period	Write-offs/ transfer out	Others Notes (i)	As at 30 June
Allowance for credit impairment losses						
Deposits with bank and non-bank financial institutions	15	**130**	**(26)**	**–**	**–**	**104**
Placements with and loans to banks and non-bank financial institutions	16	**97**	**(5)**	**–**	**(1)**	**91**
Financial assets held under resale agreements	18	**56**	**5**	**–**	**–**	**61**
Loans and advances to customers	19	**126,100**	**32,093**	**(29,677)**	**5,333**	**133,849**
Financial investments						
— at amortised cost	20	**13,737**	**11,157**	**–**	**944**	**25,838**
— at fair value through other comprehensive income	20	**2,651**	**(280)**	**(41)**	**(42)**	**2,288**
Other financial assets and accrued interest		**4,980**	**2,200**	**(1,743)**	**(32)**	**5,405**
Off balance sheet credit assets	37	**6,725**	**185**	**–**	**(9)**	**6,901**
Subtotal		**154,476**	**45,329**	**(31,461)**	**6,193**	**174,537**
Allowance for impairment losses on other assets						
Other assets – repossessed assets		**1,323**	**41**	**(16)**	**11**	**1,359**
Subtotal		**1,323**	**41**	**(16)**	**11**	**1,359**

	Notes	Year ended 31 December 2020				
		As at 1 January	(reversal)/ Charge/for the year	Write-offs/ transfer out	Others Notes (i)	As at 31 December
Allowance for credit impairment losses						
Deposits with bank and non-bank financial institutions	15	142	(10)	–	(2)	130
Placements with and loans to banks and non-bank financial institutions	16	81	19	–	(3)	97
Financial assets held under resale agreements	18	47	9	–	–	56
Loans and advances to customers	19	115,870	69,285	(69,129)	10,074	126,100
Financial investments						
— at amortised cost	20	6,758	7,436	(453)	(4)	13,737
— at fair value through other comprehensive income	20	1,631	1,057	–	(37)	2,651
Other financial assets and accrued interest		4,048	3,575	(3,450)	807	4,980
Off balance sheet credit assets	37	5,646	1,106	–	(27)	6,725
Subtotal		134,223	82,477	(73,032)	10,808	154,476
Allowance for impairment losses on other assets						
Other assets – repossessed assets		1,168	512	(361)	4	1,323
Subtotal		1,168	512	(361)	4	1,323

The impairment losses of accrued interest of the financial instruments in this table and its changes are included in "Other financial assets and accrued interest".

Notes:

(i) Others include recovery of loans written off, and effect of exchange differences during the period.

(Amounts in millions of Renminbi unless otherwise stated)

30 Deposits from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	30 June 2021	31 December 2020
In Mainland China		
— banks	**258,920**	306,923
— non-bank financial institutions	**828,750**	852,671
Subtotal	**1,087,670**	1,159,594
Outside Mainland China		
— banks	**3,018**	520
— non-bank financial institutions	**19**	19
Subtotal	**3,037**	539
Accrued interest	**4,816**	3,508
Total	**1,095,523**	1,163,641

31 Placements from banks and non-bank financial institutions

Analysed by types and locations of counterparties

	30 June 2021	31 December 2020
In Mainland China		
— bank	**42,323**	44,848
— non-bank financial institutions	**6,435**	1,291
Subtotal	**48,758**	46,139
Outside Mainland China		
— bank	**18,667**	11,408
— non-bank financial institutions	**76**	–
Subtotal	**18,743**	11,408
Accrued interest	**300**	209
Total	**67,801**	57,756

(Amounts in millions of Renminbi unless otherwise stated)

32 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparties

	30 June 2021	31 December 2020
In Mainland China		
— PBOC	**40,147**	39,213
— banks	**27,415**	36,058
Subtotal	**67,562**	75,271
Outside Mainland China		
— Banks	**1,311**	–
— Non-banking financial institutions	**284**	–
Subtotal	**1,595**	–
Accrued interest	**1**	–
Total	**69,158**	75,271

(b) Analysed by type of collateral

	30 June 2021	31 December 2020
Discounted bills	**51,541**	68,295
Debt securities	**17,616**	6,976
Accrued interest	**1**	–
Total	**69,158**	75,271

The Group did not derecognise financial assets transferred as collateral in connection with financial assets sold under repurchase agreements. As at 30 June 2021, no legal title of the Group and the Bank has been transferred to counterparties. The above information of collateral is included in the Note 49.

(Amounts in millions of Renminbi unless otherwise stated)

33 Deposits from customers

Analysed by nature

	30 June 2021	31 December 2020
Demand deposits		
— corporate customers	**1,897,789**	1,906,208
— personal customers	**352,348**	327,110
Subtotal	**2,250,137**	2,233,318
Time and call deposits		
— corporate customers	**1,787,800**	1,674,846
— personal customers	**616,304**	611,177
Subtotal	**2,404,104**	2,286,023
Outward remittance and remittance payables	**11,390**	9,058
Accrued interest	**45,869**	43,887
Total	**4,711,500**	4,572,286

Guarantee deposits included in above deposits:

	30 June 2021	31 December 2020
Bank acceptances	**209,780**	223,387
Guarantees	**13,808**	11,277
Letters of credit	**16,819**	11,036
Others	**102,977**	104,839
Total	**343,384**	350,539

34 Accrued staff costs

		Six months ended 30 June 2021			
	Notes	**As at 1 January**	**Additions during the period**	**Reductions during the period**	**As at 30 June**
Short-term staff costs	(a)	**20,215**	**13,329**	**(17,038)**	**16,506**
Post-employment benefits					
— defined contribution plans	(b)	**43**	**1,191**	**(1,217)**	**17**
Post-employment benefits					
— defined benefit plans	(c)	**18**	**–**	**–**	**18**
Other long-term benefits		**57**	**86**	**(64)**	**79**
Total		**20,333**	**14,606**	**(18,319)**	**16,620**

		Year ended 31 December 2020			
	Notes	As at 1 January	Additions during the year	Reductions during the year	As at 31 December
Short-term staff costs	(a)	20,512	27,157	(27,454)	20,215
Post-employment benefits					
— defined contribution plans	(b)	318	2,414	(2,689)	43
Post-employment benefits					
— defined benefit plans	(c)	19	1	(2)	18
Other long-term benefits		75	107	(125)	57
Total		20,924	29,679	(30,270)	20,333

34 Accrued staff costs (Continued)

(a) Short-term staff costs

Short-term staff costs include wages, bonuses, allowances and subsidies, social insurance contributions, employee benefits, housing funds, labour union funds and employee education funds, housing subsidies and other short-term benefits.

(b) Post-employment benefits – defined contribution plans

Post-employment benefits defined contribution plans include contributions to statutory retirement plan. Pursuant to the relevant laws and regulations in the PRC governing labor and social security, the Group joins statutory retirement plan for the employees as set out by city and provincial governments. The Group is required to make contributions based on defined ratios of the salaries, bonuses and certain allowance of the employees to the statutory retirement plan under the administration of the government.

In addition to the above statutory retirement plan, the Bank's qualified employees have joined a defined contribution retirement scheme (the "Scheme") which was established by the Group and managed by the CITIC Group. For six months ended 30 June 2021, the Bank has made annuity contributions at 7% (31 December 2020:7%) of its employee's gross wages. For six months ended 30 June 2021, the Bank made annuity contribution amounting to RMB349 million (year ended 31 December 2020: RMB1,369 million).

The Group operates a defined contribution provident fund and a Mandatory Provident Fund scheme for Hong Kong staff. Contributions are charged to profit or loss when the contribution fall due.

(c) Post-employment benefits – defined benefit plans

The Group offers supplementary retirement benefits for certain of its qualified employees in Mainland China. Retired employees are eligible to join this supplementary retirement benefit plan. The amount that is recognised as at reporting date presents the discounted value of benefit obligation in the future.

The Group's obligations in respect of the supplementary retirement benefit plan as at the reporting date are based on the projected unit credit actuarial cost method and computed by a qualified professional actuary firm (a member of Society of Actuaries in the United States of America).

Except for the aforementioned contributions, the Group has no other material obligations to pay employee retirement and other post-retirement benefits.

(Amounts in millions of Renminbi unless otherwise stated)

35 Taxes payable

	30 June 2021	31 December 2020
Income tax	**3,654**	4,186
Value-added tax and surcharges	**4,373**	4,216
Others	**8**	9
Total	**8,035**	8,411

36 Debt securities issued

	Notes	30 June 2021	31 December 2020
Long-term debt securities issued	(a)	**58,696**	35,218
Subordinated bonds issued:		**113,187**	113,223
— by the Bank	(b)	**109,972**	109,970
— by CBI	(c)	**3,215**	3,253
Certificates of deposit issued	(d)	**1,228**	–
Certificates of interbank deposit issued	(e)	**685,685**	543,008
Convertible corporate bonds	(f)	**39,134**	38,730
Accrued interest		**3,805**	2,779
Total		**901,735**	732,958

(a) As at 30 June 2021, long-term debt securities issued by the Group:

Bond Type	Issue Date	Maturity Date	Annual Interest Rate	30 June 2021 Nominal Value RMB	31 December 2020 Nominal Value RMB
Floating rate bond	14 December 2017	15 December 2022	Three-month Libor +1%	**3,554**	3,597
Fixed rate bond	14 December 2017	15 December 2022	3.12%	**1,615**	1,635
Fixed rate bond	18 March 2020	18 March 2023	2.75%	**30,000**	30,000
Fixed rate bond	10 June 2021	10 June 2024	3.19%	**20,000**	–
Fixed rate bond	2 February 2021	2 February 2021	0.88%	**1,292**	–
Fixed rate bond	2 February 2021	2 February 2026	1.25%	**2,262**	–
Total nominal value				**58,723**	35,232
Less: Unamortised issuance cost				**(27)**	(14)
Carrying value				**58,696**	35,218

(Amounts in millions of Renminbi unless otherwise stated)

36 Debt securities issued (Continued)

(b) The carrying value of the Bank's subordinated bonds issued as at 30 June/31 December:

	Notes	30 June 2021	31 December 2020
Subordinated fixed rate bonds maturing:			
— in June 2027	(i)	**19,987**	19,987
— in September 2028	(ii)	**29,995**	29,995
— in October 2028	(iii)	**19,997**	19,996
— in August 2030	(iv)	**39,993**	39,992
Total		**109,972**	109,970

Notes:

(i) The interest rate on the subordinated fixed rate bonds issued on 21 June 2012 is 5.15% per annum. The Bank has an option to redeem the bonds on 21 June 2022. If they are not redeemed, the interest rate of the bonds will remain at 5.15% per annum for the next five years.

(ii) The interest rate on the subordinated fixed rate bonds issued on 13 September 2018 is 4.96% per annum. The Bank has an option to redeem the bonds on 13 September 2023. If they are not redeemed, the interest rate of the bonds will remain 4.96% per annum for the next five years.

(iii) The interest rate on the subordinated fixed rate bonds issued on 22 October 2018 is 4.80% per annum. The Bank has an option to redeem the bonds on 22 October 2023. If they are not redeemed, the interest rate of the bonds will remain 4.80% per annum for the next five years.

(iv) The Bank issued a fixed-rate subordinated bond on 12 August 2020 with a coupon rate of 3.87% per annum. The Bank has the option to redeem the bond on 14 August 2025. If the Bank does not exercise this option, the coupon rate will remain 3.87% per annum for the next five years.

(c) The carrying value of CBI's subordinated bonds issued as at 30 June/31 December:

	Notes	30 June 2021	31 December 2020
Subordinated fixed rate notes maturing:			
— in February 2029	(i)	**3,215**	3,253
Total		**3,215**	3,253

Notes:

(i) CBI issued USD500 million subordinated notes at a coupon rate of 4.625% per annum on 28 February 2019. CBI has an option to redeem these notes on 28 February 2024. If CBI does not exercise the redemption option, the coupon rate per annum will be the 5-year US treasury bond rate on 28 February 2024, plus 2.25%. The notes are listed on the Hong Kong Stock Exchange.

(d) These certificates of deposit were issued by CBI with interest rate ranging from 0.25% to 0.40% per annum.

(e) As at 30 June 2021, the Bank's outstanding large transferable certificates of interbank deposits amounted to RMB685,685 million (31 December 2020: RMB543,008 million), with reference yields ranging from 2.40% to 3.36% per annum (31 December 2020: 1.50% to 3.36%). Their original terms range from three months to one year.

(Amounts in millions of Renminbi unless otherwise stated)

36 Debt securities issued (Continued)

(f) As approved by the relevant regulatory authorities in China, the Bank made a public offering of RMB40 billion A-share convertible corporate bonds on 4 March 2019. The convertible corporate bonds have a term of six years from 4 March 2019 to 3 March 2025, at coupon rates of 0.3% for the first year, 0.8% for the second year, 1.5% for the third year, 2.3% for the fourth year, 3.2% for the fifth year and 4.0% for the sixth year. The conversion of these convertible corporate bonds begins on the first trading day (11 September 2019) after six months upon the completion date of the offering (3 March 2019), until the maturity date.

In accordance with formulas set out in the prospectus of the convertible corporate bonds, the initial conversion price of the convertible corporate bonds is RMB7.45 per share, and the price of the convertible corporate bonds will be adjusted to reflect the dilutive impact of cash dividends and increase in paid-in capital under specified circumstances. As the cash dividend was paid on 29 July 2021, the conversion price of the convertible corporate bonds has been adjusted to RMB6.73 per share. During the conversion period (from 4 March 2019 to 3 March 2025), if the closing price of the Bank's A-shares is lower than 80% of the current conversion price for at least 15 trading days in any 30 consecutive trading days, the Board of Directors of the Bank has the right to propose to lower the conversion price and submit the proposal to the shareholders' meeting for deliberation.

These convertible corporate bonds are subject to conditional redemptions. During their conversion period, if the closing prices of the Bank's A-shares are no less than 130% (inclusive) of the current conversion price for at least 15 trading days in 30 consecutive trading days, the Bank has the right to redeem all or part of the outstanding convertible corporate bonds at their par value plus the current accrued interest, upon approval of the relevant regulatory authorities (if required). In addition, when the total amount of the outstanding convertible corporate bonds is less than RMB30 million, the Bank has the right to redeem all outstanding convertible corporate bonds at their par value plus the current accrued interest.

As at 30 June 2021, convertible corporate bonds of RMB312,000 was converted to 43,713 A-shares.

	Note	Liability	Equity	Total
Issued nominal value of convertible corporate bonds		36,859	3,141	40,000
Direct issuance expenses		(74)	(6)	(80)
Balance at the issuance date		36,785	3,135	39,920
Accumulated amortisation as at 1 January 2021		1,945	–	1,945
Accumulated conversion amount as at 1 January 2021		–	–	–
Balance as at 1 January 2021		38,730	3,135	41,865
Amortisation during this period		404	–	404
Conversion amount during this period		–	–	–
Balance as at 30 June 2021		**39,134**	**3,135**	**42,269**

(Amounts in millions of Renminbi unless otherwise stated)

37 Provisions

	30 June 2021	31 December 2020
Allowance for impairment losses on off balance sheet items	**6,901**	6,725
Litigation provisions	**486**	483
Total	**7,387**	7,208

The movement of off balance sheet allowances for impairment losses is included in the note 29.

Movement of provisions:

	Six months ended 30 June 2021	Year ended 31 December 2020
As at 1 January	**483**	470
Accruals	**3**	21
Reversal in the current period/year	**–**	(1)
Payments	**–**	(7)
As at 30 June/31 December	**486**	483

38 Other liabilities

	30 June 2021	31 December 2020
Dividends payable	**12,456**	–
Continuing involvement liability	**9,361**	7,124
Advances and deferred expenses	**5,962**	4,694
Settlement and clearing accounts	**5,075**	6,930
Payment and collection accounts	**3,115**	2,434
Leasing deposits	**1,154**	1,189
Accrued expenses	**226**	384
Others	**6,469**	7,135
Total	**43,818**	29,890

39 Share capital

	30 June 2021 and 31 December 2020	
	Number of shares (millions)	**Nominal Value**
Ordinary shares		
Registered, issued and fully paid:		
A-Share	**34,053**	**34,053**
H-Share	**14,882**	**14,882**
Total	**48,935**	**48,935**

	Note	**Six months ended 30 June 2021**	Year ended 31 December 2020
As at 1 January	(i)	**48,935**	48,935
Convertible bond settlement		**–**	–
As at 30 June/31 December		**48,935**	48,935

Note:

(i) For the six months ended 30 June 2021, convertible corporate bonds of RMB12,000 was converted to 1,717 A-shares (In 2020, convertible corporate bonds of RMB195,000 was converted to 27,463 A-shares).

(Amounts in millions of Renminbi unless otherwise stated)

40 Other equity instruments

	30 June 2021	31 December 2020
Preference shares (Note (i))	**34,955**	34,955
Perpetual bonds (Note (ii))	**79,990**	39,993
Equity of convertible corporate bonds (Note 36(f))	**3,135**	3,135
Total	**118,080**	78,083

(i) Preference shares

Financial instruments in issue	**Dividend rate**	**Issued price (RMB)**	**Issued number of shares (RMB millions)**	**Issued nominal value (RMB millions)**	**Maturity Date**	**Conversions**
Preference shares	3.80% per annum for the first five years after issuance, and re-priced every five years	100	350	35,000	No maturity date	No conversion during the period

35,000 million preference shares of RMB100 each were issued in 2016, with a dividend rate of 3.80% per annum for the first five years from issuance, to no more than 200 qualified investors, pursuant to the approval by its ordinary shareholders' meeting and relevant regulatory authorities.

The carrying amount of preference shares, net of direct issuance expenses, was RMB34,955 millions. All the proceeds received is used to replenish Other Tier-One capital in order to increase the Bank's Tier-One capital adequacy ratio (Note 53). Dividends are non-cumulative and where payable are paid annually. Dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 1.30%.

As authorised by the ordinary shareholders' Annual General Meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. The Bank shall not distribute any dividends to its ordinary shareholders before it declares such dividends to preference shareholders for the relevant period. The distribution of preference shares dividend is at the Bank's discretion and is non-cumulative. Preference shareholders are not entitled to participate in the distribution of retained profits except for the dividends stated above.

The Bank has redemption option when specified conditions as stipulated in the offering documents of preference shares are met, subject to regulatory approval, whereas preference shareholders have no right to require the Bank to redeem the preference shares.

Upon occurrence of the triggering events as stipulated in paragraph 2(3) of the Guidance of the China Banking Regulatory Commission on Commercial Banks' Innovation on Capital Instruments (CBRC No.56 [2012]) and subject to regulatory approval, preference shares shall be mandatorily converted into ordinary A shares of the Bank at the conversion price of RMB7.07 per share, partially or entirely. The conversion price of the preference shares will be adjusted where certain events occur including bonus issues, rights issue, capitalisation of reserves and new issuances of ordinary shares, subject to terms and formulae provided for in the offering documents, to maintain the relative interests between preference shareholders and ordinary shareholders.

These preference shares are classified as equity instruments, and presented as equity in the consolidated interim statement of financial position; and are qualified as Additional Tier-One capital Instruments in accordance with the CBIRC requirements.

(Amounts in millions of Renminbi unless otherwise stated)

40 Other equity instruments (Continued)

(ii) Perpetual bonds

The Bank issued RMB40 billion write-down undated capital bonds (the "Bonds") in the domestic interbank bond market on 11 December 2019, the carrying amount of the bonds, net of direct issuance expenses, was RMB39,993 millions. On 26 April 2021, the Bank issued RMB40 billion write-down undated capital bonds (the "Bonds") in the domestic interbank bond market, the carrying amount of the bonds, net of direct issuance expenses, was RMB39,997 millions. The denomination of these Bonds is RMB100 each, and the annual coupon rate of the Bonds for the first 5 years is 4.20%, resetting every 5 years.

The duration of these Bonds are the same as the continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may redeem the Bonds in whole or in part on each distribution payment date 5 years after the issuance date of the Bonds. Upon the occurrence of a trigger event for write-downs, 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 above Bonds issued and existing at that time in accordance with the total par value. The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated creditors; and shall rank in priority to the claims of shareholders and will rank pari passu with the claims under any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

The Bonds are paid by non-cumulative interest. The Bank shall have the right to cancel distributions on the Bonds in whole or in part and such cancellation shall not constitute a default. The Bank may at its discretion utilize the proceeds from the cancelled distribution to meet other obligations of maturing debts. But the Bank shall not distribute profits to ordinary shareholders until the resumption of full interest payment.

These undated capital bonds are classified as equity instruments, and presented as equity in the consolidated statement of financial position; and are qualified as Additional Tier-One Capital Instruments in accordance with the CBIRC requirements.

Interests attributable to equity instruments' holder:

	30 June 2021	31 December 2020
Total equity attribute to equity holders of the parent company	**600,706**	544,573
Equity attribute to ordinary equity holders of the parent company	**482,626**	466,490
Equity attribute to other equity instruments holders of the parent company	**118,080**	78,083
— Profit for the period/Dividend distribution for the period	**–**	3,010
Total equity attribute to non-controlling interests	**15,700**	15,465
Equity attribute to non-controlling interests of ordinary shares	**9,033**	8,798
Equity attribute to non-controlling interests of other equity instruments	**6,667**	6,667

During the six months ended 30 June 2021, no dividends payment was paid to the preference shareholders (2020: RMB1,330 million)

(Amounts in millions of Renminbi unless otherwise stated)

41 Capital reserves

	30 June 2021	31 December 2020
Share premium	**58,896**	58,896
Other reserves	**320**	320
Total	**59,216**	59,216

42 Other comprehensive income

Other comprehensive income comprises items that will not be reclassified subsequently to profit or loss, such as net changes on the measurement of defined benefit plan (Note 34) and fair value changes on financial investments designated at fair value through other comprehensive income, and items that may be reclassified subsequently to profit or loss, such as fair value changes on financial assets at fair value through other comprehensive income, credit impairment allowance on financial assets at fair value through other comprehensive income and exchange differences on translation.

43 Surplus reserve

	Six months ended 30 June 2021	Year ended 31 December 2020
As at 1 January	**43,786**	39,009
Appropriations	**–**	4,777
As at 30 June/31 December	**43,786**	43,786

Under the relevant PRC Laws, the Bank and the Bank's subsidiaries in Mainland China are required to appropriate 10% of its profit for the year, as determined under regulations issued by the regulatory bodies of the PRC, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year to the discretionary surplus reserve upon approval by ordinary shareholders at the Annual General Meeting. The Bank makes its appropriation on an annual basis.

Subject to the approval of ordinary shareholders, statutory surplus reserves may be used for replenishing accumulated losses, if any, and may be converted into share capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before the process.

44 General reserve

	Six months ended 30 June 2021	Year ended 31 December 2020
As at 1 January	**90,819**	81,535
Appropriations	**12**	9,284
As at 30 June/31 December	**90,831**	90,819

Pursuant to relevant Ministry of Finance ("MOF") notices, the Bank and the Group's banking subsidiaries in Mainland China are required to set aside a general reserve to cover potential losses against their assets. The Bank and the Group make its appropriation on an annual basis.

The Group's subsidiary, CITIC Wealth, appropriates operational risk reserve on a monthly basis in accordance with the Regulation Governing Wealth Subsidiaries of Commercial Banks. For the six months ended June 30, 2021, CITIC Wealth has appropriated RMB12 million to operational reserve.

(Amounts in millions of Renminbi unless otherwise stated)

45 Profit appropriations and retained earnings

(a) The proposal of cash dividend of RMB2.54 per ten ordinary shares related to 2020, amounting to RMB12,429 million in total was approved at the Annual General Meeting held on 24 June 2021. The cash dividends were recognised as dividends payable as at 30 June 2021.

(b) As at 30 June 2021, the retained earnings included the statutory surplus reserves of certain subsidiaries of RMB291 million (31 December 2020: RMB350 million). Such statutory surplus reserves cannot be distributed.

46 Non-controlling interests

As at 30 June 2021, non-controlling interests included ordinary shareholders held by non-controlling interest in subsidiaries and other equity instrument holders' interests. Other equity instrument holders' interest amounted to RMB6,667 million (31 December 2020: RMB6,667 million) representing other equity instruments issued by CBI on 11 October 2016 and 6 November 2018, an entity ultimately controlled by the Group. Such instruments are perpetual non-cumulative subordinated additional Tier-One capital securities (the "Capital Securities").

Financial instruments in issue	Issue Date	Nominal Value	First Call Date	Coupon Rate	Frequency Payment
Capital Security	11 October 2016	USD500 million	11 October 2021	4.25% per annum for the first five years after issuance, and re-priced every five years to a rate equivalent to the five year US Treasury rate plus 3.107% per annum	Semi-annually
Capital Security	6 November 2018	USD500 million	6 November 2023	7.10% per annum for the first five years after issuance, and re-priced every five years to a rate equivalent to the five year US Treasury rate plus 4.151% per annum	Semi-annually

CBI may, at its sole discretion, elect to cancel any payment of coupon, in whole or in part, or redeem Capital Securities in whole on the first call date and any subsequent coupon distribution date. These Capital Securities listed above are classified as other equity instruments.

A distribution payment of RMB185 million was paid to the holders of the Capital Security mentioned above during the six months ended 30 June 2021 (During the six months ended 30 June 2020: RMB199 million).

(Amounts in millions of Renminbi unless otherwise stated)

47 Notes to consolidated interim statement of cash flows

Cash and cash equivalents

	Six months ended 30 June	
	2021	2020
Cash	**5,745**	6,127
Cash equivalents		
— Surplus deposit reserve funds	**40,770**	47,520
— Deposits with banks and non-bank financial institutions due within three months when acquired	**39,911**	38,136
— Placements with and loans to banks and non-bank financial institutions due within three months when acquired	**48,918**	141,999
— Investment securities due within three months when acquired	**67,362**	36,671
Subtotal	**196,961**	264,326
Total	**202,706**	270,453

48 Commitments and contingent liabilities

(a) Credit commitments

The Group's credit commitments take the form of loan commitments, credit card commitments, financial guarantees, letters of credit and acceptances.

Loan commitments and credit card commitments represent the undrawn amount of approved loans with signed contracts and credit card limits. Financial guarantees and letters of credit represent guarantees provided by the Group to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects the majority acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by categories are set out below. The amounts disclosed in respect of loan commitments and credit card commitments assume that amounts are fully drawn down. The amounts of guarantees, letters of credit and acceptances represent the maximum potential loss that would be recognised at the reporting date if counterparties failed to perform as contracted.

	30 June 2021	31 December 2020
Contractual amount		
Loan commitments		
— with an original maturity within one year	**13,881**	14,138
— with an original maturity of one year or above	**32,084**	35,494
Subtotal	**45,965**	49,632
Bank acceptances	**619,134**	559,073
Credit card commitments	**685,128**	623,478
Guarantees	**117,289**	119,741
Letters of credit	**205,409**	125,197
Total	**1,672,925**	1,477,121

(Amounts in millions of Renminbi unless otherwise stated)

48 Commitments and contingent liabilities (Continued)

(b) Credit commitments analysed by credit risk weighted amount

	30 June 2021	31 December 2020
Credit risk weighted amount of credit commitments	**463,195**	437,831

The credit risk weighted amount refers to the amount as computed in accordance with the rules set out by the CBIRC and depends on the status of counterparties and the maturity characteristics. The risk weighting used range from 0% to 150%.

(c) Capital commitments

(i) The Group had the following authorised capital commitments in respect of property, plant and equipment at the reporting date:

	30 June 2021	31 December 2020
For the purchase of property and equipment — contracted for	**2,351**	1,547

(d) Outstanding contingencies including litigation and disputes

The Group has assessed and has made provisions for any probable outflow of economic benefits in relation to commitments and contingent liabilities at the reporting date in accordance with its accounting policies including litigation and disputes.

As at 30 June 2021, the Group has several potential and pending litigation cases in the amount of RMB699 million (as at 31 December 2020: RMB923 million). Based on the opinion of internal and external legal counsels, the Group in the current increase is expected to be 3.32 million of liabilities (Six months ended 30 June 2020: 19.13 million) against these litigation (Note 37). The Group has set aside the estimated liabilities in full for the losses that may be suffered by such legal proceedings. Such contingencies, including litigation and disputes, will not have material impact on financial position and operations of the Bank.

(e) Bonds redemption obligations

As an underwriting agent of PRC treasury bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity dates is based on the nominal value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

(Amounts in millions of Renminbi unless otherwise stated)

48 Commitments and contingent liabilities (Continued)

(e) Bonds redemption obligations (Continued)

The redemption obligations below represent the nominal value of treasury bonds underwritten and sold by the Group, but not yet matured at the reporting date:

	30 June 2021	31 December 2020
Redemption commitment for treasury bonds	**11,936**	11,581

The original maturities of these bonds vary from one to five years. Management of the Group expects the amount of redemption before maturity dates of these bonds will not be material. The MOF will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity.

(f) Underwriting obligations

As at 30 June 2021 and 31 December 2020, the Group did not have unfulfilled commitment in respect of securities underwriting business.

49 Collateral

(a) Assets pledged

(i) The carrying amount of financial assets pledged as collateral in the Group's ordinary course of businesses, including repurchase agreements and borrowings from central banks, are disclosed as below:

	30 June 2021	31 December 2020
Debt securities	**372,653**	331,319
Discounted bills	**51,799**	68,505
Others	**168**	78
Total	**424,620**	399,902

As at 30 June 2021 and 31 December 2020, the Group's liabilities related to the above collateral were due within 12 months from the effective dates of these agreements and title of these collateral was not transferred to counterparties.

(ii) In addition, as at 30 June 2021, the Group pledged deposits with banks and other financial institutions with carrying amount totalling RMB478 million (31 December 2020: RMB493 million) as collateral for derivative transactions and guarantee funds to exchanges. Title of these pledged assets was not transferred to counterparties.

(b) Collateral accepted

The Group received debt securities and bills as collateral for financial assets held under resale agreements as set out in Note 18. Under the terms of these agreements, the Group could not resell or re-pledge certain parts of these collateral unless in the event of default by the counterparties. As at 30 June 2021, the Group held no collateral that can be resold or re-pledged (31 December 2020: Nil). During the six months ended 30 June 2021, the Group did not resell or re-pledge any of these collateral (Six months ended 30 June 2020: Nil).

(Amounts in millions of Renminbi unless otherwise stated)

50 Transactions on behalf of customers

(a) Entrusted lending business

The Group provides entrusted lending business services to corporations and individuals, as well as entrusted provident housing fund mortgage business services. All entrusted loans are made under the instruction or at the direction of these corporations, individuals or provident housing fund centre and are funded by entrusted funds from them.

For entrusted assets and liabilities and entrusted provident housing fund mortgage business, the Group does not expose to credit risk in relation to these transactions, but acts as an agent to hold and manage these assets and liabilities at the instruction of the entrusting parties and receives fee income for the services provided.

Trust assets are not assets of the Group and are not recognised on the consolidated statement of financial position. Income received and receivable for providing these services is included in the consolidated statement of profit or loss as fee income.

At the reporting date, the entrusted assets and liabilities were as follows:

	30 June 2021	31 December 2020
Entrusted loans	**332,554**	365,921
Entrusted funds	**332,555**	365,922

(b) Wealth management services

The Group's wealth management services to customers mainly represent sale of wealth management products, non-principal or interest guaranteed wealth management products (Note 56 (b)), to corporate and personal banking customers.

The funds raised by non-principal guaranteed wealth management products from investors are invested in various investments, including debt securities and money market instruments, credit assets and other debt instruments, equity instruments etc. Credit risk, liquidity risk and interest rate risk associated with these products are borne by the customers. The Group only earns commission which represents the charges on customers in relation to the provision of custodian, sale and management services. Income is recognised in the interim consolidated statement of profit or loss as commission income. The Group has entered into placements transactions at market interest rates with the wealth management products vehicles (Note 56 (b)).

As at 30 June 2021, the total investment of non-principal guaranteed wealth management products managed by the Group that was not included in the Group's consolidated financial statements was disclosed in Note 56(b).

51 Segment reporting

Measurement of segment assets and liabilities, and segment income and expenses is based on the Group's accounting policies.

Internal charges and transfer pricing of transactions between segments are determined for management purpose and have been reflected in the performance of each segment. Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expenses". Interest income and expenses earned from third parties are referred to as "External net interest income/expenses".

Segment income, expense, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment assets and liabilities do not include deferred tax assets and liabilities. Segment income, expenses, assets, and liabilities are determined before intra-group balances, and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total costs incurred during the year to acquire assets (including both tangible assets and intangible assets) whose estimated useful lives are over one year.

(a) Business segments

The Group has the following main business segments for management purpose:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and non-financial institutions, as well as conducts investment banking businesses and international businesses. The products and services include corporate loans, deposit taking activities, agency services, remittance and settlement services and guarantee services.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise loans, deposit services, securities agency services, remittance and settlement services and guarantee services.

Treasury business

This segment conducts capital markets operations, inter-bank operations, which, specifically, includes inter-bank money market transactions, repurchase transactions, and investments and trading in debt instruments. Furthermore, treasury business segment also carries out derivatives and forex trading both for the Group and for customers.

(Amounts in millions of Renminbi unless otherwise stated)

51 Segment reporting (Continued)

(a) Business segments (Continued)

Others and unallocated

Others comprise components of the Group that are not attributable to any of the above segments, along with certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis. This segment also manages the Group's liquidity position.

	Six months ended 30 June 2021				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
External net interest income/ (expense)	25,585	51,461	15,233	(18,197)	74,082
Internal net interest income/ (expense)	14,885	(23,592)	(11,215)	19,922	–
Net interest income	40,470	27,869	4,018	1,725	74,082
Net fee and commission income/(expense)	7,589	11,416	469	(125)	19,349
Other net income (Note (i))	2,054	264	9,495	412	12,225
Operating income	50,113	39,549	13,982	2,012	105,656
Operating expenses					
— depreciation and amortisation	(1,075)	(817)	(807)	(595)	(3,294)
— others	(9,055)	(11,970)	(360)	(734)	(22,119)
Credit impairment losses	(26,697)	(16,645)	(733)	(1,254)	(45,329)
Impairment (losses)/gains on other assets	(52)	–	–	11	(41)
Revaluation gains on investment properties	–	–	–	22	22
Share of gains of associates and joint ventures	–	–	–	28	28
Profit before tax	13,234	10,117	12,082	(510)	34,923
Income tax					(5,443)
Profit for the period					29,480
Capital expenditure	246	200	189	176	811

	30 June 2021				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
Segment assets	2,753,881	2,052,633	2,138,883	819,101	7,764,498
Interest in associates and joint ventures	–	–	107	5,485	5,592
Deferred tax assets					46,239
Total asset					7,816,329
Segment liabilities	3,778,275	1,020,650	936,563	1,464,427	7,199,915
Deferred tax liabilities					8
Total liabilities					7,199,923
Off-balance sheet credit commitments	987,829	685,128	–	–	1,672,957

(Amounts in millions of Renminbi unless otherwise stated)

51 Segment reporting (Continued)

(a) Business segments (Continued)

	Six months ended 30 June 2020				
	Corporate Banking	Personal Banking	Treasury Business	Others and Unallocated	Total
External net interest income/(expense)	25,102	46,932	13,830	(11,940)	73,924
Internal net interest income/(expense)	13,591	(19,200)	(9,733)	15,342	–
Net interest income	38,693	27,732	4,097	3,402	73,924
Net fee and commission income/(expense)	6,602	10,765	437	(1,437)	16,367
Other net income (Note (i))	1,576	275	9,975	83	11,909
Operating income	46,871	38,772	14,509	2,048	102,200
Operating expenses					
— depreciation and amortisation	(1,251)	(691)	(867)	(260)	(3,069)
— others	(7,977)	(11,311)	(217)	(1,101)	(20,606)
Credit impairment losses	(25,115)	(19,254)	(1,894)	(966)	(47,229)
Impairment losses on other assets	–	–	–	(496)	(496)
Revaluation losses on investment properties	–	–	–	(34)	(34)
Share of losses of associates and joint ventures	–	–	–	(20)	(20)
Profit before tax	12,528	7,516	11,531	(829)	30,746
Income tax					(4,782)
Profit for the period					25,964
Capital expenditure	244	189	171	274	878

	31 December 2020				
	Corporate Banking	Personal Banking	Treasury Operations	Others and Unallocated	Total
Segment assets	2,580,730	1,966,280	2,058,054	858,510	7,463,574
Interest in associates and joint ventures	–	–	109	5,565	5,674
Deferred tax assets					41,913
Total asset					7,511,161
Segment liabilities	3,671,630	990,280	1,024,395	1,264,807	6,951,112
Deferred tax liabilities					11
Total liabilities					6,951,123
Off-balance sheet credit commitments	853,539	623,478	–	–	1,477,017

Note:

(i) Other net income consists of net trading gain, net gain from investment securities, net hedging gain and other operating income.

51 Segment reporting (Continued)

(b) Geographical segments

The Group operates principally in Mainland China with branches located in 31 provinces, autonomous regions and municipalities. The Bank's principal subsidiaries, CNCB Investment and CIFH are registered and operating in Hong Kong. The other subsidiaries, Lin'an Rural Bank, CITIC Wealth CO., Ltd. and CFLL are registered in Mainland China.

In presenting information by geographical segments, operating income is allocated based on the location of the branches that generated the revenue. Segment assets and capital expenditure are allocated based on the geographical location of the underlying assets.

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

- "Yangtze River Delta" refers to the following areas where Tier-One branches of the Group are located: Shanghai, Nanjing, Suzhou, Hangzhou and Ningbo, as well as Lin'an Rural Bank and CITIC Wealth CO., Ltd.;
- "Pearl River Delta and West Strait" refers to the following areas where Tier-One branches of the Group are located: Guangzhou, Shenzhen, Dongguan, Fuzhou, Xiamen, and Haikou;
- "Bohai Rim" refers to the following areas where Tier-One branches of the Group are located: Beijing, Tianjin, Dalian, Qingdao, Shijiazhuang, Jinan and CFLL;
- "Central" region refers to the following areas where Tier-One branches of the Group are located: Hefei, Zhengzhou, Wuhan, Changsha, Taiyuan and Nanchang;
- "Western" region refers to the following areas where Tier-One branches of the Group are located: Chengdu, Chongqing, Xi'an, Kunming, Nanning, Hohhot, Urumqi, Guiyang, Lanzhou, Xining, Yinchuan and Lhasa;
- "Northeastern" region refers to the following areas where Tier-One branches of the Group is located: Shenyang, Changchun and Harbin;
- "Head Office" refers to the headquarter of the Bank and the Credit Card Center; and
- "Overseas" includes all the operations of London branch, CNCB Investment, CIFH and its subsidiaries.

(Amounts in millions of Renminbi unless otherwise stated)

51 Segment reporting (Continued)

(b) Geographical segments (Continued)

	Six months ended 30 June 2021									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
External net interest income	18,551	11,078	238	11,898	10,717	1,594	17,480	2,526	–	74,082
Internal net interest (expense)/ income	(2,590)	(1,762)	10,361	(3,020)	(4,014)	(345)	1,403	(33)	–	–
Net interest income	15,961	9,316	10,599	8,878	6,703	1,249	18,883	2,493	–	74,082
Net fee and commission income	1,811	1,152	2,166	971	693	147	11,521	888	–	19,349
Other net income (Note (i))	743	228	283	170	66	17	9,169	1,549	–	12,225
Operating income	18,515	10,696	13,048	10,019	7,462	1,413	39,573	4,930	–	105,656
Operating expense										
— depreciation and amortisation	(488)	(366)	(442)	(309)	(375)	(101)	(927)	(286)	–	(3,294)
— others	(4,308)	(2,548)	(3,591)	(2,426)	(2,234)	(509)	(5,165)	(1,338)	–	(22,119)
Credit impairment losses	(6,426)	(3,310)	(3,992)	(4,759)	(2,911)	(219)	(22,985)	(727)	–	(45,329)
Impairment (losses)/gains on other assets	(42)	–	(4)	(3)	(3)	–	–	11	–	(41)
Revaluation gains on investment properties	–	–	–	–	–	–	–	22	–	22
Share of gains/(losses) of associates and joint ventures	–	–	–	–	–	–	128	(100)	–	28
Profit before tax	7,251	4,472	5,019	2,522	1,939	584	10,624	2,512	–	34,923
Income tax										(5,443)
Profit for the period										29,480
Capital expenditure	49	60	66	49	34	14	432	107	–	811

	30 June 2021									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
Segment assets	1,776,024	929,676	1,696,430	773,451	634,273	116,351	3,239,206	372,228	(1,773,141)	7,764,498
Interest in associates and joint ventures	–	–	–	–	–	–	5,071	521	–	5,592
Deferred tax assets										46,239
Total assets										7,816,329
Segment liabilities	1,510,014	766,065	1,481,814	696,837	558,040	107,895	3,530,980	294,111	(1,745,841)	7,199,915
Deferred tax liabilities										8
Total liabilities										7,199,923
Off-balance sheet credit commitments	284,385	180,713	161,703	210,873	113,795	16,095	676,961	28,432	–	1,672,957

(Amounts in millions of Renminbi unless otherwise stated)

51 Segment reporting (Continued)

(b) Geographical segments (Continued)

	Six months ended 30 June 2020									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
External net interest income	15,468	7,621	718	10,375	9,430	1,199	26,768	2,345	–	73,924
Internal net interest (expense)/ income	(1,399)	379	9,426	(2,683)	(3,407)	(191)	(2,053)	(72)	–	–
Net interest income	14,069	8,000	10,144	7,692	6,023	1,008	24,715	2,273	–	73,924
Net fee and commission income	1,565	1,307	2,134	868	753	174	8,901	665	–	16,367
Other net income (Note (i))	459	130	212	139	97	28	10,014	830	–	11,909
Operating income	16,093	9,437	12,490	8,699	6,873	1,210	43,630	3,768	–	102,200
Operating expense										
— depreciation and amortisation	(466)	(383)	(443)	(336)	(400)	(108)	(653)	(280)	–	(3,069)
— others	(3,698)	(2,547)	(3,422)	(2,273)	(1,970)	(455)	(4,778)	(1,463)	–	(20,606)
Credit impairment losses	(5,954)	(3,630)	(6,551)	(4,204)	(9,334)	(1,041)	(16,049)	(466)	–	(47,229)
Impairment (losses)/gains on other assets	(187)	–	(3)	(291)	(19)	–	–	4	–	(496)
Revaluation losses on investment properties	–	–	–	–	–	–	–	(34)	–	(34)
Share of gains/(losses) of associates and joint ventures	–	–	–	–	–	–	71	(91)	–	(20)
Profit before tax	5,788	2,877	2,071	1,595	(4,850)	(394)	22,221	1,438	–	30,746
Income tax										(4,782)
Profit for the period										25,964
Capital expenditure	58	44	42	56	96	11	422	149	–	878

	31 December 2020									
	Yangtze River Delta	Pearl River Delta and West Strait	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Elimination	Total
Segment assets	1,599,863	886,996	1,756,340	715,464	621,509	131,475	3,137,279	353,870	(1,739,222)	7,463,574
Interest in associates and joint ventures	–	–	–	–	–	–	5,154	520	–	5,674
Deferred tax assets										41,913
Total assets										7,511,161
Segment liabilities	1,266,058	719,506	1,541,035	629,772	537,319	108,995	3,565,035	295,314	(1,711,922)	6,951,112
Deferred tax liabilities										11
Total liabilities										6,951,123
Off-balance sheet credit commitments	230,352	157,359	147,496	186,161	100,423	17,223	616,546	21,457	–	1,477,017

Note:

(i) Other net income consists of net trading gain, net gain from investment securities, net hedging gain and other operating income.

52 Financial risk management

This section presents information about the Group's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments:

— **Credit risk** Credit risk represents the potential loss that may arise from the failure of a customer or counterparty to meet its contractual obligations or commitments to the Group.

— **Market risk** Market risk arises from unfavourable changes in market prices (interest rate, exchange rate, stock price or commodity price) that lead to a loss of on-balance sheet or off-balance sheet business in the Group.

— **Liquidity risk** Liquidity risk arises when the Group, in meeting the demand of liabilities due and other payment obligations as well as the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds.

— **Operational risk** Operational risk arises from inappropriate or problematic internal procedures, personnel, IT systems, or external events, such risk includes legal risk, but excluding strategic risk and reputational risk.

The Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems. The Group regularly modifies and enhances its risk management policies and systems to reflect changes in markets, products and best practice risk management processes. Internal auditors also perform regular audits to ensure compliance with relevant policies and procedures.

(a) Credit risk

Credit risk management

Credit risk refers to the risk of loss caused by default of debtor or counterparty. Credit risk also occurs when the Group makes unauthorised or inappropriate loans and advances to customers, financial commitments or investments. The credit risk exposure of the Group mainly arises from the Group's loan and advance to customers, treasury businesses and off-balance sheet items.

The Group has standardised management on the entire credit business process including loan application and its investigation, approval and granting of loan, and monitoring of non-performing loans. Through strictly standardising the credit business process, strengthening the whole process management of pre-loan investigation, credit rating and credit granting, examination and approval, loan review and post-loan monitoring, improving the risk of slow-release of collateral, accelerating the disposal of non-performing loans, and promoting the upgrading and transformation of credit management system, the credit risk management of the Group has been comprehensively improved.

The Group writes off the recoverable financial asset when it cannot reasonably expect to recover all or part of the asset. Signs indicating that the recoverable amount cannot be reasonably expected include: (1) the enforcement has been terminated, and (2) the Group's recovery method is to confiscate and dispose of the collateral, but the expected value of the collateral cannot cover the entire principal and interest.

In addition to the credit risk to the Group caused by credit assets, the Group manages the credit risk for treasury businesses through prudently selecting peers and other financial institutions with comparable credit levels as counterparties, balancing credit risk with returns on investment, comprehensively considering internal and external credit rating information, granting credit hierarchy, and using credit management system to review and adjust credit commitments on a timely basis, etc. In addition, the Group provides off-balance sheet commitment and guarantee businesses to customers, so it is possible for the Group to make payment on behalf of the customer in case of customer's default and bear risks similar to the loan. Therefore, the Group applies similar risk control procedures and policies to such business to reduce the credit risk.

52 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses

The Group adopts the "expected credit loss model" on its debt instruments which are classified as financial assets of debt instruments and off balance sheet credit assets measured at amortised cost and at fair value through other comprehensive income in accordance with the provisions of IFRS 9.

For financial assets that are included in the measurement of expected credit losses, the Group evaluates whether the credit risks of related financial assets have increased significantly since the initial recognition. The "three-stage" impairment model is used to measure their allowances for impairment losses respectively to recognise expected credit losses and their movements:

Stage 1: Financial instruments with no significant increase in credit risk since initial recognition will be classified as "stage 1" and the Group continuously monitors their credit risk. The loss allowances of financial instruments in stage 1 is measured based on the expected credit losses in the next 12 months, which represents the proportion of the expected credit losses in the lifetime due to possible default events in the next 12 months.

Stage 2: If there is a significant increase in credit risk from initial recognition, the Group transfers the related financial instruments to stage 2, but it will not be considered as credit-impaired instruments. The expected credit losses of financial instruments in stage 2 is measured based on the lifetime expected credit losses.

Stage 3: If there is a significant impairment in financial instruments, it will be moved to stage 3. The expected credit losses of financial instruments in stage 3 is measured based on the lifetime expected credit losses.

Purchased or originated credit-impaired financial assets refers to financial assets that are credit-impaired at initial recognition. Allowance for impairment losses on these assets are the lifetime expected credit losses.

The Group measures the ECL for financial assets through testing models, which includes risk parameters model and discounted cash flows model. The risk parameters model method is applicable to the financial assets in stage 1 and 2. Both the risk parameter model and discounted cash flows model are applicable to the stage 3 financial assets.

The Group has established models including different key economic indicators is established with the new actual default rate of regression model, and use the prediction results and historic default information adjustment coefficient calculation, then realise the provisions for forward-looking adjustment.

The discounted cash flow model is used to calculate the impairment allowance for an asset based on the regular forecasts of the future cash flows of the asset. At each measurement date, the Group makes forecasts of the future cash inflows of the asset in different periods and in different scenarios, applies probability weightings to obtain the weighted averages of the future cash flows, applies appropriate discount rates to the weighted averages and adds these discounted weighted average to obtain the present value of the future cash inflows.

52 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (Continued)

The Group estimate the ECL in accordance with the IFRS 9, the key judgments and assumptions adopted by the Group are as follows:

(1) Significant increase in credit risk

On each balance sheet date, the Group evaluates whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition. When one or more on quantitative or qualitative threshold, or upper limit are triggered, the credit risk of financial instruments would be considered as increased significantly.

By setting quantitative and qualitative threshold, and upper limit, the Group determines whether the credit risk of financial instruments has increased significantly since initial recognition. The judgment mainly includes (1) credit risk of borrowers declining to Grade 15 or below since initial recognition; (2) adverse changes in business, financial or operating conditions of borrowers and in economic conditions; (3) significant increase in other credit risk. For the borrowers who are 30 days (exclusive) to 90 days (inclusive) past due on their contractual payments (including principal and interest), the Group considers that their credit risk has increased significantly and classifies them to stage 2.

After the outbreak of COVID-19, China has adopted various measures to continuously control and prevent the disease across the country. In accordance with the policies of the central government and regulatory policies and in light of its credit management needs, the Group has developed detailed assessment criteria and as well as relevant relief measures for its clients affected by the disease. For clients applying for loan extensions, the Group made prudential assessment of their repayment ability; for those meeting the criteria of the relief policies, the Bank provided relief to them in the form of deferred interest payment and by making favorable adjustments to their repayment schedules. In addition, the Group performed individual and collective assessments of these clients to assess whether there had been a significant increase in their credit risk.

52 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (Continued)

(2) Definition of credit-impaired assets

When credit impairment occurred, the Group defines that the financial asset is in default. In general, a financial asset that is overdue for more than 90 days is considered to be in default.

When one or more events that significant adversely affect the expected future cash flow of a financial asset occurs, the financial asset becomes a credit-impaired financial asset. Evidence of credit-impaired financial assets includes the following observable information:

- The issuer or borrower is in significant financial difficulties
- The borrower is in breach of financial covenant(s) such as default or overdue in repayment of interests or principal etc
- The creditor gives the debtor no concession under any other circumstances, for economic or contractual reasons relating to the debtor's financial difficulties
- It is becoming probably that the borrower will enter bankruptcy or other debt restructuring
- An active market for that financial asset has disappeared because of financial difficulties from issuer or borrower
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses

The Group's default definition has been consistently applied to the modeling of default probability, default risk exposure and default loss rate in the Group's ECL calculation process.

(3) Inputs for measurement of expected credit losses

The expected credit loss is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred or whether an asset is considered to be credit-impaired. Related definitions are as follows

- The probability of default represents the likelihood of a borrower defaulting on its financial obligations, either over the next 12 months or over the remaining lifetime of the obligation.
- Loss given default ("LGD") represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim, and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default and is calculated on a 12-month or lifetime basis.
- Exposure at default ("EAD") is based on the amounts that the Group expects to be owned at the time of default, over the next 12 months or over the remaining lifetime of the obligation.

The Group regularly monitors and reviews the assumptions related to the calculation of ECL, including the PD and the change in the value of collateral over time.

The Group separates exposures with similar risk characteristics into groups and collectively estimates their risk parameters, including PDs, LGDs, and EADs. In the first half of 2021, based on data accumulation, the Group optimized and updated relevant models and parameters. The Group has obtained sufficient information to ensure its statistical reliability. The Group makes allowances for its expected credit losses based on on-going assessment of and follow-up on changes in its customers and their financial assets on an individual basis.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (Continued)

(4) *Forward-looking information*

The assessment of significant increase in credit risk and the calculation of expected credit losses both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each asset portfolio.

These economic variables and their associated impact on the probability of default vary by financial instruments. Expert judgment has also been applied in this process, forecasts of these economic variables are estimated by the experts of the Group on a quarterly basis, and the impact of these economic variables on the probability of default and the exposure at default was determined by statistical regression analysis.

In addition to the neutral economic scenario, the Group determine the possible scenarios and their weightings by a combination of statistical analysis and expert judgment. The Group measures expected credit losses as either a probability weighted 12 months expected credit losses (stage 1) or a probability weight lifetime expected credit losses (stage 2 and stage 3). These probability-weighted expected credit losses are determined by running each scenario through the relevant expected credit losses model and multiplying it by the appropriate scenario weighting.

Macroeconomic scenario and weighting information

The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio. The Group considers internal and external data, experts prediction, and the best estimation of future, to determine the weightings in positive, neutral and negative scenarios. Neutral is defined as the most likely to happen in the future, as compared to other scenarios. Positive scenario and negative scenario represents the possible scenario that is better off or worse off scenario compared to neutral scenario respectively.

In the first half of 2021, the Group has considered different macroeconomic scenarios, and the key macroeconomic scenario assumptions in estimating ECL are set out below:

Variables	**Range**
Industrial Added Valuer	5.00%~9.00%
Total Retail Sales of Consumer Goods	9.00%~20.00%
Broad Money Supply (M2)	7.00%~14.00%

Currently, the weighting of neutral scenario is equal to the sum of the weightings of other scenarios. Following this assessment, the Group measures ECL as a weighted average probability of ECL in the next 12-month under the three scenarios for Stage 1 financial instruments; and a weighted average probability of lifetime ECL for Stage 2 and 3 financial instruments.

Considering the portfolios that cannot be modeled by regression, such as those with extremely low default rate or without appropriate internal rating data, the group mainly adopts the expected loss ratio of similar portfolios with established regression models, in order to expand the coverage of the existing ECL model.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (Continued)

(5) Sensitivity information and management overlay

The change of the inputs for measurement of ECL and forward-looking information impact the assessment of significant increase in credit risk and measurement of credit loss.

As at 30 June 2021, assuming a 10% increase in the weighting of the optimistic scenario and a 10% decrease in the weighting of the neutral scenario, the group's credit impairment losses will be reduced by no more than 5% of the current credit impairment losses; assuming a 10% increase in the weighting of the optimistic scenario and a 10% decrease in the weighting of the neutral scenario, the group's credit impairment losses will increase by no more than 5% of the current credit impairment losses.

As at 30 June 2021, an assumption of 5% increase in all macroeconomic factors would result in a decrease of no more than 10% of the current impairment loss allowances of the Group and the Bank, and an assumption of a 5% decrease in all macroeconomic factors would result in an increase of no more than 10% of the current impairment loss allowances of the Group and the Bank.

For new changes in the external macro-economic situation and national strategies not captured by the model, the Group has also considered and increased the allowances for expected credit losses to further improve its risk mitigation capacity, the impairment loss allowances increased in this way shall not exceed 5% of the current impairment loss allowances.

Allowance for impairment losses of performing loans and advances to customers consists of ECL from Stage 1 and Stage 2 which is measured based on 12 months ECL and lifetime ECL respectively. Loans and advances to customers in Stage 1 transfer to Stage 2 when there is a significant increase in credit risk. The following table presents the estimated impact as if the ECL of all performing loans and advances to customers are measured based on 12 months ECL, holding all other risk profile constant.

	30 June 2021	31 December 2020
Performing loans and advances to customers		
Allowance of impairment losses assuming performing loans and advances to customers are in Stage 1	**71,344**	70,009
Impact of stage transfers	**5,159**	3,101
Current allowance for impairment losses	**76,503**	73,110

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(i) *Maximum credit risk exposure*

The maximum exposure to credit risk at the reporting date without taking into consideration of any collateral held or other credit enhancement is represented by the net balance of each type of financial assets in the consolidated interim statement of financial position after deducting any allowance for impairment losses. A summary of the maximum exposure is as follows:

	30 June 2021				
	Stage 1	**Stage 2**	**Stage 3**	**Not applicable**	**Total**
Balances with central banks	**435,417**	**–**	**–**	**–**	**435,417**
Deposits with bank and non-bank financial institutions	**92,339**	**–**	**–**	**–**	**92,339**
Placements with and loans to banks and non-bank financial institutions	**142,801**	**–**	**–**	**–**	**142,801**
Derivative financial assets	**–**	**–**	**–**	**25,281**	**25,281**
Financial assets held under resale agreements	**97,963**	**–**	**–**	**–**	**97,963**
Loans and advances to customers	**4,486,829**	**77,755**	**23,585**	**–**	**4,588,169**
Financial investments					
— at fair value through profit or loss	**–**	**–**	**–**	**495,232**	**495,232**
— at amortised cost	**1,054,270**	**3,263**	**27,491**	**–**	**1,085,024**
— at fair value through other comprehensive income	**648,656**	**124**	**425**	**–**	**649,205**
— designated at fair value through other comprehensive income	**–**	**–**	**–**	**4,365**	**4,365**
Other financial assets	**13,358**	**6,038**	**2,609**	**–**	**22,005**
Subtotal	**6,971,633**	**87,180**	**54,110**	**524,878**	**7,637,801**
Credit commitments	**1,671,835**	**821**	**269**	**–**	**1,672,925**
Maximum credit risk exposure	**8,643,468**	**88,001**	**54,379**	**524,878**	**9,310,726**

	31 December 2020				
	Stage 1	Stage 2	Stage 3	Not applicable	Total
Balances with central banks	429,218	–	–	–	429,218
Deposits with bank and non-bank financial institutions	133,392	–	–	–	133,392
Placements with and loans to banks and non-bank financial institutions	168,380	–	–	–	168,380
Derivative financial assets	–	–	–	40,064	40,064
Financial assets held under resale agreements	111,110	–	–	–	111,110
Loans and advances to customers	4,253,422	74,042	25,608	7,124	4,360,196
Financial investments					
— at fair value through profit or loss	–	–	–	405,632	405,632
— at amortised cost	937,552	3,818	18,046	–	959,416
— at fair value through other comprehensive income	723,505	132	487	–	724,124
— designated at fair value through other comprehensive income	–	–	–	3,560	3,560
Other financial assets	19,002	3,450	733	–	23,185
Subtotal	6,775,581	81,442	44,874	456,380	7,358,277
Credit commitments	1,476,141	888	92	–	1,477,121
Maximum credit risk exposure	8,251,722	82,330	44,966	456,380	8,835,398

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(i) Maximum credit risk exposure (Continued)

According to the quality of assets, the Group classified the credit rating of the financial assets as risk level 1, risk level 2, risk level 3 and default. "Risk level 1" refers to customers who have competitive advantages among local peers with good foundations, outstanding operation results, strong operational and financial strength, and/or good corporate governance structure. "Risk level 2" refers to customers who are in the middle tier among local peers with fair foundations, fair operation results, fair operational and financial strength, and/or fair corporate governance structure. "Risk level 3" refers to customers who are in the lower-tier among local peers, with weak foundations, poor operation results, poor operational and financial strength, and/or deficiency in corporate governance structure. The definition of "Default" is same as the definition of credit-impaired. The credit rating is used for internal risk management.

The following table provides an analysis of loans and advances to customers and financial investments that are included in the ECL assessment according to the credit risk level. The book value of the following financial assets is the Group's maximum exposure to credit risk for these assets.

	30 June 2021						
	Risk level 1	Risk level 2	Risk level 3	Default	Subtotal	Allowance for impairment losses	Net balance
Loans and advances to customers (Note(i))							
Stage 1	3,646,342	823,131	65,728	–	4,535,201	(48,372)	4,486,829
Stage 2	723	26,305	78,408	–	105,436	(27,681)	77,755
Stage 3	–	–	–	80,885	80,885	(57,300)	23,585
Financial investments at amortised cost							
Stage 1	777,853	269,038	11,875	–	1,058,766	(4,496)	1,054,270
Stage 2	–	1,091	3,968	–	5,059	(1,796)	3,263
Stage 3 (Note(ii))	–	–	–	47,071	47,071	(19,580)	27,491
Financial investments at fair value through other comprehensive income							
Stage 1	391,378	257,278	–	–	648,656	(1,306)	648,656
Stage 2	–	124	–	–	124	(1)	124
Stage 3	–	–	–	425	425	(981)	425
Maximum credit risk exposure	4,816,296	1,376,967	159,979	128,381	6,481,623	(161,513)	6,322,398

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(i) Maximum credit risk exposure (Continued)

	31 December 2020						
	Risk level 1	Risk level 2	Risk level 3	Default	Subtotal	Allowance for impairment losses	Net balance
Loans and advances to customers (Note(i))							
Stage 1	3,447,373	782,522	66,723	–	4,296,618	(43,196)	4,253,422
Stage 2	821	23,518	79,226	–	103,565	(29,523)	74,042
Stage 3	–	–	–	78,592	78,592	(52,984)	25,608
Financial investments at amortised cost							
Stage 1	711,830	229,100	–	–	940,930	(3,378)	937,552
Stage 2	–	1,596	2,722	–	4,318	(500)	3,818
Stage 3 (Note(ii))	–	–	–	27,938	27,938	(9,892)	18,046
Financial investments at fair value through other comprehensive income							
Stage 1	480,351	243,154	–	–	723,505	(1,503)	723,505
Stage 2	132	–	–	–	132	(1)	132
Stage 3	–	–	–	487	487	(1,147)	487
Maximum credit risk exposure	4,640,507	1,279,890	148,671	107,017	6,176,085	(142,124)	6,036,612

Note:

(i) Loans and advances to customers include loans and advances to customers measured at fair value through other comprehensive income, and its corresponding impairment are not included include in the "Allowance for impairment losses" as shown in the table.

(ii) Claims in Stage 3 mainly represent investment management products and trust investment plans (Note 50(a)(viii)).

(ii) Measurement of expected credit losses

The following table shows the movement in carrying value of loans and advances to customers in current reporting period:

	Six months ended 30 June 2021		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2021	**4,296,618**	**103,565**	**78,592**
Movements			
Net transfers out from Stage 1	**(65,949)**	**–**	**–**
Net transfers in to Stage 2	**–**	**26,717**	**–**
Net transfers in to Stage 3	**–**	**–**	**39,232**
Net transactions incurred during the period (Note(i))	**293,187**	**(23,741)**	**(7,348)**
Write-off	**–**	**–**	**(29,677)**
Others (Note(ii))	**11,345**	**(1,105)**	**86**
As at 30 June 2021	**4,535,201**	**105,436**	**80,885**

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Measurement of expected credit losses (Continued)

	Year ended 31 December 2020		
	Stage 1	Stage 2	Stage 3
As at 1 January 2020	3,834,362	97,218	69,596
Movements			
Net transfers out from Stage 1	(122,850)	–	–
Net transfers in to Stage 2	–	21,769	–
Net transfers in to Stage 3	–	–	101,081
Net transactions incurred during the year (Note(i))	595,704	(14,205)	(22,769)
Write-off	–	–	(69,129)
Others (Note(ii))	(10,598)	(1,217)	(187)
As at 31 December 2020	4,296,618	103,565	78,592

The following table shows the movement in carrying value of financial investment in current reporting period:

	Six months ended 30 June 2021		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2021	**1,664,435**	**4,450**	**28,425**
Movements			
Net transfers out from Stage 1	**(5,594)**	**–**	**–**
Net transfers in to Stage 2	**–**	**3,364**	**–**
Net transfers in to Stage 3	**–**	**–**	**2,230**
Net transactions incurred during the period (Note(i))	**46,938**	**(2,488)**	**16,726**
Write-off	**–**	**–**	**–**
Others (Note(ii))	**1,643**	**(143)**	**115**
As at 30 June 2021	**1,707,422**	**5,183**	**47,496**

	Year ended 31 December 2020		
	Stage 1	Stage 2	Stage 3
As at 1 January 2020	1,539,977	10,915	8,898
Movements			
Net transfers out from Stage 1	(3,337)	–	–
Net transfers out from Stage 2	–	(1,540)	–
Net transfers in to Stage 3	–	–	4,877
Net transactions incurred during the year (Note(i))	131,136	(5,041)	15,073
Write-off	–	–	(453)
Others (Note(ii))	(3,341)	116	30
As at 31 December 2020	1,664,435	4,450	28,425

Notes:

(i) Net transactions incurred during the period/year mainly includes changes in carrying amount due to newly originated, purchased or de-recognition excepting for write-off.

(ii) Others include movement of accrued interest, and effect of exchange differences.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Measurement of expected credit losses (Continued)

The following table shows the movement in allowance for impairment of loans and advances to customers in current reporting period:

	Six months ended 30 June 2021		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2021	**43,734**	**29,527**	**52,990**
Movements (Note(i))			
Net transfers out from Stage 1	**(2,350)**	**–**	**–**
Net transfers in to Stage 2	**–**	**191**	**–**
Net transfers in to Stage 3	**–**	**–**	**26,492**
Net transactions incurred during the period (Note(ii))	**5,990**	**(4,871)**	**(1,116)**
Changes in parameters for the period (Note(iii))	**1,748**	**2,870**	**3,139**
Write-off	**–**	**–**	**(29,677)**
Others (Note(iv))	**(148)**	**(7)**	**5,518**
As at 30 June 2021	**48,974**	**27,710**	**57,346**

The following table shows the movement in allowance for impairment of loans and advances to customers in previous reporting period:

	Year ended 31 December 2020		
	Stage 1	Stage 2	Stage 3
As at 1 January 2020	36,015	26,088	53,853
Movements (Note(i))			
Net transfers out from Stage 1	(3,367)	–	–
Net transfers in to Stage 2	–	879	–
Net transfers in to Stage 3	–	–	45,021
Net transactions incurred during the year (Note(ii))	10,575	(4,962)	(3,043)
Changes in parameters for the year (Note(iii))	165	7,668	16,349
Write-off	–	–	(69,129)
Others (Note (iv))	346	(146)	9,939
As at 31 December 2020	43,734	29,527	52,990

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(ii) Measurement of expected credit losses (Continued)

The following table shows the movement in allowance for impairment of financial investment in current reporting period:

	Six months ended 30 June 2021		
	Stage 1	**Stage 2**	**Stage 3**
As at 1 January 2021	**4,881**	**501**	**11,039**
Movements (Note(i))			
Net transfers out from Stage 1	**(225)**	**–**	**–**
Net transfers in to Stage 2	**–**	**735**	**–**
Net transfers in to Stage 3	**–**	**–**	**277**
Net transactions incurred during the period(Note(ii))	**555**	**(780)**	**9,447**
Changes in parameters for the period (Note(iii))	**(312)**	**1,338**	**(199)**
Write-off	**–**	**–**	**–**
Others (Note(iv))	**903**	**3**	**(3)**
As at 30 June 2021	**5,802**	**1,797**	**20,561**

The following table shows the movement in allowance for impairment of financial investment in previous reporting period:

	Year ended 31 December 2020		
	Stage 1	Stage 2	Stage 3
As at 1 January 2020	4,945	337	3,125
Movements (Note(i))			
Net transfers out from Stage 1	(55)	–	–
Net transfers out from Stage 2	–	(27)	–
Net transfers in to Stage 3	–	–	1,408
Net transactions incurred during the year (Note(ii))	96	(152)	3,931
Changes in parameters for the year (Note(iii))	(85)	343	3,034
Write-off	–	–	(453)
Others (Note (iv))	(20)	–	(6)
As at 31 December 2020	4,881	501	11,039

Notes:

(i) Movements in allowance for impairment during the period/year mainly include the impact of stage changes on the measurement of ECLs.

(ii) Net transactions incurred during the period/year mainly includes changes in allowance for impairment due to financial assets newly originated, purchased or derecognised (excluding write-offs).

(iii) Changes in parameters mainly include changes in risk exposures and impacts on ECLs due to changes in PDs and LGDs following regular updates on modelling parameters rather than stages movements.

(iv) Others include allowance changes of accrued interest, recovery of financial assets written off and the effect of exchange rate changes.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(iii) Loans and advances to customers analysed by industry sector:

	30 June 2021			31 December 2020		
	Gross balance	%	Loans and advances secured by collateral	Gross balance	%	Loans and advances secured by collateral
Corporate loans						
— rental and business services	**442,795**	**9.4**	**197,229**	413,523	9.2	199,937
— water, environment and public utility management	**369,339**	**7.8**	**141,049**	339,006	7.6	135,038
— manufacturing	**344,126**	**7.3**	**155,238**	326,803	7.3	153,858
— real estate	**296,726**	**6.3**	**253,957**	287,608	6.4	245,771
— wholesale and retail	**159,070**	**3.4**	**102,244**	156,957	3.5	103,455
— transportation, storage and postal services	**146,688**	**3.1**	**76,539**	134,379	3.0	73,948
— construction	**114,927**	**2.4**	**61,672**	99,894	2.2	55,028
— production and supply of electric power, gas and water	**97,004**	**2.1**	**51,035**	86,006	1.9	42,704
— public management and social organisations	**11,498**	**0.2**	**1,566**	10,701	0.2	770
— others	**346,939**	**7.3**	**123,954**	315,523	7.0	119,119
Subtotal	**2,329,112**	**49.3**	**1,164,483**	2,170,400	48.3	1,129,628
Personal loans	**1,974,106**	**41.8**	**1,326,050**	1,891,900	42.2	1,301,553
Discounted bills	**405,403**	**8.6**	**–**	411,007	9.2	–
Accrued interest	**12,901**	**0.3**	**–**	12,592	0.3	–
Gross loans and advances to customers	**4,721,522**	**100.0**	**2,490,533**	4,485,899	100.0	2,431,181

(iv) Loans and advances to customers analysed by geographical sector:

	30 June 2021			31 December 2020		
	Gross balance	%	Loans and advances secured by collateral	Gross balance	%	Loans and advances secured by collateral
Bohai Rim (including Head Office)	**1,271,120**	**26.9**	**435,437**	1,269,385	28.3	426,551
Yangtze River Delta	**1,192,159**	**25.2**	**683,636**	1,089,758	24.3	661,154
Pearl River Delta and West Strait	**717,119**	**15.2**	**527,204**	681,024	15.2	516,328
Central	**666,840**	**14.1**	**366,267**	612,438	13.7	355,493
Western	**564,345**	**12.0**	**329,893**	544,949	12.1	326,333
Northeastern	**95,034**	**2.0**	**61,223**	89,167	2.0	60,338
Outside Mainland China	**202,004**	**4.3**	**86,873**	186,586	4.1	84,984
Accrued interest	**12,901**	**0.3**	**–**	12,592	0.3	–
Total	**4,721,522**	**100.0**	**2,490,533**	4,485,899	100.0	2,431,181

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(v) *Loans and advances to customers analysed by type of security*

	30 June 2021	31 December 2020
Unsecured loans	**1,265,202**	1,118,670
Guaranteed loans	**547,483**	512,449
Secured loans	**2,490,533**	2,431,181
— loans secured by collateral	**1,997,059**	1,979,989
— pledged loans	**493,474**	451,192
Subtotal	**4,303,218**	4,062,300
Discounted bills	**405,403**	411,007
Accrued interest	**12,901**	12,592
Gross loans and advances to customers	**4,721,522**	4,485,899

(vi) *Rescheduled loans and advances to customers*

	30 June 2021		31 December 2020	
	Gross balance	**% of total loans and advances**	Gross balance	% of total loans and advances
Rescheduled loans and advances	**20,814**	**0.44%**	22,030	0.49%
— rescheduled loans and advances overdue more than 3 months	**10,719**	**0.23%**	14,174	0.32%

Rescheduled loans and advances are those loans and advances to customers which have been restructured or renegotiated after their credit condition declined. And for the purpose of management, the group reorganises the loans that have been classified as bad under the premise of satisfying credit enhancement, aiming at the deterioration of the borrower's financial position before the loan matures.

(vii) *Debt securities analysed by credit rating*

The Group adopts a credit rating approach to manage credit risk of its debt instruments portfolio. The ratings are obtained from major rating agencies where the debt instruments are issued. As at 30 June 2021 and 31 December 2020, debt instruments investments analysed by rating are as follows:

	30 June 2021					
	Unrated (Note (i))	**AAA**	**AA**	**A**	**Below A**	**Total**
Debt securities issued by:						
— governments	**644,986**	**221,342**	**11,837**	**8,809**	**10**	**886,984**
— policy banks	**115,700**	**–**	**–**	**6,028**	**–**	**121,728**
— public entities	**–**	**–**	**1,832**	**5**	**–**	**1,837**
— banks and non-bank financial institutions	**90,366**	**330,625**	**6,394**	**23,775**	**6,809**	**457,969**
— corporates	**47,481**	**23,438**	**7,436**	**11,930**	**14,461**	**104,746**
Investment management products managed by securities companies	**66,900**	**–**	**–**	**–**	**–**	**66,900**
Trust investment plans	**213,344**	**–**	**–**	**–**	**–**	**213,344**
Total	**1,178,777**	**575,405**	**27,499**	**50,547**	**21,280**	**1,853,508**

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(a) Credit risk (Continued)

(vii) Debt securities analysed by credit rating (Continued)

	31 December 2020					
	Unrated (Note (i))	AAA	AA	A	Below A	Total
Debt securities issued by:						
— governments	593,075	225,197	13,536	5,350	10	837,168
— policy banks	114,669	–	–	5,860	–	120,529
— public entities	8	–	1,965	5	23	2,001
— banks and non-bank financial institutions	58,546	346,741	4,675	24,808	7,335	442,105
— corporates	44,691	27,445	7,728	12,201	10,596	102,661
Investment management products managed by securities companies	102,318	–	–	–	–	102,318
Trust investment plans	182,086	–	–	–	–	182,086
Total	1,095,393	599,383	27,904	48,224	17,964	1,788,868

Note:

(i) Unrated debt securities held by the Group are investment management products managed by securities companies, trust investment plans, bonds issued primarily by the Chinese government, policy banks, banks and non-bank financial institutions.

(viii) Investment management products managed by securities companies and trust investment plans analysed by type of underlying assets

	30 June 2021	31 December 2020
Investment management products managed by securities companies and trust investment plans		
— credit assets	**288,808**	260,555
— rediscounted bills	**10,837**	34,298
Total	**299,645**	294,853

The Group divides investment management products managed by securities companies and trust investment plans into comprehensive credit management system, to manage its credit risk exposure in a holistic manner. The type of collateral of credit assets includes guarantee, security by collateral, and pledge.

52 Financial risk management (Continued)

(b) Market risk

Market risk refers to risks that may cause a loss of on-balance sheet and off-balance sheet businesses for the Group due to the adverse movement of market prices, including interest rates, foreign exchange rates, stock prices and commodity prices. The Group has established a market risk management system that formulates procedures to identify, measure, supervision and control market risks. This system aims to limit market risk to an acceptable level through examining and approving new products and limit management.

Risk and Internal Control Committee of the Group is responsible for approving market risk management policies, establishing appropriate organisational structure and information systems to effectively identify, measure, monitor and control market risks, and ensuring adequate resources to reinforce the market risk management. The Risk Management Department is responsible for independently managing and controlling market risks of the Group, including developing market risk management policies and authorisation limits, providing independent report of market risk to identify, measure and monitor the Group's market risk. Business departments are responsible for the day-to-day management of market risks, including effectively identifying, measuring, controlling market risk factors associated with the relevant operations, so as to ensure the dynamic balance between business development and risk undertaking.

The Group uses sensitivity analysis, foreign exchange exposure and interest rate re-pricing gap analysis as the primary instruments to monitor market risk.

Interest rate risk and currency risk are the major market risks that the Group is exposed to.

Interest rate risk

The Group's interest rate exposures mainly arise from the mismatching of assets and liabilities' re-pricing dates, as well as the effect of interest rate volatility on trading positions.

The Group primarily uses gap analysis to assess and monitor its re-pricing risk and adjust the ratio of floating and fixed rate exposures, the loan re-pricing cycle, as well as optimise the term structure of its deposits accordingly.

The Group implements various methods, such as duration analysis, sensitivity analysis, stress testing and scenario simulation, to measure, manage and report the interest rate risk on a regular basis.

The following tables summaries the average interest rates, and the next re-pricing dates or contractual maturity date whichever is earlier for the assets and liabilities as at the end of each reporting date.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

	30 June 2021						
	Average interest rate (Note (i))	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one and five years	More than five years
Assets							
Cash and balances with central banks	1.50%	441,162	25,466	415,696	–	–	–
Deposits with banks and non-bank financial institutions	1.93%	92,339	2,408	43,182	46,749	–	–
Placements with and loans to banks and non-bank financial institutions	1.92%	142,801	1,276	74,105	60,220	7,200	–
Financial assets held under resale agreements	1.91%	97,963	11	97,952	–	–	–
Loans and advances to customers (Note (ii))	5.05%	4,588,169	13,085	1,824,682	2,487,425	256,233	6,744
Financial investments							
— at fair value through profit or loss		495,232	367,507	42,154	50,363	26,692	8,516
— at amortised cost	3.71%	1,085,024	9,675	79,233	158,889	556,368	280,859
— at fair value through other comprehensive income	3.11%	649,205	5,953	63,437	128,366	347,020	104,429
— designated at fair value through other comprehensive income		4,365	4,365	–	–	–	–
Others		220,069	220,069	–	–	–	–
Total assets		7,816,329	649,815	2,640,441	2,932,012	1,193,513	400,548
Liabilities							
Borrowings from central banks	3.01%	243,206	4,540	70,700	167,966	–	–
Deposits from banks and non-bank financial institutions	2.52%	1,095,523	5,781	812,978	276,764	–	–
Placements from banks and non-bank financial institutions	2.46%	67,801	300	36,654	28,664	1,922	261
Financial liabilities at fair value through profit or loss		777	777	–	–	–	–
Financial assets sold under repurchase agreements	2.22%	69,158	1	48,064	21,093	–	–
Deposits from customers	1.99%	4,711,500	71,257	3,232,811	700,552	706,843	37
Debt securities issued	3.16%	901,735	3,805	170,047	516,865	101,046	109,972
Lease liability	4.42%	10,165	–	822	2,328	5,848	1,167
Others		100,058	100,058	–	–	–	–
Total liabilities		7,199,923	186,519	4,372,076	1,714,232	815,659	111,437
Interest rate gap		616,406	463,296	(1,731,635)	1,217,780	377,854	289,111

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

	31 December 2020						
	Average interest rate (Note (i))	Total	Non-interest bearing	Less than three months	Between three months and one years	Between one and five year	More than five years
Assets							
Cash and balances with central banks	1.51%	435,169	19,013	416,156	–	–	–
Deposits with banks and non-bank financial institutions	2.19%	133,392	437	99,947	33,008	–	–
Placements with and loans to banks and non-bank financial institutions	1.90%	168,380	1,358	104,955	55,86	76,200	–
Financial assets held under resale agreements	1.62%	111,110	12	111,098	–	–	–
Loans and advances to customers (Note (ii))	5.31%	4,360,196	12,441	2,762,743	1,360,509	212,950	11,553
Financial investments							
— at fair value through profit or loss		405,632	288,749	55,957	37,944	14,036	8,946
— at amortised cost	4.00%	959,416	10,357	55,805	129,048	483,533	280,673
— at fair value through other comprehensive income	3.22%	724,124	6,554	88,146	134,983	398,216	96,225
— designated at fair value through other comprehensive income		3,560	3,560	–	–	–	–
Others		210,182	210,182	–	–	–	–
Total assets		7,511,161	552,663	3,694,807	1,751,359	1,114,935	397,397
Liabilities							
Borrowing from central banks	3.25%	224,391	–	9,279	215,112	–	–
Deposits from banks and non-bank financial institutions	2.36%	1,163,641	3,508	868,561	291,572	–	–
Placements from banks and non-bank financial institutions	2.39%	57,756	201	19,560	32,187	5,808	–
Financial liabilities at fair value through profit or loss		8,654	8,409	–	–	94	151
Financial assets sold under repurchase agreements	2.03%	75,271	–	62,078	13,193	–	–
Deposits from customers	2.10%	4,572,286	65,645	3,230,793	551,612	724,210	26
Debt securities issued	3.13%	732,958	2,773	194,831	348,184	77,200	109,970
Lease liabilities	4.55%	10,504	770	784	2,075	5,688	1,187
Others		105,662	105,662	–	–	–	–
Total liabilities		6,951,123	186,968	4,385,886	1,453,935	813,000	111,334
Interest rate gap		560,038	365,695	(691,079)	297,424	301,935	286,063

Notes:

(i) Average interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities during the year.

(ii) For loans and advances to customers, the "Less than three months" category includes overdue amounts (net of allowance for impairment losses) of RMB38,312 million as at 30 June 2021 (as at 31 December 2020: RMB36,526 million).

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income. The following table sets forth the results of the Group's interest rate sensitivity analysis as at 30 June 2021 and 31 December 2020.

	30 June 2021		31 December 2020	
	Net interest Income	**Other comprehensive income**	Net interest income	Other comprehensive income
+100 basis points	**(8,183)**	**(5,198)**	(4,680)	(4,708)
-100 basis points	**8,183**	**5,198**	4,680	4,708

This sensitivity analysis is based on a static interest rate risk profile of the Group's non-derivative assets and liabilities and certain assumptions as discussed below. The analysis measures only the impact of changes in interest rates within one year, showing how annualised interest income would have been affected by repricing of the Group's non-derivative assets and liabilities within the one-year period. The analysis is based on the following assumptions: (i) all assets and liabilities that reprice or mature within the three months bracket, and the after three months but within one year bracket are both reprice or mature at the beginning of the respective periods, (ii) it does not reflect the potential impact of unparalleled yield curve movements, and (iii) there are no other changes to the portfolio, all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's net interest income and other comprehensive income resulted from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

Currency risk

Currency risk arises from the potential change of exchange rates that cause a loss to the on-balance sheet and off-balance sheet business of the Group. The Group measures its currency risk with foreign currency exposures, and manages its currency risk by spot and forward foreign exchange transactions and matching its foreign currency denominated assets with corresponding liabilities in the same currency, as well as using derivative financial instruments, mainly foreign exchange swaps, to manage its exposure.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(b) Market risk (Continued)

Currency risk (Continued)

The exposures at the reporting date were as follows:

	30 June 2021				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and balances with central banks	424,745	15,652	546	219	441,162
Deposits with banks and non-bank financial institutions	64,027	19,402	5,557	3,353	92,339
Placements with and loans to banks and non-bank financial institutions	69,860	55,215	16,599	1,127	142,801
Financial assets held under resale agreements	97,530	433	–	–	97,963
Loans and advances to customers	4,296,996	149,375	114,605	27,193	4,588,169
Financial investments					
— at fair value through profit or loss	483,720	8,775	2,683	54	495,232
— at amortised cost	1,079,585	946	–	4,493	1,085,024
— at fair value through other comprehensive income	559,110	67,823	14,709	7,563	649,205
— designated at fair value through other comprehensive income	3,942	202	221	–	4,365
Others	203,478	6,835	9,048	708	220,069
Total assets	7,282,993	324,658	163,968	44,710	7,816,329
Liabilities					
Borrowings from central banks	243,206	–	–	–	243,206
Deposits from banks and non-bank financial institutions	1,086,696	6,736	1,825	266	1,095,523
Placements from banks and non-bank financial institutions	46,072	14,462	6,862	405	67,801
Financial liabilities at fair value through profit or loss	354	423	–	–	777
Financial assets sold under repurchase agreements	67,562	1,596	–	–	69,158
Deposits from customers	4,283,710	254,535	151,395	21,860	4,711,500
Debt securities issued	885,297	16,438	–	–	901,735
Lease liability	9,544	14	443	164	10,165
Others	91,042	3,688	4,976	352	100,058
Total liabilities	6,713,483	297,892	165,501	23,047	7,199,923
Net on-balance sheet position	569,510	26,766	(1,533)	21,663	616,406
Credit commitments	1,570,503	87,203	6,016	9,203	1,672,925
Derivatives (Note (i))	(4,162)	(10,911)	36,972	(21,428)	471

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(b) Market risk (Continued)

Currency risk (Continued)

	31 December 2020				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and balances with central banks	421,605	12,678	648	238	435,169
Deposits with banks and non-bank financial institutions	74,840	42,776	7,461	8,315	133,392
Placements with and loans to banks and non-bank financial institutions	89,233	64,482	13,194	1,471	168,380
Financial assets held under resale agreements	110,964	146	–	–	111,110
Loans and advances to customers	4,096,592	134,953	103,010	25,641	4,360,196
Financial investments					
— at fair value through profit or loss	391,754	13,167	711	–	405,632
— at amortised cost	954,051	943	–	4,422	959,416
— at fair value through other comprehensive income	635,191	64,566	17,353	7,014	724,124
— designated at fair value through other comprehensive income	3,021	447	92	–	3,560
Others	202,101	2,894	4,372	815	210,182
Total assets	6,979,352	337,052	146,841	47,916	7,511,161
Liabilities					
Borrowings from central banks	224,391	–	–	–	224,391
Deposits from banks and non-bank financial institutions	1,155,765	6,698	1,035	143	1,163,641
Placements from banks and non-bank financial institutions	45,224	10,949	904	679	57,756
Financial liabilities at fair value through profit or loss	8,407	246	1	–	8,654
Financial assets sold under repurchase agreements	75,271	–	–	–	75,271
Deposits from customers	4,140,522	256,705	153,292	21,767	4,572,286
Debt securities issued	723,118	9,840	–	–	732,958
Lease liabilities	9,828	20	478	178	10,504
Others	100,756	2,188	2,452	266	105,662
Total liabilities	6,483,282	286,646	158,162	23,033	6,951,123
Net on-balance sheet position	496,070	50,406	(11,321)	24,883	560,038
Credit commitments	1,393,096	71,704	3,599	8,722	1,477,121
Derivatives (Note (i))	21,081	(39,417)	40,847	(18,375)	4,136

Note:

(i) Derivatives represent the net notional amount of currency derivatives, including undelivered foreign exchange spot, foreign exchange forward, foreign exchange swap and currency option.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(b) Market risk (Continued)

Currency risk (Continued)

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's profit or loss and other comprehensive income. The following table sets forth, as at 30 June 2021 and 31 December 2020, the results of the Group's foreign exchange rate sensitivity analysis.

	30 June 2021		31 December 2020	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
5% appreciation	**2,514**	**63**	2,326	25
5% depreciation	**(2,514)**	**(63)**	(2,326)	(25)

This sensitivity analysis is based on a static foreign exchange exposure profile of assets and liabilities and certain assumptions as follows: (i) the foreign exchange sensitivity is the gain and loss recognised as a result of 500 basis point fluctuation in the foreign currency exchange rates against RMB at the reporting date, (ii) the exchange rates against RMB for all foreign currencies change in the same direction simultaneously and does not take into account the correlation effect of changes in different foreign currencies, and (iii) the foreign exchange exposures calculated include both spot foreign exchange exposures, foreign exchange derivative instruments, and; all positions will be retained and rolled over upon maturity. The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's profit and other comprehensive income resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis. Precious metal is included in foreign currency for the purpose of this sensitivity analysis.

52 Financial risk management (Continued)

(c) Liquidity risk

Liquidity risk arises when the Group, in meeting the demand of liabilities due and other payment obligations as well as the needs of business expansion, is unable to sufficiently, timely or cost-effectively acquire funds. The Group's liquidity risk arises mainly from the mismatch of assets to liabilities and customers may concentrate their withdrawals.

The Group has implemented overall liquidity risk management on the entity level. The headquarters has the responsibility for developing the entire Group's liquidity risk policies, strategies, and implements centralised management of liquidity risk on the entity level. The domestic and foreign affiliates develop their own liquidity policies and procedures within the Group's liquidity strategy management framework, based on the requirements of relevant regulatory bodies.

The Group manages liquidity risk by setting various indicators and operational limits according to the overall position of the Group's assets and liabilities, with referencing to market condition. The Group holds assets with high liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The tools that the Group uses to measure and monitor liquidity risk mainly include:

— Liquidity gap analysis

— Liquidity indicators (including but not limited to regulated and internal managed indicators, such as liquidity coverage ratio, loan-to-deposit ratio, liquidity ratio, liquidity gap rate, excess reserves rate) monitoring

— Scenario analysis

— Stress testing

On this basis, the Group establishes regular reporting mechanisms for liquidity risk to report the latest situation of liquidity risk to the senior management on a timely basis.

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(c) Liquidity risk (Continued)

Analysis of the remaining contractual maturity of assets and liabilities

	30 June 2021						
	Repayable on demand	Within 3 months	Between three months and one year	Between one and five years	More than five years	Undated (Note(i))	Total
Assets							
Cash and balances with central banks	46,685	1,036	644	–	–	392,797	441,162
Deposits with banks and non-bank financial institutions	43,970	4,993	43,376	–	–	–	92,339
Placements with and loans to banks and non-bank financial institutions	–	74,489	61,089	7,223	–	–	142,801
Financial assets held under resale agreements	–	97,963	–	–	–	–	97,963
Loans and advances to customers (Note (ii))	15,826	762,928	1,067,023	923,860	1,796,695	21,837	4,588,169
Financial investments							
— at fair value through profit or loss	–	42,192	50,457	26,878	8,665	367,040	495,232
— at amortised cost	–	69,958	154,067	552,852	280,328	27,819	1,085,024
— at fair value through other comprehensive income	–	54,994	132,775	356,143	104,936	357	649,205
— designated at fair value through other comprehensive income	–	–	–	–	–	4,365	4,365
Others	81,311	11,824	20,988	48,334	63	57,549	220,069
Total assets	187,792	1,120,377	1,530,419	1,915,290	2,190,687	871,764	7,816,329
Liabilities							
Borrowings from central banks	–	75,240	167,966	–	–	–	243,206
Deposits from banks and non-bank financial institutions	675,266	140,959	279,298	–	–	–	1,095,523
Placements from banks and non-bank financial institutions	–	36,975	28,693	1,872	261	–	67,801
Financial liabilities at fair value through profit or loss	323	–	–	52	402	–	777
Financial assets sold under repurchase agreements	–	48,065	21,093	–	–	–	69,158
Deposits from customers	2,363,787	940,189	700,614	706,873	37	–	4,711,500
Debt securities issued	–	170,047	516,865	101,592	113,231	–	901,735
Lease liability	–	821	2,328	5,849	1,167	–	10,165
Others	54,838	10,017	6,767	14,163	56	14,217	100,058
Total liabilities	3,094,214	1,422,313	1,723,624	830,401	115,154	14,217	7,199,923
(Short)/long position	(2,906,422)	(301,936)	(193,205)	1,084,889	2,075,533	857,547	616,406

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(c) Liquidity risk (Continued)

Analysis of the remaining contractual maturity of assets and liabilities (Continued)

	31 December 2020						
	Repayable on demand	Within 3 months	Between three months and one year	Between one and five years	More than five years	Undated (Note(i))	Total
Assets							
Cash and balances with central banks	63,328	800	2,400	–	–	368,641	435,169
Deposits with banks and non-bank financial institutions	75,188	24,712	33,244	–	–	248	133,392
Placements with and loans to banks and non-bank financial institutions	–	105,477	56,703	6,200	–	–	168,380
Financial assets held under resale agreements	–	111,110	–	–	–	–	111,110
Loans and advances to customers (Note (ii))	18,656	804,134	1,143,277	993,925	1,341,365	58,839	4,360,196
Financial investments							
— at fair value through profit or loss	–	55,773	38,050	14,227	16,291	281,291	405,632
— at amortised cost	–	50,108	130,307	482,226	280,614	16,161	959,416
— at fair value through other comprehensive income	–	77,111	140,707	409,237	96,828	241	724,124
— designated at fair value through other comprehensive income	–	–	–	–	–	3,560	3,560
Others	57,267	20,407	13,288	47,002	12	72,206	210,182
Total assets	214,439	1,249,632	1,557,976	1,952,817	1,735,110	801,187	7,511,161
Liabilities							
Borrowings from central banks	–	9,279	215,112	–	–	–	224,391
Deposits from banks and non-bank financial institutions	649,009	222,181	292,451	–	–	–	1,163,641
Placements from banks and non-bank financial institutions	–	19,535	32,383	5,838	–	–	57,756
Financial liabilities at fair value through profit or loss	8,407	–	–	95	152	–	8,654
Financial assets sold under repurchase agreements	–	62,078	13,193	–	–	–	75,271
Deposits from customers	2,336,210	959,918	551,760	723,780	618	–	4,572,286
Debt securities issued	–	194,832	348,184	78,176	111,766	–	732,958
Lease liabilities	152	840	2,254	6,057	1,201	–	10,504
Others	53,334	11,947	15,980	13,030	595	10,776	105,662
Total liabilities	3,047,112	1,480,610	1,471,317	826,976	114,332	10,776	6,951,123
(Short)/long position	(2,832,673)	(230,978)	86,659	1,125,841	1,620,778	790,411	560,038

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The tables below present the cash flows of the Group of financial assets and financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flow

	30 June 2021						
	Repayable on demand	Within 3 months	Three months and one year	One and five years	More than five years	Undated (Note(i))	Total
Non-derivative cash flow							
Assets							
Cash and balances with central banks	46,685	2,461	5,078	–	–	392,797	447,021
Deposits with banks and non-bank financial institutions	43,970	7,135	44,244	–	–	–	95,349
Placements with and loans to banks and non-bank financial institutions	–	75,398	62,079	7,623	–	–	145,100
Financial assets held under resale agreements	–	97,980	–	–	–	–	97,980
Loans and advances to customers (Note (ii))	15,826	807,581	1,169,055	1,243,286	2,355,208	28,606	5,619,562
Financial investments							
— at fair value through profit or loss	–	43,759	52,447	29,310	10,756	367,094	503,366
— at amortised cost	–	82,521	180,793	641,785	343,347	31,421	1,279,867
— at fair value through other comprehensive income	–	59,744	147,149	396,400	121,465	726	725,484
— designated at fair value through other comprehensive income	–	–	–	–	–	4,365	4,365
Others	81,311	11,824	20,988	48,334	63	57,549	220,069
Total assets	187,792	1,188,403	1,681,833	2,366,738	2,830,839	882,558	9,138,163
Liabilities							
Borrowings from central banks	–	75,240	413,600	–	–	–	488,840
Deposits from banks and non-bank financial institutions	675,266	135,062	293,550	–	–	–	1,103,878
Placements from banks and non-bank financial institutions	–	36,984	28,693	1,872	261	–	67,810
Financial liabilities at fair value through profit or loss	323	3	5	78	428	–	837
Financial assets sold under repurchase agreements	–	48,065	21,526	–	–	–	69,591
Deposits from customers	2,363,787	953,971	742,934	781,718	40	–	4,842,450
Debt securities issued	–	170,047	547,121	122,471	126,114	–	965,753
Lease liability	–	826	2,387	6,515	1,577	–	11,305
Others	54,838	10,017	6,767	14,163	56	14,217	100,058
Total liabilities	3,094,214	1,430,215	2,056,583	926,817	128,476	14,217	7,650,522
(Short)/long position	(2,906,422)	(241,812)	(374,750)	1,439,921	2,702,363	868,341	1,487,641
Derivative cash flow	–	217	940	112	100	(21)	1,348
Derivative financial instrument settled on a net basis	–	13	(66)	225	27	6	205
Derivative financial instruments settled on a gross basis	–	204	1,006	(113)	73	(27)	1,143
— cash inflow	–	991,757	769,398	209,500	36,451	1,358	2,008,464
— cash outflow	–	(991,553)	(768,392)	(209,613)	(36,378)	(1,385)	(2,007,321)

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The tables below present the cash flows of the Group of financial assets and financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flow (Continued)

	31 December 2020						
	Repayable on demand	Within 3 months	Between three months and one year	Between one and five years	More than five years	Undated (Note(i))	Total
Non-derivative cash flow							
Assets							
Cash and balances with central banks	63,328	2,130	6,725	–	–	368,641	440,824
Deposits with banks and non-bank financial institutions	75,188	24,810	33,952	–	–	247	134,197
Placements with and loans to banks and non-bank financial institutions	–	105,477	57,359	6,671	–	–	169,507
Financial assets held under resale agreements	–	111,189	–	–	–	–	111,189
Loans and advances to customers (Notes(ii))	18,656	841,335	1,231,659	1,311,192	1,902,131	64,825	5,369,798
Financial investments							
— at fair value through profit or loss	–	56,338	39,118	15,832	26,747	288,439	426,474
— at amortised cost	–	58,178	157,147	568,997	345,119	16,986	1,146,427
— at fair value through other comprehensive income	–	81,277	157,226	453,336	114,489	243	806,571
— designated at fair value through other comprehensive income	–	–	–	–	–	3,560	3,560
Others	57,267	20,407	13,288	47,002	12	72,206	210,182
Total assets	214,439	1,301,141	1,696,474	2,403,030	2,388,498	815,147	8,818,729
Liabilities							
Borrowings from central banks	–	9,279	215,112	–	–	–	224,391
Deposits from banks and non-bank financial institutions	649,009	227,113	306,660	–	–	–	1,182,782
Placements from banks and non-bank financial institutions	–	19,534	32,450	5,838	–	–	57,822
Financial liabilities at fair value through profit or loss	8,407	–	–	95	152	–	8,654
Financial assets sold under repurchase agreements	–	62,768	13,284	–	–	–	76,052
Deposits from customers	2,336,210	976,063	585,805	807,178	622	–	4,705,878
Debt securities issued	–	199,534	362,483	101,272	128,910	–	792,199
Lease liabilities	152	843	2,315	6,779	1,638	–	11,727
Others	53,334	11,947	15,980	13,030	595	10,776	105,662
Total liabilities	3,047,112	1,507,081	1,534,089	934,192	131,917	10,776	7,165,167
(Short)/long position	(2,832,673)	(205,940)	162,385	1,468,838	2,256,581	804,371	1,653,562
Derivative cash flow	–	284,989	4,599	554	(50)	–	290,092
Derivative financial instrument settled on a net basis	–	(107)	113	434	(30)	–	410
Derivative financial instruments settled on a gross basis	–	285,096	4,486	120	(20)	–	289,682
— cash inflow	–	939,873	784,841	86,237	1,201	–	1,812,152
— cash outflow	–	(654,777)	(780,355)	(86,117)	(1,221)	–	(1,522,470)

(Amounts in millions of Renminbi unless otherwise stated)

52 Financial risk management (Continued)

(c) Liquidity risk (Continued)

Credit commitments include bank acceptances, credit card commitments, guarantees, loan commitments and letters of credit. The tables below summarise the amounts of credit commitments by remaining contractual maturity.

	30 June 2021			
	Less than 1 year	**1-5 years**	**Over 5 years**	**Total**
Bank acceptances	**619,093**	**41**	**–**	**619,134**
Credit card commitments	**678,301**	**6,735**	**92**	**685,128**
Guarantees	**64,880**	**51,701**	**708**	**117,289**
Loan commitments	**5,143**	**10,773**	**30,049**	**45,965**
Letters of credit	**204,113**	**1,293**	**3**	**205,409**
Total	**1,571,530**	**70,543**	**30,852**	**1,672,925**

	31 December 2020			
	Less than 1 year	1-5 years	Over 5 years	Total
Bank acceptances	559,073	–	–	559,073
Credit card commitments	617,329	6,118	31	623,478
Guarantees	72,565	46,311	865	119,741
Loan commitments	4,743	13,306	31,583	49,632
Letters of credit	125,026	171	–	125,197
Total	1,378,736	65,906	32,479	1,477,121

Notes:

(i) For cash and balances with central banks, the undated period amount represented statutory deposit reserve funds and fiscal deposits maintained with the PBOC. For loans and advances to customers and investments, the undated period amount represented the balances being credit-impaired or overdue for more than one month. Equity investments were also reported under undated period.

(ii) The balances of loans and advances to customers which were overdue within one month but not impaired are included in repayable on demand.

52 Financial risk management (Continued)

(d) Operational risk

Operational risk refers to the risk of loss arising from inappropriate or problematic internal procedures, personnel, IT systems, or external events, including legal risk, but excluding strategy risk and reputational risk.

The Group manages operational risk through a control-based environment by establishing a sound mechanism of operational risk management in order to identify, assess, monitor, control, mitigate and report operational risks. The framework covers all business functions ranging from finance, credit, accounting, settlement, savings, treasury, intermediary business, computer applications and management, special assets resolution and legal affairs. Key controls include:

– by establishing a matrix authorisation management system of the whole group, carrying out the annual unified authorisation work, and strictly restricting the institutions and personnel at all levels to carry out business activities within the scope of authority granted, the management requirements of prohibiting the overstepping of authority to engage in business activities were further clarified at the institutional level;

– through consistent legal responsibility framework, taking strict disciplinary actions against non-compliance in order to ensure accountability;

– promoting operational risk management culture throughout the organisation; building a team of operational risk management professionals. Through formal training and performance appraisal system in raising risk management awareness;

– strengthening cash and account management in accordance with the relevant policies and procedures, intensifying the monitoring of suspicious transactions. Ensure our staff are well-equipped with the necessary knowledge and basic skills on anti-money laundering through continuous training;

– backup systems and disaster recovery plans covering all the major activities, especially back office operations in order to minimise any unforeseen interruption. Insurance cover is arranged to mitigate potential losses associated with certain disruptive events.

In addition to the above, the Group improves its operational risk management information systems on an ongoing basis to efficiently identify, evaluate, monitor, control and report its level of operational risk. The Group's management information system has the functionalities of recording and capturing lost data and events of operational risk to further support operational risk control and self-assessment, as well as monitoring of key risk indicators.

53 Capital Adequacy Ratio

Capital adequacy ratio reflects the Group's operational and risk management capability and it is the core of capital management. The Group's capital management objectives are to meet the legal and regulatory requirements, and to prudently determine the capital adequacy ratio under realistic exposures with reference to the capital adequacy ratio levels of leading global banks and the Group's operating situations.

The Group considers its strategic development plans, business expansion plans and risk variables in conducting its scenario analysis, stress testing and other measures to forecast, plan and manage capital adequacy ratio.

The Group's management monitors its capital adequacy ratio regularly based on regulations promulgated by the CBIRC. The Group and the Bank respectively submit the required information to the CBIRC semi-annually and quarterly.

Since 1 January 2013, the Group has calculated its capital adequacy ratio in accordance with the requirements of the *Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)* issued by the CBIRC in 2012 and other relevant regulations. Since 1 January 2019, the Group has calculated default risk assets of counterparties in the trading of derivatives based on the *Rules for the Measurement of Default Risk Assets of Counterparties in the Trading of Derivatives* issued by the CBIRC in 2018. These calculation bases may be different from those adopted internationally and by other countries.

Under the "Regulation Governing Capital of Commercial Banks (provisional)", The Systematic important bank is required to meet the minimum core Tier-One capital adequacy ratio, Tier-One capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50%and 11.50%, respectively, by the end of 2018. The Non-systematic important bank is required to meet the minimum core Tier-One capital adequacy ratio, Tier-One capital adequacy ratio and capital adequacy ratio of 7.50%, 8.50% and 10.50%, respectively, by the end of 2018. In addition, overseas subsidiaries and branches are directly regulated by the respective local banking regulators and the requirements of capital adequacy ratios differ by country. During the period, the Group has complied in full with all its externally imposed capital requirements.

The capital adequacy ratios calculated in accordance with "Regulation Governing Capital of Commercial Banks (provisional)". According to the requirements, for credit risk, the capital requirement was measured using the weighting method. The market risk was measured by adopting the standardised approach and the operational risk was measured by using the basic indicator approach.

Relevant requirements promulgated by the CBIRC are listed as below.

(Amounts in millions of Renminbi unless otherwise stated)

53 Capital Adequacy Ratio (Continued)

	30 June 2021	31 December 2020
Core Tier-One capital adequacy ratio	**8.63%**	8.74%
Tier-One capital adequacy ratio	**10.71%**	10.18%
Capital adequacy ratio	**13.53%**	13.01%
Components of capital base		
Core Tier-One capital:		
Share capital	**48,935**	48,935
Capital reserve	**59,216**	59,216
Other comprehensive income and qualified portion of other equity instruments	**2,778**	3,244
Surplus reserve	**43,786**	43,786
General reserve	**90,831**	90,819
Retained earnings	**240,215**	223,625
Qualified portion of non-controlling interests	**5,304**	5,030
Total core Tier-One capital	**491,065**	474,655
Core Tier-One capital deductions:		
Goodwill (net of related deferred tax liability)	**(849)**	(860)
Other intangible assets other than land use right (net of related deferred tax liability)	**(2,328)**	(2,544)
Core Tier-One capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope	**–**	–
Net core Tier-One capital	**487,888**	471,251
Other Tier-One capital (Note (i))	**117,807**	77,710
Tier-One capital	**605,695**	548,961
Tier-Two capital:		
Qualified portion of Tier-Two capital instruments issued and share premium	**94,371**	98,757
Surplus allowance for loan impairment	**63,166**	52,647
Qualified portion of non-controlling interests	**1,382**	1,364
Net capital base	**764,614**	701,729
Total risk-weighted assets	**5,653,278**	5,393,248

Note:

(i) As at 30 June 2021, the Group's other Tier-One capital included preference shares, perpetual bonds issued by the Bank (Note 40) and non-controlling interests (Note 46).

54 Fair value

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 prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity instruments and debt instruments on exchanges and exchange-traded derivatives.

Level 2: Inputs other than quoted prices included within Level 1 are observable for assets or liabilities, either directly or indirectly. A majority of the debt securities classified as level 2 are Renminbi bonds. The fair values of these bonds are determined based on the evaluation results provided by China Central Depository & Clearing Corporate Limited. This level also includes partial bills rediscounting and forfeiting in loans and advances, partial Investment management products managed by securities companies and Trust investment plans, as well as a majority of over-the-counter derivative contracts. Foreign exchange forward and swaps, Interest rate swap, and foreign exchange options use discount cash flow evaluation method and the evaluation model of which includes Forward Pricing Model, Swap Model and Option Pricing Model. Bills rediscounting, forfeiting, Investment management products managed by securities companies and Trust investment plans use discount cash flow evaluation method to estimate fair value. Input parameters are sourced from the Open market such as Bloomberg and Reuters.

Level 3: Inputs for assets or liabilities are based on unobservable parameters. This level includes equity instruments and debt instruments with one or more than one significant unobservable parameters. Management determines the fair value through inquiring from counterparties or using the valuation techniques. The model incorporate unobservable parameters such as discount rate and market price volatilities.

The fair value of the Group's financial assets and financial liabilities are determined as follows:

— If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

— If not traded in active markets, fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. If there were no available observable current market transactions prices for similar instruments, quoted prices from counterparty is used for the valuation, and management performs analysis on these prices. Discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for derivatives other than options, and option pricing models are used for option derivatives.

The Group has established an independent valuation process for financial assets and financial liabilities. The Financial Market Department, the Financial Institution Department, and the Investment Bank Department are responsible for the fair valuation of financial assets and financial liabilities. The Risk Management Department performs an independent review of the valuation methodologies, inputs, assumptions and valuation results. The Operations Department records the accounting for these items according to the result generated from the valuation process and accounting policies. The Finance and Accounting Department prepares the disclosure of the financial assets and financial liabilities, based on the independently reviewed valuation.

The Group's valuation policies and procedures for different types of financial instruments are approved by the Risk Management Committee. Any change to the valuation policies, or the related procedures, must be reported to the Risk Management Committee for approval before they are implemented.

For the period ended 30 June 2021, there was no significant change in the valuation techniques or inputs used to determine fair value measurements.

(Amounts in millions of Renminbi unless otherwise stated)

54 Fair value (Continued)

(a) Financial assets and financial liabilities not measured at fair value

Financial assets and liabilities not carried at fair value of the Group include Cash and balances with central banks, Deposits with banks and non-bank financial institutions, Placements with and loans to banks and non-bank financial institutions, Financial assets held under resale agreements, Loans and advances to customers at amortised cost, Financial investments at amortised cost, Held-to-maturity investments, Investments classified as receivables, Borrowings from central banks, Deposits from banks and non-bank financial institutions, Placements from banks and non-bank financial institutions, Financial assets sold under repurchase agreements, Deposits from customers and Debt securities issued.

Except for the items shown in the tables below, the maturity dates of aforesaid financial assets and liabilities are within a year or are mainly floating interest rates, as a result, their carrying amounts are approximately equal to their fair value.

	Carrying values		**Fair values**	
	30 June 2021	31 December 2020	**30 June 2021**	31 December 2020
Financial assets:				
Financial investments at amortised cost				
— at amortised cost	**1,085,024**	959,416	**1,095,440**	948,789
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	**1,229**	–	**1,228**	–
— debt securities issued	**58,991**	35,876	**58,530**	31,069
— subordinated bonds issued	**116,497**	115,077	**115,430**	116,129
— certificates of interbank deposit issued	**685,684**	543,008	**673,780**	536,947
— convertible corporate bonds issued	**39,334**	38,996	**42,384**	41,145

Fair value of financial assets and liabilities above at fair value hierarchy is as follows:

	30 June 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial investments				
— at amortised cost	**6,875**	**812,728**	**275,837**	**1,095,440**
Financial liabilities:				
Debt securities issued				
— certificates of deposit (not for trading purpose) issued	–	–	**1,228**	**1,228**
— debt securities issued	–	**58,53**	–	**58,530**
— subordinated bonds issued	**3,483**	**111,947**	–	**115,430**
— certificates of interbank deposit issued	–	**673,780**	–	**673,780**
— convertible corporate bonds issued	–	–	**42,384**	**42,384**

(Amounts in millions of Renminbi unless otherwise stated)

54 Fair value (Continued)

(a) Financial assets and financial liabilities not measured at fair value (Continued)

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial investment				
— at amortised cost	5,521	690,984	252,284	948,789
Financial liabilities:				
Debt securities issued				
— debt securities issued	–	31,069	–	31,069
— subordinated bonds issued	3,525	112,604	–	116,129
— certificates of interbank deposit issued	–	536,947	–	536,947
— convertible corporate bonds	–	–	41,145	41,145

(Amounts in millions of Renminbi unless otherwise stated)

54 Fair value (Continued)

(b) Financial assets and financial liabilities measured at fair value

	Level 1 (Note (i))	Level 2 (Note (i))	Level 3 (Note (ii))	Total
As at 30 June 2021				
Recurring fair value measurements				
Assets				
Loans and advances to customers at fair value through other comprehensive income				
— loans	–	27,756	–	27,756
— discounted bills	–	401,157	–	401,157
Loans and advances to customers at fair value through current profit or loss				
— personal loans	–	–	–	–
Financial investments at fair value through profit or loss				
— debt securities	5,580	80,473	408	86,461
— investment funds	124,951	224,976	14,736	364,663
— certificates of deposit	–	32,818	–	32,818
— wealth management products	–	1,406	325	1,731
— equity instruments	1,771	715	7,073	9,559
Financial investments at fair value through other comprehensive income				
— debt securities	92,575	534,747	593	627,915
— certificates of deposit	757	3,599	–	4,356
— investments management products managed by securities companies	–	10,837	–	10,837
Financial investments designated at fair value through other comprehensive income				
— equity instruments	299	–	4,066	4,365
Derivative financial assets				
— interest rate derivatives	1	7,107	–	7,108
— currency derivatives	16	17,557	–	17,573
— precious metals derivatives	–	600	–	600
Total financial assets measured at fair value	225,950	1,343,748	27,201	1,596,899
Liabilities				
Financial liabilities at fair value through profit or loss				
— short position in debt securities	296	158	–	454
— structured products	–	–	323	323
Derivative financial liabilities				
— interest rate derivatives	2	7,010	–	7,012
— currency derivatives	2	17,150	–	17,152
— precious metals derivatives	–	26	–	26
Total financial liabilities measured at fair value	300	24,344	323	24,967

(Amounts in millions of Renminbi unless otherwise stated)

54 Fair value (Continued)

(b) Financial assets and financial liabilities measured at fair value (Continued)

	Level 1 (Note (i))	Level 2 (Note (i))	Level 3 (Note (ii))	Total
As at 31 December 2020				
Recurring fair value measurements				
Assets				
Loans and advances to customers at fair value through other comprehensive income				
— loans	–	2,696	–	2,696
— discounted bills	–	408,707	–	408,707
Loans and advances to customers at fair value through current profit or loss				
— personal loans	–	–	7,124	7,124
Financial investments at fair value through profit or loss				
— debt securities	2,387	38,860	14,147	55,394
— investment funds	78,997	196,373	11,430	286,800
— certificates of deposit	–	49,934	–	49,934
— wealth management products	–	4,076	323	4,399
— equity instruments	1,946	–	7,159	9,105
Financial investments at fair value through other comprehensive income				
— debt securities	87,608	586,856	4,422	678,886
— certificates of deposit	402	3,968	–	4,370
— investments management products managed by securities companies	–	34,298	–	34,298
Financial investments designated at fair value through other comprehensive income				
— equity instruments	288	–	3,272	3,560
Derivative financial assets				
— interest rate derivatives	1	9,394	–	9,395
— currency derivatives	–	30,363	–	30,363
— precious metals derivatives	–	306	–	306
Total financial assets measured at fair value	171,629	1,365,831	47,877	1,585,337
Liabilities				
Financial liabilities at fair value through profit or loss				
— short position in debt securities	246	4,048	–	4,294
— structured products	–	–	4,360	4,360
Derivative financial liabilities				
— interest rate derivatives	1	9,137	–	9,138
— currency derivatives	161	30,427	–	30,588
— precious metals derivatives	–	83	–	83
Total financial liabilities measured at fair value	408	43,695	4,360	48,463

Notes:

(i) During the current year, there were no significant transfers amongst Level 1, Level 2 and Level 3 of the fair value hierarchy.

(Amounts in millions of Renminbi unless otherwise stated)

54 Fair value (Continued)

(b) Financial assets and financial liabilities measured at fair value (Continued)

(ii) The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in the Level 3 fair value hierarchy:

	Assets				Liabilities	
	Financial assets at fair value through profit or loss	**Financial assets at fair value through other comprehensive income**	**Financial assets designated at fair value through other comprehensive income**	**Total**	**Financial liabilities at fair value through profit or loss**	**Total**
As at 1 January 2021	**33,059**	**4,422**	**3,272**	**40,753**	**(4,360)**	**(4,360)**
Total gains or losses						
— in profit or loss	**71**	**(391)**	**1,070**	**750**	**–**	**–**
— in comprehensive income	**–**	**568**	**5**	**573**	**–**	**–**
Purchase	**2,516**	**259**	**421**	**3,196**	**–**	**–**
Settlements	**(13,104)**	**(4,288)**	**(546)**	**(17,938)**	**4,037**	**4,037**
Transfer in/out	**–**	**23**	**(156)**	**(133)**	**–**	**–**
Exchange effect	**–**	**–**	**–**	**–**	**–**	**–**
As at 30 June 2021	**22,542**	**593**	**4,066**	**27,201**	**(323)**	**(323)**

	Assets				Financial assets	
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets designated at fair value through other comprehensive income	Total	Financial liabilities at fair value through profit or loss	Total
As at 1 January 2020	30,730	13,248	2,708	46,686	(715)	(715)
Total gains or losses						
— in profit or loss	(519)	(60)	–	(579)	–	–
— in comprehensive income	–	1,638	(19)	1,619	–	–
Purchase	8,551	129	827	9,507	(3,645)	(3,645)
Settlements	(5,700)	(10,567)	(244)	(16,511)	–	–
Transfer in/out	–	34	–	34	–	–
Exchange effect	(3)	–	–	(3)	–	–
As at 31 December 2020	33,059	4,422	3,272	40,753	(4,360)	(4,360)

For unlisted equity investments, fund investments, bond investments, structured products, the Group determines the fair value through counterparties' quotations and valuation techniques, etc. Valuation techniques include discounted cash flow analysis and the market comparison approach, etc. The fair value measurement of these financial instruments may involve important unobservable inputs such as credit spread and liquidity discount, etc. The fair value of the financial instruments classified under level 3 is not significantly influenced by the reasonable changes in these unobservable inputs.

(Amounts in millions of Renminbi unless otherwise stated)

55 Related parties

(a) Relationship of related parties

(i) The Group is controlled by CITIC Corporation Limited (incorporated in Mainland China), which owns 65.37% of the Bank's shares. The ultimate parent of the Group is CITIC Group (incorporated in Mainland China).

(ii) Related parties of the Group include subsidiaries, joint ventures and associates of CITIC Corporation Limited and CITIC Group. The Bank entered into banking transactions with its subsidiaries at arm's length in the ordinary course of business. These transactions are eliminated on consolidation.

CNTC and Xinhu Zhongbao Co., Ltd. have a non-executive director on the Board of Directors of the Bank, which can exert significant influence on the Bank and constitute a related party of the Bank.

(b) Related party transactions

During the relevant years, the Group entered into transactions with related parties in the ordinary course of its banking businesses including lending, assets transfer (i.e. issuance of asset-backed securities in the form of public placement), wealth management, investment, deposit, settlement and clearing, off-balance sheet transactions, and purchase, sale and leases of property. These banking transactions were conducted under normal commercial terms and conditions and priced at the relevant market rates prevailing at the time of each transaction.

The major related party transaction between the Group and related parties are submitted in turn to the board of directors for deliberation, and the relevant announcements have been posted on the website of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the CITIC Bank.

In addition, transactions during the relevant year and the corresponding balances outstanding at the reporting dates are as follows:

	Six months ended 30 June 2021		
	Ultimate holding company and affiliates	**Other major equity holders and subsidiaries**	**Associates and joint ventures**
Profit and loss			
Interest income	**335**	**348**	**351**
Fee and commission income and other operating income/expense	**291**	**55**	**–**
Interest expense	**(919)**	**(1,427)**	**(19)**
Net trading (losses)/gains	**530**	**15**	**–**
Other service fees	**(1,325)**	**(49)**	

	Six months ended 30 June 2020		
	Ultimate holding company and affiliates	Other major equity holders and subsidiaries	Associates and joint ventures
Profit and loss			
Interest income	647	690	187
Fee and commission income and other operating income/expense	730	35	–
Interest expense	(438)	(663)	–
Net trading (losses)/gains	(110)	1	–
Other service fees	(766)	(1)	(1)

(Amounts in millions of Renminbi unless otherwise stated)

55 Related parties (Continued)

(b) Related party transactions (Continued)

	30 June 2021		
	Ultimate holding company and affiliates	Other major equity holders and subsidiaries	Associates and joint ventures
Assets			
Gross loans and advances to customers	17,479	14,530	–
Less: allowance for impairment losses on loans and advances	(766)	(311)	–
Loans and advances to customers (net)	16,713	14,219	–
Deposits with banks and non-bank financial institutions	–	–	20,460
Placements with and loans to banks and non-bank financial institutions	3,288	–	–
Derivative financial assets	943	3	–
Financial assets held under resale agreement	–	–	–
Financial investments			
— at fair value through profit or loss	28,730	–	–
— at amortised cost	724	50	–
— at fair value through other comprehensive income	645	383	–
Investments in associates and joint ventures	–	–	5,592
Right-of-use assets	148	5	–
Other assets	1,947	–	–
Liabilities			
Deposits from banks and non-bank financial institutions	50,222	5,725	1,974
Placements from banks and non-bank financial institutions	265	–	–
Trading financial liabilities	4	–	–
Derivative financial liabilities	347	4	–
Deposits from customers	45,450	118,790	384
Accrued staff costs	–	–	–
Lease liabilities	193	12	–
Other liabilities	63	–	–
Off-balance sheet items			
Guarantees and letters of credit	502	607	–
Acceptances	2,205	125	–
Nominal amount of derivative financial instruments	136,854	2,036	–

(Amounts in millions of Renminbi unless otherwise stated)

55 Related parties (Continued)

(b) Related party transactions (Continued)

	31 December 2020		
	Ultimate holding company and affiliates	Other major equity holders	Associates and joint ventures
Assets			
Gross loans and advances to customers	11,687	16,582	–
Less: allowance for impairment losses on loans and advances	(609)	(506)	–
Loans and advances to customers (net)	11,078	16,076	–
Deposits with banks and non-bank financial institutions	–	–	20,410
Placements with and loans to banks and non-bank financial institutions	2,611	–	–
Derivative financial assets	762	2	–
Investment in financial assets			
— at fair value through profit or loss	24,960	–	–
— at amortised cost	1,422	822	–
— at fair value through other comprehensive income	–	383	–
Investments in associates and joint ventures	–	–	5,674
Right-of-use assets	173	6	–
Other assets	3,698	7	–
Liabilities			
Deposits from banks and non-bank financial institutions	49,512	7,803	2,603
Placements from banks and non-bank financial institutions	2,667	–	–
Derivative financial liabilities	462	–	–
Deposits from customers	43,462	101,865	–
Employee benefits payable	9	–	–
Lease liability	173	5	–
Other liabilities	484	3,898	–
Off-balance sheet items			
Guarantees and letters of credit	252	607	–
Acceptances	2,084	927	–
Nominal amount of derivatives	91,309	200	–

Note:

(i) Other holding companies include China National Tobacco Corporation, Xinhu Zhongbao.

The related party transactions and balances between the Group and China National Tobacco Corporation, Xinhu Zhongbao disclosed above fell into the period when related party relationship exists. During the six-month period ended 30 June 2021, the transactions between the Group and the subsidiaries of China National Tobacco Corporation were not significant.

55 Related parties (Continued)

(c) Key management personnel and their close family members and related companies

Key management personnel are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and executive officers.

The Group entered into banking transactions with key management personnel and their close family members and those companies controlled or jointly controlled by them in the normal course of business. Other than those disclosed below, there was no material transactions and balances between the Group and these individuals, their close family members or those companies controlled or jointly controlled by them.

The aggregate amount of relevant loans outstanding as at 30 June 2021 to directors, supervisors and executive officers amounted to RMB1.12 million (as at 31 December 2020: RMB1.19 million).

The aggregated compensations for directors, supervisors and executive officers of the Bank during the six months ended 30 June 2021 amounted to RMB13.10 million (Six months ended 30 June 2020: RMB13.15 million).

(d) Supplementary defined contribution plan

The Group has established a supplementary defined contribution plan for its qualified employees which is administered by CITIC Group (Note 34(b)).

(e) Transactions with state-owned entities in the PRC

The Group operates in an economic regime currently predominated by entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations (collectively referred to as "state-owned entities").

Transactions with state-owned entities, including CNTC's indirect subsidiaries, include but are not limited to the following:

— lending and deposit taking;

— taking and placing of inter-bank balances;

— derivative transactions;

— entrusted lending and other custody services;

— insurance and securities agency, and other intermediary services;

— sale, purchase, underwriting and redemption of bonds issued by state-owned entities;

— purchase, sale and leases of property and other assets; and

— rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group has also established its pricing strategy and approval processes for major products and services, such as loans, deposits and commission income. The pricing strategy and approval processes do not depend on whether the customers are state-owned entities or not. The Directors are of opinion that none of these transactions are material related party transactions that require separate disclosure.

(Amounts in millions of Renminbi unless otherwise stated)

56 Structured entities

(a) Unconsolidated structured entities sponsored and managed by third parties

The Group invests in unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. These unconsolidated structured entities primarily include wealth management products, trust investment plans, investment management products, investment funds and asset-backed securities.

The following table sets out an analysis of the carrying amounts of interests held by the Group as at 30 June 2021 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the consolidated interim statement of financial position under which relevant assets are recognised:

	30 June 2021				
	Carrying amount				**Maximum loss exposure**
	Investments in financial assets at fair value through profit or loss	**Investments in financial assets at amortised costs**	**Investments in financial assets at fair value through other comprehensive income**	**Total**	
Wealth management product of other banks	**1,406**	**–**	**–**	**1,406**	**1,406**
Investment management products managed by securities companies	**–**	**60,196**	**10,837**	**71,033**	**71,033**
Trust investment plans	**–**	**228,612**	**–**	**228,612**	**228,612**
Asset-backed securities	**5,217**	**184,066**	**142,802**	**332,085**	**332,085**
Investment funds	**364,663**	**–**	**–**	**364,663**	**364,663**
Total	**371,286**	**472,874**	**153,639**	**997,799**	**997,799**

	31 December 2020				
	Carrying amount				Maximum loss exposure
	Investments in financial assets at fair value through profit or loss	Investments in financial assets at amortised costs	Investments in financial assets at fair value through other comprehensive income	Total	
Wealth management product of other banks	144	–	–	144	144
Investment management products managed by securities companies	–	70,038	34,298	104,336	104,336
Trust investment plans	–	190,517	–	190,517	190,517
Asset-backed securities	33	87,312	194,452	281,797	281,797
Investment funds	286,800	–	–	286,800	286,800
Total	286,977	347,867	228,750	863,594	863,594

The maximum exposures to risk in the above wealth management products, trust investment plans, investment management products, investment funds and asset-backed securities managed by securities companies and trust investment funds are the carrying value of the assets held by the Group at the reporting date. The maximum exposures to risk in the asset-backed securities are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items under which these assets are presented in the consolidated interim statement of financial position.

56 Structured entities (Continued)

(b) Unconsolidated structured entities sponsored and managed by the Group

Unconsolidated structured entities sponsored and managed by the Group mainly include non-principal guaranteed wealth management products. The wealth management products invest in a range of primarily fixed-rate assets, most typically money market instruments, debt securities and loan assets. As the manager of these wealth management products, the Group invests, on behalf of its customers, in assets as described in the investment plan related to each wealth management product and receives fee and commission income.

As at 30 June 2021, the total assets invested by these outstanding non-principal guaranteed wealth management products issued by the Group amounted to RMB1,354,428 million (31 December 2020: RMB1,287,095 million).

During the six months ended 30 June 2021, the Group's interest in these wealth management products included fee and commission income of RMB4,592 million (Six months ended 30 June 2020: RMB2,412 million); interest income of RMB568 million (Six months ended 30 June 2020: RMB509 million) and interest expense of RMB317 million (Six months ended 30 June 2020: RMB310 million).

As at 30 June 2021, the placements from the Group with these wealth management products sponsored by the Group amounted to RMB3,199 million (31 December 2020: RMB18,500 million), while the placements from these wealth management products to the Group of RMB3,198 million (31 December 2020: 254 million). During the six months ended 30 June 2021, the amount of maximum exposure of the placements from the Group with these wealth management products sponsored by the Group was RMB59,450 million (31 December 2020: RMB57,753 million). These transactions were conducted under normal business terms and conditions.

In order to achieve a smooth transition and steady development of the wealth management business, In the first half of 2021, in accordance with the requirements of the "Guiding Opinions on Regulating the Asset Management Business of Financial Institutions", the Group continue to promote net-value-based reporting of its asset management products and dispose of existing portfolios, and part of the wealth management investment assets from non-consolidated wealth management products to the balance sheet are included in financial investments.

As at 30 June 2021, assets of these wealth management products amounting to RMB105,370 million (31 December 2020: RMB113,014 million) were invested in investments in which certain subsidiaries and associates of the CITIC Group acted as trustees.

(c) Principal guaranteed wealth management products sponsored and managed by the Group

Principal guaranteed wealth management products sponsored and managed by the Group represent products to which the Group has guaranteed the investor's principal investment, regardless of their actual performance. Investments made by these products and the corresponding liabilities to the investors of these products are presented in the respective financial assets and financial liabilities items in accordance with the Group's accounting policies based on the nature of the assets and liabilities.

57 Transfers of financial assets

For the six months ended 30 June 2021, the Group entered into transactions which involved transfers of financial assets including securitisation transactions, structured transfers on assets usufruct, transfers of loans including non-performing loans, and performing loans.

These transactions were entered into in the normal course of business by which recognised financial assets were transferred to third parties or structured entities. Transfers of assets may give rise to full or partial derecognition of the financial assets concerned. On the other hand, where 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.

Details of the financial assets sold under repurchase agreements are set forth in Note 32. Details of securitisation transactions, structured transfers on assets usufruct and loan transfer transactions conducted by the Group for the six months ended 30 June 2021 totalled RMB30,719 million (Six months ended 30 June 2020: RMB23,583 million) are set forth below.

Securitisation transactions and structured transfers on assets usufruct

During the six months ended 30 June 2021, the Group, through securitisation and by restructuring the rights to receive cash flows, transferred financial assets at the original cost of RMB28,828 million (Six months ended 30 June 2020: RMB20,557 million). RMB21,028 million of this balance (Six months ended 30 June 2020: RMB8,057 million) was in respect of performing loans and the Group concluded that it had continuing involvement in these assets. The Group also recognised other assets and other liabilities of RMB2,228 million (Six months ended 30 June 2020: Nil) arising from such continuing involvement. The remaining balance of the loans transferred were qualified for full de-recognition.

Loan transfers

During the six months ended 30 June 2021, the Group also transferred loans of book value before impairment of RMB1,890 million through other types of transactions (Six months ended 30 June 2020: RMB3,026 million). RMB1,890 million of this balance (Six months ended 30 June 2020: RMB1,263 million) was non-performing loans. The Group carried out assessment based on the transfer of risks and rewards of ownership and concluded that these transferred assets qualified for full derecognition.

58 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated interim statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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

(Amounts in millions of Renminbi unless otherwise stated)

59 Interim statements of financial position and changes in equity of the Bank

Statement of financial position

	30 June 2021	31 December 2020
Assets		
Cash and balances with central banks	**439,284**	433,429
Deposits with banks and non-bank financial institutions	**74,455**	104,015
Precious metals	**5,741**	6,274
Placements with and loans to banks and non-bank financial institutions	**116,871**	150,807
Derivative financial assets	**18,105**	28,137
Financial assets held under resale agreements	**96,518**	110,649
Loans and advances to customers	**4,327,738**	4,126,163
Financial investments	**2,151,637**	2,010,301
— at fair value through profit or loss	**484,704**	393,736
— assets at amortised cost	**1,086,225**	959,324
— at fair value through other comprehensive income	**576,721**	654,085
— designated at fair value through other comprehensive income	**3,987**	3,156
Investments in subsidiaries and joint ventures	**32,320**	32,293
Property, plant and equipment	**32,649**	33,420
Right-of-use asset	**10,409**	10,890
Intangible assets	**1,750**	1,985
Deferred tax assets	**45,309**	40,941
Other assets	**84,528**	51,662
Total assets	**7,437,314**	7,140,966
Liabilities		
Borrowings from central banks	**243,040**	224,259
Deposits from banks and non-bank financial institutions	**1,094,938**	1,165,650
Placements from banks and non-bank financial institutions	**13,361**	12,016
Financial liabilities at fair value through profit or loss	**158**	4,047
Derivative financial liabilities	**17,251**	27,392
Financial assets sold under repurchase agreements	**67,562**	75,271
Deposits from customers	**4,447,450**	4,309,548
Accrued staff costs	**15,595**	19,122
Taxes payable	**7,352**	7,773
Debt securities issued	**897,240**	729,647
Lease liability	**9,555**	9,821
Provisions	**7,264**	7,094
Other liabilities	**35,138**	21,955
Total liabilities	**6,855,904**	6,613,595
Equity		
Share capital	**48,935**	48,935
Other equity instruments	**118,080**	78,083
Capital reserve	**61,598**	61,598
Other comprehensive income	**1,792**	1,577
Surplus reserve	**43,786**	43,786
General reserve	**89,856**	89,856
Retained earnings	**217,363**	203,536
Total equity	**581,410**	527,371
Total liabilities and equity	**7,437,314**	7,140,966

(Amounts in millions of Renminbi unless otherwise stated)

59 Interim statements of financial position and changes in equity of the Bank (Continued)

Statement of changes in equity

	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2021	48,935	78,083	61,598	1,577	43,786	89,856	203,536	527,371
(i) Profit for the period	–	–	–	–	–	–	26,256	26,256
(ii) Other comprehensive income	–	–	–	215	–	–	–	215
Total comprehensive income	–	–	–	215	–	–	26,256	26,471
(iii) Investor capital — Issue perpetual bonds	–	39,997	–	–	–	–	–	39,997
(iv) Profit appropriations — Dividend distribution to ordinary shareholders of the Bank	–	–	–	–	–	–	(12,429)	(12,429)
As at 30 June 2021	48,935	118,080	61,598	1,792	43,786	89,856	217,363	581,410

	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2020	48,935	78,083	61,359	6,332	39,009	80,648	184,459	498,825
(i) Profit for the period	–	–	–	–	–	–	24,860	24,860
(ii) Other comprehensive income	–	–	–	(1,403)	–	–	–	(1,403)
Total comprehensive income	–	–	–	(1,403)	–	–	24,860	23,457
(iii) Profit appropriations — Dividend distribution to ordinary shareholders of the Bank	–	–	–	–	–	–	(11,695)	(11,695)
As at 30 June 2020	48,935	78,083	61,359	4,929	39,009	80,648	197,624	510,587

(Amounts in millions of Renminbi unless otherwise stated)

59 Interim statements of financial position and changes in equity of the Bank (Continued)

Statement of changes in equity (Continued)

	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2020	48,935	78,083	61,359	6,332	39,009	80,648	184,459	498,825
(i) Net profit	–	–	–	–	–	–	47,767	47,767
(ii) Other comprehensive income	–	–	–	(4,755)	–	–	–	(4,755)
Total comprehensive income	–	–	–	(4,755)	–	–	47,767	43,012
(iii) Investor capital								
— Additional investments in joint ventures	–	–	239	–	–	–	–	239
(iv) Profit appropriations								
— Appropriations to surplus reserve	–	–	–	–	4,777	–	(4,777)	–
— Appropriations to general reserve	–	–	–	–	–	9,208	(9,208)	–
— Dividend distribution to ordinary shareholders of the bank	–	–	–	–	–	–	(11,695)	(11,695)
— Dividend distribution to preference shareholders of the bank	–	–	–	–	–	–	(1,330)	(1,330)
— Interest paid to holders of perpetual bonds	–	–	–	–	–	–	(1,680)	(1,680)
As at 31 December 2020	48,935	78,083	61,598	1,577	43,786	89,856	203,536	527,371

60 Events after the reporting period

On 25 August 2021, Board of Directors of the Bank concluded a resolution to distribute cash dividend of RMB3.8 per share to preferred shareholders on the basis of the agreed par dividend rate of 3.80%, amounting to about RMB1,330 million. The dividend distribution was accounted for as a non-adjustment event subsequent to the balance sheet date, and was not recognised in the liabilities for the period ended 30 June 2021.

61 Comparative data

Certain comparative data has been restated to conform to the presentation of the current year.

Chapter 9 Unaudited Supplementary Financial Information

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

The information set out below does not form part of the audited financial statements, and is included herein for information purposes only.

1 Difference between the financial report prepared under IFRSs and that prepared in accordance with PRC GAAP

China CITIC Bank Corporation (the "Bank") prepares consolidated interim financial statements, which includes the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed in the Shanghai Stock Exchange, the Group also prepares its consolidated interim financial statements for the six months ended 30 June 2021 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP").

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

2 Liquidity coverage ratio

	30 June 2021	31 December 2020
Liquidity coverage ratio	**117.31%**	135.14%

The liquidity coverage ratios were also in accordance with the Rules on Liquidity Risk Management of Commercial Banks (Provisional) issued by the CBIRC and applicable calculation requirements, and based on the data determined under the PRC GAAP.

3 Currency concentrations

	30 June 2021			
	US Dollars	**HK Dollars**	**Others**	**Total**
Spot assets	**324,658**	**163,968**	**44,710**	**533,336**
Spot liabilities	**297,892**	**165,501**	**23,047**	**486,440**
Forward purchases	**944,157**	**158,508**	**77,676**	**1,180,341**
Forward sales	**(956,425)**	**(121,639)**	**(99,005)**	**(1,177,069)**
Options	**1,357**	**102**	**(99)**	**1,360**
Net long position	**611,639**	**366,440**	**46,329**	**1,024,408**

	31 December 2020			
	US Dollars	HK Dollars	Others	Total
Spot assets	337,052	146,841	47,916	531,809
Spot liabilities	286,646	158,162	23,033	467,841
Forward purchases	896,323	142,145	16,902	1,055,370
Forward sales	(925,094)	(101,278)	(38,349)	(1,064,721)
Options	(10,618)	(21)	3,043	(7,596)
Net long position	584,309	345,849	52,545	982,703

(Expressed in millions of Renminbi unless otherwise stated)

4 International claims

International claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group is principally engaged in business operations within Mainland China, and regards all the claims on third parties outside Mainland China as cross border claims.

International claims include balances with central banks, deposits with banks and non-bank financial institutions, placements with and loans to banks and non-bank financial institutions, financial assets held for trading, financial assets designated at fair value through profit or loss, loans and advances to customers, financial assets held under resale agreements, available-for-sale financial assets, held-to-maturity investments and investments classified as receivables.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	30 June 2021			
	Banks	**Official sector**	**Non-bank private sector**	**Total**
Asia Pacific excluding Mainland China	**44,625**	**394**	**65,723**	**110,742**
— of which attributed to Hong Kong	**21,004**	**380**	**56,103**	**77,487**
Europe	**11,224**	**2**	**21,339**	**32,565**
North and South America	**19,585**	**47,545**	**82,134**	**149,264**
Africa	**55**	**–**	**–**	**55**
Total	**75,489**	**47,941**	**169,196**	**292,626**

	31 December 2020			
	Banks	Official sector	Non-bank private sector	Total
Asia Pacific excluding Mainland China	41,284	489	52,950	94,723
— of which attributed to Hong Kong	21,235	473	45,784	67,492
Europe	7,440	2	20,692	28,134
North and South America	42,684	44,136	69,167	155,987
Africa	355	–	–	355
Total	91,763	44,627	142,809	279,199

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

5 Overdue loans and advances to customers by geographical sectors

	30 June 2021		
	Gross loans and advances	**Loans and advances overdue over 3 months**	**Credit-impaired loans**
Bohai Rim (include Head Office)	**1,271,120**	**24,635**	**30,142**
Yangtze River Delta	**1,192,159**	**7,850**	**13,008**
Pearl River Delta and West Strait	**717,119**	**5,747**	**7,995**
Central	**666,840**	**6,785**	**11,074**
Western	**564,345**	**6,979**	**13,538**
Northeastern	**95,034**	**1,245**	**1,975**
Outside Mainland China	**202,004**	**2,646**	**2,972**
Accrued interest	**12,901**	**–**	**–**
Total	**4,721,522**	**55,887**	**80,704**

	31 December 2020		
	Gross loans and advances	Loans and advances overdue over 3 months	Impaired loans
Bohai Rim (include Head Office)	1,269,385	25,602	34,988
Yangtze River Delta	1,089,758	3,980	10,409
Pearl River Delta and West Strait	681,024	5,734	7,962
Central	612,438	6,717	9,587
Western	544,949	6,215	9,926
Northeastern	89,167	1,524	2,556
Outside Mainland China	186,586	2,903	2,984
Accrued interest	12,592	–	–
Total	4,485,899	52,675	78,412

(Expressed in millions of Renminbi unless otherwise stated)

6 Gross overdue amounts due from banks and other financial institutions and overdue loans and advances to customers

(a) Gross overdue amounts due from banks and other financial institutions

As at 30 June 2021, the Group had no overdue amounts due from banks and other financial institutions (31 December 2020: Nil).

(b) Gross amounts of overdue loans and advances to customers

	30 June 2021	31 December 2020
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
— between 3 and 6 months	**16,966**	12,693
— between 6 and 12 months	**13,313**	21,997
— over 12 months	**25,608**	17,985
Total	**55,887**	52,675
As a percentage of total gross loans and advances to customers:		
— between 3 and 6 months	**0.36%**	0.28%
— between 6 and 12 months	**0.28%**	0.49%
— over 12 months	**0.54%**	0.40%
Total	**1.18%**	1.17%

The above analysis represents loans and advances overdue for more than 3 months as required by the Hong Kong Monetary Authority.

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances are repayable on demand which are outside the approved limit that was advised to the borrower, they are also considered as overdue.

As at 30 June 2021, the loans and advances to customers of RMB55,887 million of the above overdue loans and advances were credit-impaired. (As at 31 December 2020,the loans and advances to customers of RMB52,675 million of the above overdue loans and advances were credit-impaired.)

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

6 Gross overdue amounts due from banks and other financial institutions and overdue loans and advances to customers (Continued)

(b) Gross amounts of overdue loans and advances to customers (Continued)

Loans and advances to customers overdue for more than 3 months:

	30 June 2021	31 December 2020
Secured portion	**36,316**	31,821
Unsecured portion	**19,571**	20,854
Total	**55,887**	52,675
Allowance for impairment losses	**(40,492)**	(38,224)
Net balance	**15,395**	14,451
Maximum exposure covered by pledge and collateral held	**34,897**	32,103

The fair value of collateral was estimated by management based on the latest revaluation including available external valuation, if any, adjusted by taking into account the current realisation experience as well as market situation.

7 Non-bank Mainland China exposures

The Bank is a commercial bank incorporated in the Mainland China with its banking business primarily conducted in Mainland China. As of 30 June 2021, the majority of the Bank's non-bank exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparties have been disclosed in the notes to the consolidated interim financial statements.

中信银行
CHINA CITIC BANK
以 信 致 远　融 智 无 限

Address : 6-30/F and 32-42/F, Building No. 1, 10 Guanghua Road, Chaoyang District, Beijing
Postal Code : 100020
Investor Hotline : +86-10-66638188
Email Address : ir@citicbank.com
Website : www.citicbank.com

MIX
Paper from responsible sources
FSC™ C008061
www.fsc.org

This Interim Report is printed on recyclable paper