交通銀行
BANK OF COMMUNICATIONS

交 通 銀 行 股 份 有 限 公 司
Bank of Communications Co., Ltd.

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

(Stock Code: 03328)

2021 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the "**Board of Directors**") of Bank of Communications Co., Ltd. (the "**Bank**") is pleased to announce the unaudited consolidated financial information (the "**Interim Results**") of the Bank and its subsidiaries (the "**Group**") for the six months ended 30 June 2021 (the "**Reporting Period**"), which was prepared in accordance with the International Accounting Standard *34 Interim Financial Reporting* issued by the International Accounting Standards Board. The Board of Directors of the Bank and the Audit Committee of the Board of Directors have reviewed and confirmed the Interim Results.

I. CORPORATE INFORMATION

	Stock name	Stock code	Stock exchange
A Share	Bank of Communications	601328	Shanghai Stock Exchange
H Share	BANKCOMM	03328	The Stock Exchange of Hong Kong Limited
Domestic Preference Share	BOCOM PREF1	360021	Shanghai Stock Exchange

Secretary of the Board of Directors and Company Secretary

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II. FINANCIAL HIGHLIGHTS

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

(in millions of RMB unless otherwise stated)

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

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

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

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

Notes:

1. Calculated pursuant to the requirements of *Regulations on the Preparation of Information Disclosure for Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings per Share* (2010 Revision) issued by the China Securities Regulatory Commission ("**CSRC**").

2. Loans and advances to customers do not include interest receivable on related loans.

3. Refers to shareholders' equity attributable to ordinary shareholders of the Bank after the deduction of other equity instruments against the total issued ordinary shares at the end of the period.

4. Calculated pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* by the China Banking and Insurance Regulatory Commission ("**CBIRC**").

5. Calculated as operating expenses divided by net operating income after the deduction of other operating expenses, consistent with the financial report in accordance with China Accounting Standards.

6. Represented the ratio of net interest income to total average interest-bearing assets.

III. CHANGES IN SHARES AND SHAREHOLDERS

(I) Changes in Ordinary Shares

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

1. Shareholdings of Top 10 Ordinary Shareholders as at the end of the Reporting Period[1]

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

Notes:

1. The relevant data and information is based on the Bank's register of members at the Share Registrar and Transfer Office.

2. The aggregate number of shares held by HKSCC Nominees Limited represents the total number of H shares of the Bank held by all institutional and individual investors who maintained account with it as at the end of the Reporting Period. The data included 249,218,915 and 7,649,557,777 H shares indirectly held by the Hongkong and Shanghai Banking Corporation Limited ("**HSBC**") and the National Council for Social Security Fund ("**SSF**") respectively, which were registered under HKSCC Nominees Limited. The data did not include 13,886,417,698 and 1,405,555,555 H shares of the Bank directly held by the aforementioned two shareholders respectively, which were registered in the Bank's register of members.

3. According to the disclosure forms of interests filed with the Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**") by HSBC Holdings plc, **HSBC beneficially held 14,135,636,613 H shares of the Bank as at the end of the Reporting Period, representing 19.03% of the Bank's total ordinary shares issued**. HSBC beneficially held 249,218,915 more H shares than shown on the Bank's register of members. The discrepancy was due to a purchase of H shares by HSBC from the secondary market in 2007 and thereafter receiving bonus shares issued by the Bank and participating in the rights issue of the Bank. Those extra shares have been registered under HKSCC Nominees Limited.

4. This included the 1,970,269,383 A shares of the Bank held by the Sixth Transfer Account for State-owned Capital of the SSF. Other than the above shareholdings, the SSF held additional 7,649,557,777 H shares of the Bank, of which 7,027,777,777 H shares were registered under HKSCC Nominees Limited and 621,780,000 H shares were indirectly held by certain asset managers (including Hong Kong Stock Connect). **As at the end of the Reporting Period, the SSF held a total of 12,160,268,900 A shares and H shares of the Bank, representing 16.37% of the Bank's total ordinary shares issued.**

5. Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd. are parties acting in concert as defined under *Provisional Measures on Shareholdings Administration of Commercial Banks*. 7 subordinate enterprises of China National Tobacco Corporation including Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd. authorised and entrusted China National Tobacco Corporation to represent at the Shareholders' General Meeting of the Bank and to exercise the right to vote.

6. HKSCC Nominees Limited is a wholly-owned subsidiary of HKSCC.

7. The Bank is not aware of the existence of any related relationship among the other Top 10 shareholders, or whether they are parties acting in concert as defined in *Provisional Measures on Shareholdings Administration of Commercial Banks*.

2. *Substantial Shareholders and Holders of Interests or Short Positions Required to be Disclosed under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO")*

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

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

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

Notes:

1. Long positions held other than through equity derivatives.

2. To the knowledge of the Bank, as at the end of the Reporting Period, Ministry of Finance of the People's Republic of China ("**Ministry of Finance**") held 13,178,424,446 A shares of the Bank, representing 17.75% of the total shares and 4,553,999,999 H shares of the Bank, representing 6.13% of the total ordinary shares issued by the Bank.

3. HSBC Holdings plc wholly owns HSBC Asia Holdings Limited, which wholly owns HSBC. HSBC beneficially held 14,135,636,613 H shares of the Bank. Pursuant to the *SFO*, HSBC Holdings plc was deemed to own the interests associated with the 14,135,636,613 H shares held by HSBC.

4. To the knowledge of the Bank, as at the end of the Reporting Period, the SSF held 3,105,155,568 A shares (please refer to details in *Shareholdings of Top 10 Ordinary Shareholders* and relevant notes) and 9,055,113,332 H shares of the Bank, representing 4.18% and 12.19% of the total ordinary shares issued by the Bank respectively.

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

(II) Information of Preference Shares

1. Top 10 Preference Shareholders and their Shareholdings as at the end of the Reporting Period

Name of shareholders	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares held	Shares pledged or frozen	Nature of shareholders
China Mobile Communications Corporation	–	100,000,000	22.22	Domestic preference share	Nil	State-owned legal entity
Hwabao Trust Co., Ltd. – Hwabao Trust – Baofu Investment No. 1 Collective Capital Trust Plan	33,710,000	33,710,000	7.49	Domestic preference share	Nil	Others
AXA SPDB Investment Managers – SPDB – Shanghai Pudong Development Bank Shanghai Branch	–	20,000,000	4.44	Domestic preference share	Nil	Others
CCB Trust Co., Ltd. - "Qian Yuan – Ri Xin Yue Yi" open-ended wealth management single fund trust	–	20,000,000	4.44	Domestic preference share	Nil	Others
Truvalue Asset Management – CMBC – China Merchants Bank Co., Ltd.	–	20,000,000	4.44	Domestic preference share	Nil	Others
Bosera Funds – ICBC-Bosera – ICBC – Flexible Allocation No. 5 Specific Multi-customer Asset Management Plan	–	20,000,000	4.44	Domestic preference share	Nil	Others

Name of shareholders	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares held	Shares pledged or frozen	Nature of shareholders
Wisdom Asset Management – Ping An Bank – Ping An Bank Co., Ltd.	–	20,000,000	4.44	Domestic preference share	Nil	Others
China Ping An Life Insurance Co., Ltd. – Self-owned capital	–	18,000,000	4.00	Domestic preference share	Nil	Others
China National Tobacco Corporation – Henan Branch	–	15,000,000	3.33	Domestic preference share	Nil	State-owned legal entity
China Life Property & Casualty Insurance Company Limited – Traditional – Common insurance product	–	15,000,000	3.33	Domestic preference share	Nil	Others

Notes:

1. Shareholdings of preference shareholders are summarised according to the Bank's register of members of preference shareholders.

2. "Percentage" refers to the percentage of number of preference shares held by preference shareholders in the total number of preference shares.

3. The Bank is not aware of the existence of any related relationship among the Top 10 preference shareholders, or any relationship between the above shareholders and Top 10 ordinary shareholders, or whether they are parties acting in concert.

2. *Dividends Distribution of Preference Shares*

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

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

IV. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Financial Statement Analysis

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

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

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

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

1. Analysis on Key Income Statement Items

(1) Profit before tax

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

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

(in millions of RMB unless otherwise stated)

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

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

(in millions of RMB unless otherwise stated)

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

(2) Net interest income

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

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

(in millions of RMB unless otherwise stated)

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

Notes:

1. Represented the difference between the annualised average rate of return on total average interest-bearing assets and the annualised average cost ratio of total average interest-bearing liabilities.

2. Represented the annualised net interest income to total average interest-bearing assets.

3. Took into account the tax exemption on the interest income from bonds.

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

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

(in millions of RMB)

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

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

① Interest income

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

A. Interest income from loans and advances to customers

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

Analysis of the average income of loans and advances to customers by business type and term structure

(in millions of RMB unless otherwise stated)

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

B. Interest income from investment securities

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

C. Interest income from cash and balances with central banks

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

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

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

② Interest expenses

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

A. Interest expenses on due to customers

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

Analysis of the average cost of due to customers by product type

(in millions of RMB unless otherwise stated)

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

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

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

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

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

(3) Net fee and commission income

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

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

(in millions of RMB unless otherwise stated)

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

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

(4) Operating expenses

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

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

(in millions of RMB unless otherwise stated)

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

(5) Asset impairment losses

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

(6) Income tax

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

2. *Analysis on Key Balance Sheet Items*

(1) Assets

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

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

(in millions of RMB unless otherwise stated)

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

① Loans and advances to customers

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

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

(in millions of RMB unless otherwise stated)

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

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

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

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

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

Distribution of the loans and advances to customers by security types

(In millions of RMB unless otherwise stated)

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

Expected credit loss allowance for loans and advances to customers

(in millions of RMB)

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

② Financial investments

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

The breakdown of investments by nature

(in millions of RMB unless otherwise stated)

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

The breakdown of investments by the presentation basis of financial statements

(in millions of RMB unless otherwise stated)

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

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

The breakdown of investment securities by issuers

(in millions of RMB unless otherwise stated)

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

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

Top 10 financial bonds held by the Group

(in millions of RMB unless otherwise stated)

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

③ Foreclosed asset

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

(in millions of RMB)

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

(2) Liabilities

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

Due to customers

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

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

(in millions of RMB unless otherwise stated)

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

3. Analysis on Key Cash Flow Items

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

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

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

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

4. Segment Analysis

(1) Operating results by geographical segments

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

(in millions of RMB unless otherwise stated)

	For the six months ended 30 June							
	2021				2020			
	Profit before tax	**Proportion (%)**	**Net operating income[1]**	**Proportion (%)**	Profit before tax	Proportion (%)	Net operating income[1]	Proportion (%)
Yangtze River Delta	**21,988**	**47.20**	**50,109**	**37.38**	15,441	38.64	46,887	36.93
Pearl River Delta	**4,115**	**8.83**	**11,515**	**8.59**	3,923	9.82	9,758	7.69
Bohai Rim Economic Zone	**2,323**	**4.99**	**14,788**	**11.03**	3,742	9.36	13,091	10.31
Central China	**9,612**	**20.64**	**18,099**	**13.51**	7,588	18.99	16,217	12.77
Western China	**3,271**	**7.02**	**10,937**	**8.16**	6,066	15.18	9,367	7.38
North Eastern China	**(1,494)**	**(3.21)**	**3,611**	**2.69**	(77)	(0.19)	2,934	2.31
Overseas	**4,661**	**10.00**	**7,165**	**5.34**	4,350	10.89	7,288	5.74
Head Office[2]	**2,112**	**4.53**	**17,827**	**13.30**	(1,075)	(2.69)	21,417	16.87
Total[3]	**46,588**	**100.00**	**134,051**	**100.00**	39,958	100.00	126,959	100.00

Notes:

1. Including net interest income, net fee and commission income, net gains arising from trading activities, net gains arising from financial investments, net gains from investments in associates and joint ventures, insurance business income and other operating income. Same applies hereinafter.

2. Head Office included the Pacific Credit Card Centre. Same applies hereinafter.

3. Total included profit/(loss) attributable to non-controlling interests.

4. Due to the adjustment to the standards of dividing segments and evaluation guidelines of income allocation within segment, comparative data has been restated in accordance with the current presentation.

(2) Deposits and loans and advances by geographical segments

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

(in millions of RMB unless otherwise stated)

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

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

(in millions of RMB unless otherwise stated)

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

(3) *Operating results by business segments*

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

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

(in millions of RMB unless otherwise stated)

	For the six months ended 30 June			
	2021		2020	
	Amount	**Proportion (%)**	Amount	Proportion (%)
Net operating income	**134,051**	**100.00**	126,959	100.00
Corporate banking	**60,384**	**45.04**	54,489	42.92
Personal banking	**63,026**	**47.02**	60,896	47.97
Treasury businesses	**9,989**	**7.45**	10,819	8.52
Other businesses	**652**	**0.49**	755	0.59
Profit before tax	**46,588**	**100.00**	39,958	100.00
Corporate banking	**13,510**	**29.00**	16,334	40.88
Personal banking	**24,762**	**53.15**	14,402	36.04
Treasury businesses	**8,271**	**17.75**	9,003	22.53
Other businesses	**45**	**0.10**	219	0.55

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

5. *Capital Adequacy Ratio*

(1) Measurement method

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

(2) Measurement scope

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

(3) Measurement result

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

(in millions of RMB unless otherwise stated)

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

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

(4) Risk-weighted assets

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

(in millions of RMB)

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

(5) Credit risk exposure

(in millions of RMB)

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

(6) Market risk capital requirement

(in millions of RMB)

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

(7) Value at risk (VaR)

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

(in millions of RMB)

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

(8) Equity risk of banking book

(in millions of RMB)

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

Notes:

1. Publicly traded equity risk exposure referred to the equity risk exposure of the investee as a listed company, while non-publicly traded equity risk exposure referred to the equity risk exposure of the investee as a non-listed company.

2. Unrealised potential risk returns were unrealised using gains(losses) reflected in the balance sheet instead of using the profit or loss items.

6. *Leverage Ratio*

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

(in millions of RMB unless otherwise stated)

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

(II) Business Review

1. *Progress of Development Strategies*

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

(1) Build the "leading bank in the Yangtze River Delta"

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

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

(2) Create four business features

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

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

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

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

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

1 excluding the market value of customers' securities, same below.

2. *Corporate Banking Businesses*

- The Bank served the real economy as always and focused on supporting areas like manufacturing, green finance and rural revitalisation. During the Reporting Period, the corporate loan balance increased by 352.405 billion or 9.51% over the end of the previous year, in which the proportion of medium and long-term loans increased by 262.445 billion or 10.68%.

- The Bank supported the development of key areas. As at the end of the Reporting Period, loans of three major regions including the Yangtze River Delta, the Beijing-Tianjin-Hebei Region and the Guangdong-Hong Kong-Macao Region increased by 11.14% over the end of the previous year, exceeding the average growth rate of the Group's loans by 2.62 percentage points. Balance of loans in these three major regions accounted for 52.06%, representing an increase of 1.22 percentage points over the end of the previous year.

- The Bank developed business features, drove continuous optimisation of deposit structure and constantly improved value contribution. As at the end of the Reporting Period, the balance of corporate deposit increased by 4.86% over the end of the previous year to 4,552.470 billion, in which demand deposits accounted for 45.87%, which increased by 1.22 percentage points over the end of the first quarter on a quarter-on-quarter basis.

(1) Customer development

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

(2) Scenario construction

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

(3) Industrial chain finance

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

(4) Investment bank

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

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

(5) Inclusive loans for small and micro enterprises

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

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

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

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

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

3. Personal Banking Businesses

- The Bank increased the number of retail customers by leveraging the driving forces of "Consumer Finance + Wealth Management" and scaled up deposits and AUM. As at the end of the Reporting Period, the number of middle and high-end customers[3] increased by 9.70% over the end of the previous year, the balance of personal deposits increased by 8.72% over the end of the previous year.

- The Bank leveraged the Group's advantages in integrated operations to build up wealth management characteristics. During the Reporting Period, the net income from wealth management fees and commission was 5.406 billion, representing an increase of 24.00% on a year-on-year basis.

- The Bank developed consumer finance business. As at the end of the Reporting Period, the balance of personal loans was 2,116.957 billion, representing an increase of 6.87% over the end of the previous year, of which the balance of personal mortgage loans increased by 7.23% over the end of the previous year. During the Reporting Period, the cumulative amount of consumptions through credit cards increased by 2.62% on a year-on-year basis.

(1) Retail customers and AUM

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

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

(2) Wealth management

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

(3) Consumer finance

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

(4) Private banking

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

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

(5) Bank card

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

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

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

4. *Interbank and Financial Market Businesses*

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

(1) Interbank businesses

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

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

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

(2) Financial market businesses

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

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

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

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

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

(3) Asset custody

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

(4) Wealth management businesses

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

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

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

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

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

5. Integrated Operation

- The Group established a coordinative development pattern to provide comprehensive financial services for customers by using commercial banking businesses as the body, with other businesses including financial leasing, fund, wealth management, trust, insurance, and debt-to-equity swap developing alongside.

- During the Reporting Period, net profits of subsidiaries[4] that are attributable to shareholders of the Bank amounted to 4.928 billion, representing a year-on-year increase of 49.11%, the proportion of which to the Group's net profit increased by 2.68 percentage points to 11.73% on a year-on-year basis.

- As at the end of the Reporting Period, total assets of the subsidiaries increased by 8.52% over the end of the previous year to 537.878 billion, the proportion of which to the total assets of the Group increased by 0.08 percentage point to 4.71% over the end of the previous year.

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

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

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

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

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

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

BOCOM Financial Asset Investment Co., Ltd. As a wholly-owned subsidiary of the Bank, it was set up in December 2017 with a registered capital of 10.0 billion. As one of the first pilot banks to implement debt-to-equity conversion as determined by the State Council, it is mainly engaged in debt-to-equity conversion and supporting services. During the Reporting Period, the company made efforts to develop the main business of market-oriented debt-to-equity swap, and actively reduced leverage ratio and controlled risks to serve the real economy. As at the end of the Reporting Period, the company's total assets and net assets were 49.935 billion and

12.060 billion respectively. The company's net profit during the Reporting Period was 0.703 billion, representing an increase of 259.97% on a year-on-year basis. As at the end of the Reporting Period, the company held a total of 69 historical and incremental projects, with the total investment amount of 41.459 billion.

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

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

6. Global Service Capabilities

- The Group formed an overseas operating network covering major international financial centres across five continents, and had 23 overseas branches (sub-branches) and representative offices in 18 countries and regions, with 69 overseas operating outlets.

- During the Reporting Period, net profit of overseas banking institutions increased by 6.20% on a year-on-year basis to 3.509 billion, whose contribution to the Group's total net profit was 8.35%.

- As at the end of the Reporting Period, the total assets of overseas banking institutions decreased by 3.74% over the end of the previous year to 1,194.599 billion, whose contribution to the Group's total assets was 10.47%.

(1) International settlement and trade financing

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

(2) Overseas service network

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

(3) Cross-Border Renminbi transactions

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

(4) Offshore services

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

7. Channel Construction, Service and Consumer Protection

(1) Channel construction

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

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

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

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

(2) Service and consumer rights protection

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

8. FinTech and Digital Transformation

(1) Enhance top-level design for digital transformation.

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

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

(2) Deepen the integration of business and technologies and empower high-quality development.

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

Promote the digitalisation of Group's businesses and serve new formats of finance. The Bank improved the product system of digitalised inclusive finance product, introduced Inclusive e-Loan 3.0 and increased online financing modes of credit and guarantee. In addition, it has also accelerated the launch of innovative products with characteristics of the branches such as cigarette loan. The Bank has also created a benchmarking practice in supply chain finance, connected with multiple leading supplier platforms, and relied on the product development model of "standardised functions + differentiated customisation" to respond to market demands in an agile manner. The Bank continuously improved customer experience of "BoCom e-Customs". "BoCom e-Customs" has now been promoted nationwide with its volume of transactions ranking first in cities including Shenzhen and Shanghai. The Bank optimised the "BoCom Smart Schools" platform, adopted modular system design and supported the customisation development of the individual demands of the education department. The platform has now been launched and promoted to many provinces and cities including Beijing, Jiangsu and Henan.

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

(3) *Enhance the data management and application service*

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

(4) Strengthen the safeguard on work security

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

Enhance the adoption of cutting-edge technologies

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

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

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

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

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

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

(III) Risk Management

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

1. Risk Management Framework

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

2. Risk Management Tool

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

3. *Credit Risk Management*

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

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

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

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

Reporting Period, the volume of new non-performing loans decreased by 39.06% on a year-on-year basis and this had decreased for four consecutive quarters.

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

Distribution of loans by five categories of loan classification

(in millions of RMB unless otherwise stated)

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

Distribution of special mention loans and overdue loans by business type

(in millions of RMB unless otherwise stated)

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

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

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

Distribution of loans and non-performing loans by business type

(in millions of RMB unless otherwise stated)

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

Distribution of loans and non-performing loans by industry

(in millions of RMB unless otherwise stated)

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

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

Distribution of loans and non-performing loans by region

(in millions of RMB unless otherwise stated)

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

Note: Head Office included the Pacific Credit Card Centre.

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

Overdue loans and advances

(in millions of RMB unless otherwise stated)

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

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

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

Loan migration rates

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

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

Credit risk concentration

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

(in millions of RMB unless otherwise stated)

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

4. Market Risk Management

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

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

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

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

5. *Liquidity Risk Management*

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

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

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

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

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

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

	Standard value	**30 June 2021**	31 December 2020	31 December 2019
Liquidity ratios (%)	≥25	**68.05**	69.24	72.92

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

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

6. Operational Risk Management

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

7. Legal Compliance and Anti-money Laundering

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

8. Reputation Risk Management

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

9. *Cross-Industry, Cross-Border and By-Country Risk Management*

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

10. *Management of Large Exposure Risk*

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

(IV) Outlook

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

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

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

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

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

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

V. CORPORATE GOVERNANCE

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

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

(I) Shareholders' General Meeting

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

(II) Profit Distribution

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

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

(III) Directors, Supervisors and Senior Management

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

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

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

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

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

As at the date of this announcement, the members of Senior Management of the Bank are as below:

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

Notes:

1. Mr. Qian Bin served as Executive Vice President of the Bank from 30 July 2021.

2. Mr. Wang Feng served as Chief Business Officer of the Bank (Retail and Private Business Sector) from 5 August 2021.

Changes in Directors, Supervisors and Senior Management

Newly Elected/Appointed

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

Resigned/Retired

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

Shareholdings of Directors, Supervisors and Senior Management

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

Name	Position	Class of shares	Number of shares held at the beginning of the Reporting Period (share)	Increase (or decrease) in shareholdings during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Reason for changes
Resigned/Retired Directors, Supervisors and Senior Management						
He Zhaobin	Non-executive Director	A share	20,000	0	20,000	–
		H share	0	0	0	–
Du Yarong	Employee Supervisor	A share	90,000	0	90,000	–
		H share	20,000	0	20,000	–

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

VI. SIGNIFICANT EVENTS

(I) Commitment

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

(II) Material Litigation and Arbitration

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

(III) Punishment

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

(IV) Integrity

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

(V) Related Party Transactions

During the Reporting Period, all transactions between the Group and its related parties were the monetary transactions conducted in the ordinary course of business. No significant related party transactions occurred.

(VI) Material Contracts and Performance of Obligations Thereunder

1. Material Trust, Sub-contract and Lease

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

2. Material Guarantees

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

(VII) Social Responsibilities

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

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

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

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

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

(VIII) Audit Committee

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

(IX) Purchase, Sale or Repurchase of the Bank's Listed Securities

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

(X) Securities Transactions by Directors, Supervisors and Senior Management

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

(XI) Appointment of Accounting Firm

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

(XII) Other Significant Events

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

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

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

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

The above announcements were published on the websites of Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk).

VII. FINANCIAL REPORT

Unaudited Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

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

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

	Six months ended 30 June	
	2021	2020
Other comprehensive income, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Loans and advances to customers at fair value through other comprehensive income		
Amount recognised in equity	***319***	*249*
Amount reclassified to profit or loss	***(144)***	*(198)*
Debt investments at fair value through other comprehensive income		
Amount recognised in equity	***211***	*(127)*
Amount reclassified to profit or loss	***(192)***	*(1,062)*
Effective portion of gains or losses on hedging instruments in cash flow hedges		
Amount recognised in equity	***972***	*(659)*
Amount reclassified to profit or loss	***(740)***	*4*
Translation difference on foreign operations	***(1,344)***	*1,093*
Others	***5***	*28*
Subtotal	***(913)***	*(672)*

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

	Six months ended 30 June	
	2021	2020
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of equity investments designated at fair value through other comprehensive income	**(455)**	(371)
Actuarial losses on pension benefits	**58**	(34)
Changes in fair value attributable to changes in the credit risk of financial liability designated at fair value through profit or loss	**(36)**	44
Others	**7**	26
Subtotal	**(426)**	(335)
Other comprehensive income, net of tax	**(1,339)**	(1,007)
Total comprehensive income for the period	**41,534**	*35,990*
Net profit attributable to:		
Shareholders of the Bank	**42,019**	36,505
Non-controlling interests	**854**	492
	42,873	36,997
Total comprehensive income attributable to:		
Shareholders of the Bank	**40,799**	35,403
Non-controlling interests	**735**	587
	41,534	35,990
Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (in RMB yuan)	**0.54**	0.46

Unaudited Interim Condensed Consolidated Statement of Financial Position

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

	As at 30 June 2021	As at 31 December 2020
ASSETS		
Cash and balances with central banks	**810,320**	817,561
Due from and placements with banks and other financial institutions	**712,370**	571,130
Derivative financial assets	**35,584**	54,212
Loans and advances to customers	**6,208,293**	5,720,568
Financial investments at fair value through profit or loss	**575,837**	482,588
Financial investments at amortised cost	**2,050,282**	2,019,529
Financial investments at fair value through other comprehensive income	**726,547**	735,220
Investments in associates and joint ventures	**5,505**	4,681
Property and equipment	**167,054**	169,471
Deferred income tax assets	**29,119**	27,991
Other assets	**93,049**	94,665
Total assets	**11,413,960**	10,697,616
LIABILITIES		
Due to and placements from banks and other financial institutions	**1,838,106**	1,787,491
Financial liabilities at fair value through profit or loss	**20,532**	29,279
Derivative financial liabilities	**33,702**	55,942
Due to customers	**7,016,652**	6,607,330
Certificates of deposits issued	**792,542**	634,297
Current income tax liabilities	**3,326**	3,786
Deferred income tax liabilities	**1,491**	1,286
Debt securities issued	**541,597**	497,755
Other liabilities	**230,097**	201,822
Total liabilities	**10,478,045**	9,818,988

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

	As at 30 June 2021	As at 31 December 2020
EQUITY		
Share capital	**74,263**	74,263
Other equity instruments	**174,790**	133,292
Including: Preference shares	***44,952***	*44,952*
Perpetual bonds	***129,838***	*88,340*
Capital surplus	**111,428**	111,428
Other reserves	**345,770**	333,176
Retained earnings	**217,357**	214,448
Equity attributable to shareholders of the Bank	**923,608**	866,607
Equity attributable to non-controlling interests of ordinary shares	**9,086**	8,763
Equity attributable to non-controlling interests of other equity instruments	**3,221**	3,258
Non-controlling interests	**12,307**	12,021
Total equity	**935,915**	878,628
Total equity and liabilities	**11,413,960**	10,697,616

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

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

		Other equity instruments			Other reserves											Non-controlling interests		
	Share capital	Preference shares	Perpetual bonds	Capital surplus	Statutory reserve	Discretionary reserve	Statutory general reserve	Revaluation reserve for financial assets at fair value through other comprehensive income	Revaluation reserve for the changes in credit risk of the financial liabilities designated at fair value through profit or loss	Effective portion of gains or losses on hedging instruments in cash flow hedges	Translation reserve on foreign operations	Actuarial changes reserve	Others	Retained earnings	Attributable to the shareholders of the Bank	Attributable to non-controlling interests of ordinary shares	Attributable to non-controlling interests of other equity instruments	Total
As at 1 January 2021	**74,263**	**44,952**	**88,340**	**111,428**	**72,431**	**139,930**	**123,163**	**456**	**12**	**(532)**	**(3,517)**	**(142)**	**1,375**	**214,448**	**866,607**	**8,763**	**3,258**	**878,628**
Net profit for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	42,019	42,019	793	61	42,873
Other comprehensive income	-	-	-	-	-	-	-	(144)	(36)	231	(1,341)	58	12	-	(1,220)	(82)	(37)	(1,339)
Total comprehensive income	-	-	-	-	-	-	-	(144)	(36)	231	(1,341)	58	12	42,019	40,799	711	24	41,534
Capital contribution to holders of other equity instruments	-	-	41,498	-	-	-	-	-	-	-	-	-	-	-	41,498	-	-	41,498
Dividends paid to ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(23,541)	(23,541)	(388)	-	(23,929)
Dividends paid to preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,755)	(1,755)	-	-	(1,755)
Interest paid to non-cumulative subordinated additional tier-1 capital securities holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(61)	(61)
Transfer to reserves	-	-	-	-	7,100	-	6,715	-	-	-	-	-	-	(13,815)	-	-	-	-
Transferred from other comprehensive income	-	-	-	-	-	-	-	(1)	-	-	-	-	-	1	-	-	-	-
As at 30 June 2021	**74,263**	**44,952**	**129,838**	**111,428**	**79,531**	**139,930**	**129,878**	**311**	**(24)**	**(301)**	**(4,858)**	**(84)**	**1,387**	**217,357**	**923,608**	**9,086**	**3,221**	**935,915**
As at 1 January 2020	74,263	59,876	39,994	113,663	64,897	139,853	117,567	3,421	5	15	1,199	(10)	1,363	177,141	793,247	7,665	–	800,912
Net profit for the period	–	–	–	–	–	–	–	–	–	–	–	–	–	36,505	36,505	492	–	36,997
Other comprehensive income	–	–	–	–	–	–	–	(1,363)	44	(655)	852	(34)	54	–	(1,102)	17	78	(1,007)
Total comprehensive income	–	–	–	–	–	–	–	(1,363)	44	(655)	852	(34)	54	36,505	35,403	509	78	35,990
Capital contribution to holders of other equity instruments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3,458	3,458
Dividends paid to ordinary shares	–	–	–	–	–	–	–	–	–	–	–	–	–	(23,393)	(23,393)	(121)	–	(23,514)
Dividends paid to preference shares	–	–	–	–	–	–	–	–	–	–	–	–	–	(2,714)	(2,714)	–	–	(2,714)
Transfer to reserves	–	–	–	–	7,209	–	4,690	–	–	–	–	–	–	(11,899)	–	–	–	–
Transferred from other comprehensive income	–	–	–	–	–	–	–	2	–	–	–	–	–	(2)	–	–	–	–
As at 30 June 2020	74,263	59,876	39,994	113,663	72,106	139,853	122,257	2,060	49	(640)	2,051	(44)	1,417	175,638	802,543	8,053	3,536	814,132

Unaudited Interim Condensed Consolidated Statement of Cash Flows

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

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

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

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

1 BASIS OF PREPARATION

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

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

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

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

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

1.1 New and amended standards adopted by the Group

The Group has adopted the following new or amendments to the International Financial Reporting Standards ("IFRSs"):

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to IFRS 16	Covid-19-related Rent Concessions

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.

Amendments to IFRS 16

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

- permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021);

- require a lessee applying the amendment to do so for annual reporting periods beginning on or after 1 April 2021;

- require a lessee applying the amendment to do so retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and

- specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8.

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

1.2 Standards and amendments issued but not yet effective

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

Amendments to IFRS 10 and IAS 28

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

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

Amendments to IAS 16

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

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

Amendments to IFRS 3

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

Amendments to IAS 37

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

- The incremental costs of fulfilling that contract (for example, direct labour and materials); and

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

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

Annual Improvements to IFRS Standards 2018 – 2020 Cycle

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

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

- IFRS 16 Leases – amendment of its illustrative example to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

- IFRS 1 First – time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

IFRS 17 and its amendments

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

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

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

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

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

- Effective date

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

- Expected recovery of insurance acquisition cash flows

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

- Contractual service margin attributable to investment services

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

- Reinsurance contracts held – recovery of losses

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

- Other amendments to IFRS 17 include:

  – Scope exclusions for some credit card (or similar) contracts, and some loan contracts;

  – Presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups;

  – Applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss;

  – An accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17;

  – Inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows;

  – Selected transition reliefs and other minor amendments.

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

Amendments to IAS 8

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

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

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

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

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

Amendments to IAS 1 and IFRS Practice Statement 2

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

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

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

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

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

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

Amendments to IAS 12

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

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

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

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

2 NET INTEREST INCOME

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

3 FEE AND COMMISSION INCOME

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

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

4 CREDIT IMPAIRMENT LOSSES

	(In millions of RMB)	
	Six months ended 30 June	
	2021	2020
Due from and placements with banks and other financial institutions	**322**	136
Loans and advances to customers at amortised cost	**30,703**	30,329
Loans and advances to customers at FVOCI	**256**	566
Credit related commitments and financial guarantees	**2,779**	2,024
Financial investments at amortised cost	**(528)**	(490)
Debt investments at FVOCI	**(76)**	320
Others	**(374)**	(448)
	33,082	33,333

5 OTHER ASSETS IMPAIRMENT LOSSES

	Six months ended 30 June	
	2021	2020
Impairment losses on operating lease assets	**248**	163
Impairment losses on foreclosed assets	**170**	(4)
	418	159

6 INCOME TAX

	(In millions of RMB)	
	Six months ended 30 June	
	2021	2020
Current income tax		
– Mainland China enterprise income tax	**4,067**	3,968
– Hong Kong profits tax	**340**	475
– Income tax arising in Macao, Taiwan and other countries or regions	**259**	193
Subtotal	**4,666**	4,636
Deferred income tax	**(951)**	(1,675)
Total	**3,715**	2,961

The provision for enterprise income tax in Mainland China is calculated based on the statutory rate of 25% (2020: 25%) of the assessable income of the Bank and each of the subsidiary established in Mainland China. Taxation arising in other jurisdictions (including Hong Kong) is calculated at the rates prevailing in the relevant jurisdictions, the shortfall arising from the differential in tax rates of overseas branches as compared with the Mainland China tax rate shall be reported and paid by head office.

The actual taxation on the Group differs from the theoretical amount calculated using the Group's profit before tax at the tax rate of 25% (2020: 25%). The major reconciliation items are as follows:

	Six months ended 30 June	
	2021	2020
Profit before tax	**46,588**	39,958
Tax calculated at a tax rate of 25%	**11,647**	9,990
Effects of different tax rates prevailing in Hong Kong, Macao, Taiwan and other countries or regions	**(127)**	(94)
Effects of non-deductible expenses (1)	**1,795**	1,944
Effects of non-taxable income (2)	**(9,489)**	(8,449)
Adjustments for income tax of prior years	**(111)**	(430)
Income tax expense	**3,715**	2,961

(1) Non-deductible expenses primarily represent non-deductible write-offs.

(2) Non-taxable income primarily represents interest income from PRC treasury bonds and municipal government bonds and fund investment income gained in Mainland China.

7 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the period.

(In millions of RMB)

	Six months ended 30 June	
	2021	2020
Net profit attributable to shareholders of the Bank	**42,019**	36,505
Less: Dividends paid to preference shareholders	**(1,755)**	(2,714)
Net profit attributable to ordinary shareholders of the Bank	**40,264**	33,791
Weighted average number of ordinary shares in issue (expressed in millions) at the end of the period	**74,263**	74,263
Basic and diluted earnings per share (expressed in RMB per share)	**0.54**	0.46

For the purpose of calculating basic earnings per share, cash dividend on non-cumulative preference shares declared for the period was deducted from the amounts attributable to shareholders of the Bank. The Bank has RMB1,755 million cash dividend on preference shares during the six months ended 30 June 2021. The conversion feature of preference shares may lead to the possible existence of contingently issuable ordinary shares. The triggering events of conversion did not occur for the six months ended 30 June 2021, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

8 DERIVATIVE FINANCIAL INSTRUMENTS

The following derivative financial instruments are utilised by the Group for trading or hedging purposes:

Currency and commodity forwards are contracts between two parties to buy or sell certain currencies or commodities at a specified future date at a predetermined price. The party agreeing to buy the underlying currency or commodities in the future assumes a long position, and the party agreeing to sell the currency or commodities in the future assumes a short position. The price agreed upon is called the delivery price, which is equal to the forward price at the time the contract is entered into.

Currency, commodity and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies, commodities or interest rates (i.e. fixed-for-floating swaps) or a combination of these (i.e. cross-currency interest rate swaps). The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Currency, commodity and interest rate options are contractual agreements under which the seller (writer) grants the buyer (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) on or before a set date or during a set period, a specific amount of a currency or commodity at a predetermined price or to receive an interest payment based on a variable interest rate and pay at a fixed interest rate or vice versa. The seller receives a premium from the buyer in consideration for assuming foreign exchange, interest rate risk or commodity price fluctuations. Options may be either exchange-traded or negotiated between the Group and a customer (over the counter market).

The notional amounts of certain types of financial instruments provide a reference of the amounts recognised in the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative financial instruments may become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or commodity price relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative financial instruments held are set out in the following tables.

(In millions of RMB)

	Contractual/ Notional Amount	Fair values Assets	Fair values Liabilities
As at 30 June 2021			
Foreign exchange and commodity contracts	**2,714,863**	**26,678**	**(22,974)**
Interest rate contracts and others	**3,381,739**	**8,906**	**(10,728)**
Total amount of derivative instruments recognised	**6,096,602**	**35,584**	**(33,702)**

	Contractual/ Notional Amount	Fair values Assets	Fair values Liabilities
As at 31 December 2020			
Foreign exchange and commodity contracts	2,435,423	44,435	(40,914)
Interest rate contracts and others	3,101,818	9,777	(15,028)
Total amount of derivative instruments recognised	5,537,241	54,212	(55,942)

The tables above provide a breakdown of the contractual or notional amounts and the fair values of the Group's derivative financial instruments outstanding at period/year end. These instruments, comprising foreign exchange, interest rate and commodity derivatives allow the Group and its customers to transfer, mitigate or reduce their foreign exchange, interest rate and commodity price fluctuation risks.

The Group undertakes its transactions in foreign exchange, interest rates and commodity contracts with other financial institutions and customers. Management has established limits for these contracts based on counterpart types, industry sectors and countries. Related risks are regularly monitored and controlled by management.

Notional amounts of derivative financial instruments by original currency:

	(In millions of RMB)	
	As at 30 June 2021	As at 31 December 2020
RMB	**4,115,029**	3,772,066
USD	**1,587,003**	1,387,805
HKD	**250,994**	247,659
Others	**143,576**	129,711
Total	**6,096,602**	5,537,241

Hedge accounting

The above derivative financial instruments including those designated as hedging instruments by the Group are as follows:

	Contractual/ Notional	**Fair values**	
	Amount	**Assets**	**Liabilities**
As at 30 June 2021			
Derivative financial instruments designated as hedging instruments in fair value hedges	**144,744**	**996**	**(2,737)**
Derivative financial instruments designated as hedging instruments in cash flow hedges	**62,418**	**518**	**(884)**
Total	**207,162**	**1,514**	**(3,621)**

(In millions of RMB)

	Contractual/ Notional Amount	Fair values	
		Assets	Liabilities
As at 31 December 2020			
Derivative financial instruments designated as hedging instruments in fair value hedges	139,555	184	(4,689)
Derivative financial instruments designated as hedging instruments in cash flow hedges	58,382	268	(1,901)
Total	197,937	452	(6,590)

(a) Fair value hedge

The Group uses interest rate swaps to hedge against changes in fair value arising from changes in interest rates. Some purchased interest rate swap contracts are designated as hedging instruments, whose terms are identical with those of the corresponding hedged items regarding interest rate, maturity and currency. The Group uses regression analysis to evaluate the effectiveness of hedging. With the support of testing results, the Group's management considers the hedging relationship to be highly effective. The hedged items include due from and placements with banks and other financial institutions, debt investments at FVOCI, due to and placements from banks and other financial institutions, loans and advances to customers and certificates of deposits issued.

The following table shows the profit or loss effects of the fair value hedges:

	Six months ended 30 June	
	2021	2020
Net gains/(losses) from fair value hedges:		
Hedging instruments	**2,320**	(5,913)
Hedged items attributable to the hedged risk	**(2,408)**	5,799
Total	**(88)**	(114)

(b) Cash flow hedge

The Group uses foreign exchange contracts to hedge against exposures to cash flow variability primarily resulting from foreign exchange risks, and uses interest rate swaps to hedge against exposures to cash flow variability primarily resulting from interest rate risks. The hedged items include debt investments at FVOCI, due from and placements with banks and other financial institutions, debt securities issued, loans and advances to customers, due to and placements from banks and other financial institutions and certificates of deposits issued. The Group mainly uses regression analysis to evaluate the effectiveness of hedging. With the supporting of testing results, the Group's management considers the hedging relationship to be highly effective.

For the six months ended 30 June 2021, the Group recognised a profit of RMB1,271 million (for the six months ended 30 June 2020: a loss of RMB829 million) from effective portion of cash flow hedge in other comprehensive income. The Group reclassifies a loss of RMB986 million from other comprehensive income to profit or loss (for the six months ended 30 June 2020: a profit of 5 million). Gains or losses arising from ineffective portion of cash flow hedge were immaterial. There were no transactions for which cash flow hedge accounting had to be ceased as a result of the highly probable cash flows no longer being expected to occur.

9 DIVIDENDS

(In millions of RMB)

	Six months ended 30 June	
	2021	2020
Dividends to ordinary shareholders of the Bank	**23,541**	23,393
Dividends to preference shareholders of the Bank	**1,755**	2,714

Under PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

(1) Making up cumulative losses from prior years, if any;

(2) Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank as determined under the relevant PRC accounting standards;

(3) Allocations to statutory general reserve;

(4) Allocations to the discretionary reserve upon approval by the Annual General Meeting of Shareholders. These funds form part of the shareholders' equity.

The cash dividends are recognised in the consolidated statement of financial position upon approval by the shareholders at Annual General Meeting.

Pursuant to the approval by the Board meeting on 29 April 2021, the Bank will appropriate domestic preference dividends on 7 September 2021 with a dividend yield of 3.9% (the actual dividend yield obtained by the preference shareholders), with total amount of RMB1,755 million.

Pursuant to the approval by the Annual General Meeting of Shareholders on 29 June 2021, the Bank appropriated RMB6,432 million to the statutory general reserve. It was also resolved that a cash dividend of RMB0.317 (before tax) for each ordinary share, with total amount of RMB23,541 million, calculated based on 74,263 million shares outstanding (the par value per share is RMB1) as at 31 December 2020, will be distributed to ordinary shareholders.

10 CREDIT RELATED COMMITMENTS AND FINANCIAL GUARANTEES, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

Credit related commitments and financial guarantees

The following tables provide the contractual amounts of the Group's credit related commitments and financial guarantees which the Group has committed to its customers:

(In millions of RMB)

	As at 30 June 2021	As at 31 December 2020
Letters of guarantee	**353,592**	333,610
Letters of credit commitments	**193,956**	163,151
Acceptance bills	**340,022**	319,076
Credit card commitments	**902,668**	800,441
Loan commitments		
– Under 1 year	**5,737**	5,111
– 1 year and above	**54,805**	55,323
	1,850,780	1,676,712

Capital expenditure commitments

	As at 30 June 2021	As at 31 December 2020
Contracted but not provided for	**52,214**	62,224

Operating lease commitments

The Group acts as lessor in operating leases principally through aircraft and vessels leasing undertaken by its subsidiaries. The future minimum lease receivables on certain aircraft and vessel under irrevocable operating leases are as follows:

	(In millions of RMB)	
	As at 30 June 2021	As at 31 December 2020
Within 1 year (inclusive)	**12,941**	13,074
Beyond 1 year but no more than 2 years (inclusive)	**12,454**	12,622
Beyond 2 years but no more than 3 years (inclusive)	**12,081**	12,220
Beyond 3 years but no more than 5 years (inclusive)	**21,316**	22,062
More than 5 years	**33,877**	36,562
	92,669	96,540

Commitments on security underwriting and bond acceptance

The Group is entrusted by the Ministry of Finance ('MOF') to underwrite certain Certificated Bonds and Savings Bonds. The investors of Certificated Bonds and Savings Bonds have early redemption right while the Group has the obligation to buy back those Certificated Bonds and Savings Bonds. The redemption price is the principal value of the Certificated Bonds or Savings Bonds plus unpaid interest till redemption date. As at 30 June 2021, the principal value of the certain Certificated Bonds and Savings Bonds that the Group had the obligation to buy back amounted to RMB80,433 million (31 December 2020: RMB81,548 million). The MOF will not provide funding for the early redemption of these Certificated Bonds and Savings Bonds on a back-to-back basis but will pay interest and principal at maturity. The Group expects the amount of redemption before the maturity dates of these bonds through the Group will not be material.

The original maturities of these bonds vary from 1 to 5 years.

As at 30 June 2021, the Group had no announced but unfulfilled irrevocable commitment on security underwriting (31 December 2020: Nil).

Legal proceedings

The Group has been involved as defendants in certain lawsuits arising from its normal business operations. Management of the Group believes, based on legal advice, the final result of these lawsuits will not have a material impact on the financial position or operations of the Group. The total outstanding claims against the Group (as defendant) by a number of third parties at the end of the year are summarised as follows:

(In millions of RMB)

	As at 30 June 2021	As at 31 December 2020
Outstanding litigations	**3,075**	3,876
Provision for outstanding litigation	**620**	1,032

11 SEGMENTAL ANALYSIS

The Group's Board of Directors and senior management reviews the Group's operation by the particular economic areas in which the Group's branches and subsidiaries provide products or services. The Group's geographical operating segments are decided based upon location of the assets, as the Group's branches and subsidiaries mainly serve local customers.

The reportable geographical operating segments derive their revenue primarily from commercial banking services and investing activities, including deposits, loans, bills, trade financing, money market placements and takings, and securities investments, etc.

The Group's geographical operating segments include provincial and directly managed branches and subsidiaries (if any) in relevant regions, as follows:

(1) Yangtze River Delta: including Shanghai (excluding Head Office), Jiangsu Province, Zhejiang Province, and Anhui Province;

(2) Pearl River Delta: including Fujian Province and Guangdong Province;

(3) Bohai Rim Economic Zone: including Beijing, Tianjin, Hebei Province, and Shandong Province;

(4) Central China: including Shanxi Province, Jiangxi Province, Henan Province, Hubei Province, Hunan Province, Hainan Province, and Guangxi Zhuang Autonomous Region;

(5) Western China: including Chongqing, Sichuan Province, Guizhou Province, Yunnan Province, Shanxi Province, Gansu Province, Qinghai Province, Inner Mongolia Autonomous Region, Ningxia Autonomous Region, and Xinjiang Uyghur Autonomous Region;

(6) Northeastern China: including Liaoning Province, Jilin Province and Heilongjiang Province;

(7) Overseas: including Hong Kong, New York, Tokyo, Singapore, Seoul, Frankfurt, Macau, Ho Chi Minh City, San Francisco, Sydney, Taipei, London, Luxembourg, Brisbane, Paris, Rome, Brazil, Melbourne, Toronto, Prague, Johannesburg;

(8) Head Office, including the Pacific Credit Card Centre.

The revenue from external parties is reported to the Board of Directors and the senior management in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

As the Group's major revenue is derived from interest, and the Board of Directors and the senior management relies primarily on net interest income to assess the performance of segments, the interest income and expenses for all reportable segments are presented on a net basis.

The Group's Board of Directors and senior management reviews the segment performance on the basis of profit before tax. Funds are ordinarily allocated between segments. Costs of these funds are charged at the Group's cost of capital and disclosed in inter-segment net interest income. There are no other material items of income or expenses between the segments.

Geographical operating segment information

(In millions of RMB)

	Six months ended 30 June 2021								
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Total
External interest income	36,034	16,439	17,864	23,338	15,755	4,975	9,258	60,289	183,952
External interest expense	(23,886)	(10,339)	(17,559)	(12,317)	(7,692)	(4,585)	(3,917)	(25,171)	(105,466)
Inter-segment net interest income/(expense)	10,576	3,059	10,883	3,396	935	2,481	75	(31,405)	–
Net interest income	22,724	9,159	11,188	14,417	8,998	2,871	5,416	3,713	78,486
Fee and commission income	8,056	1,901	3,056	3,122	1,651	630	1,487	7,396	27,299
Fee and commission expense	(1,530)	(20)	(35)	(50)	(13)	(9)	(120)	(556)	(2,333)
Net fee and commission income	6,526	1,881	3,021	3,072	1,638	621	1,367	6,840	24,966
Net gains arising from trading activities	2,188	289	172	322	40	13	6	7,139	10,169
Net gains/(losses) arising from financial investments	457	–	27	–	–	11	326	(49)	772
Insurance business income	10,998	–	–	–	–	–	24	–	11,022
Share of profits of associates and joint ventures	–	–	–	–	–	–	12	102	114
Other operating income	7,216	186	380	288	261	95	14	82	8,522
Total operating income – net	50,109	11,515	14,788	18,099	10,937	3,611	7,165	17,827	134,051
Credit impairment losses	(4,105)	(4,029)	(7,902)	(3,725)	(4,382)	(3,157)	(291)	(5,491)	(33,082)
Other assets impairment losses	(270)	–	(1)	2	(39)	(110)	–	–	(418)
Insurance business expense	(10,922)	–	–	–	–	–	(3)	–	(10,925)
Other operating expense	(12,824)	(3,371)	(4,562)	(4,764)	(3,245)	(1,838)	(2,210)	(10,224)	(43,038)
Profit before tax	21,988	4,115	2,323	9,612	3,271	(1,494)	4,661	2,112	46,588
Income tax									(3,715)
Net profit for the period									42,873
Depreciation and amortisation	(897)	(451)	(558)	(548)	(465)	(243)	(243)	(572)	(3,977)
Capital expenditure	(7,092)	(51)	(100)	(230)	(158)	(42)	(140)	(358)	(8,171)

(In millions of RMB)

	Six months ended 30 June 2020								
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Total
External interest income	35,092	14,220	17,200	21,284	14,010	4,283	14,702	65,438	186,229
External interest expense	(24,586)	(9,815)	(17,440)	(11,930)	(7,769)	(4,581)	(10,494)	(25,765)	(112,380)
Inter-segment net interest income/(expense)	11,273	3,233	10,088	3,761	1,305	2,558	(93)	(32,125)	–
Net interest income	21,779	7,638	9,848	13,115	7,546	2,260	4,115	7,548	73,849
Fee and commission income	6,635	1,791	2,601	2,690	1,520	581	1,771	8,626	26,215
Fee and commission expense	(1,045)	(16)	(34)	(20)	(7)	(9)	(141)	(666)	(1,938)
Net fee and commission income	5,590	1,775	2,567	2,670	1,513	572	1,630	7,960	24,277
Net gains/(losses) arising from trading activities	1,144	128	171	196	47	17	(110)	5,760	7,353
Net gains/(losses) arising from financial investments	512	–	–	–	–	–	1,017	(24)	1,505
Insurance business income	10,898	–	–	–	–	–	38	–	10,936
Share of profits of associates and joint ventures	–	–	–	–	–	–	2	83	85
Other operating income	6,964	217	505	236	261	85	596	90	8,954
Total operating income – net	46,887	9,758	13,091	16,217	9,367	2,934	7,288	21,417	126,959
Credit impairment losses	(7,691)	(2,474)	(4,918)	(3,715)	(181)	(1,139)	(568)	(12,647)	(33,333)
Other assets impairment losses	(164)	–	1	–	–	–	4	–	(159)
Insurance business expense	(11,006)	–	–	–	–	–	(16)	–	(11,022)
Other operating expense	(12,585)	(3,361)	(4,432)	(4,914)	(3,120)	(1,872)	(2,358)	(9,845)	(42,487)
Profit before tax	15,441	3,923	3,742	7,588	6,066	(77)	4,350	(1,075)	39,958
Income tax									(2,961)
Net profit for the period									36,997
Depreciation and amortisation	(829)	(437)	(547)	(541)	(470)	(243)	(302)	(539)	(3,908)
Capital expenditure	(13,515)	(295)	(86)	(101)	(136)	(47)	(60)	(221)	(14,461)

Given the adjustment to the standards of dividing segments and evaluation guidelines of income allocation within segment, the comparative figures were stated under existing standards.

(In millions of RMB)

	As at 30 June 2021									
	Yangtze River Delta	**Pearl River Delta**	**Bohai Rim Economic Zone**	**Central China**	**Western China**	**North Eastern China**	**Overseas**	**Head Office**	**Eliminations**	**Total**
Segment assets	**2,795,905**	**1,026,051**	**1,608,059**	**1,276,579**	**855,889**	**386,394**	**1,094,045**	**4,395,387**	**(2,053,468)**	**11,384,841**
Including:										
Investments in associates and joint ventures	*4*	**–**	**–**	*6*	**–**	**–**	*151*	*5,344*	**–**	*5,505*
Unallocated assets										**29,119**
Total assets										**11,413,960**
Segment liabilities	**(2,590,061)**	**(1,019,695)**	**(1,597,418)**	**(1,251,985)**	**(849,877)**	**(389,656)**	**(1,042,043)**	**(3,789,287)**	**2,053,468**	**(10,476,554)**
Unallocated liabilities										**(1,491)**
Total liabilities										**(10,478,045)**

(In millions of RMB)

	As at 31 December 2020									
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Eliminations	Total
Segment assets	2,641,386	920,887	1,543,501	1,194,919	822,759	384,627	1,114,676	4,187,998	(2,141,128)	10,669,625
Including:										
Investments in associates and joint ventures	*4*	–	–	*6*	–	–	*203*	*4,468*	–	*4,681*
Unallocated assets										27,991
Total assets										10,697,616
Segment liabilities	(2,437,106)	(908,645)	(1,524,423)	(1,162,723)	(808,702)	(385,778)	(1,057,224)	(3,674,229)	2,141,128	(9,817,702)
Unallocated liabilities										(1,286)
Total liabilities										(9,818,988)

Business information

The Group is engaged predominantly in banking and related financial activities. It comprises corporate banking, personal banking, treasury and other business. Corporate banking mainly comprises corporate loans, bills, trade financing, corporate deposits and remittance. Personal banking mainly comprises personal loans, personal deposits, credit cards and remittance. Treasury mainly comprises money market placements and takings, financial investment, and securities sold under repurchase agreements. The "Others Business" segment mainly comprises items which cannot be categorised in the above business segments.

The business information of the Group is summarised as follows:

(In millions of RMB)

	Six months ended 30 June 2021				
	Corporate Banking Business	**Personal Banking Business**	**Treasury Business**	**Other Business**	**Total**
External net interest income	**34,366**	**24,920**	**19,170**	**30**	**78,486**
Inter-segment net interest income/(expense)	**7,803**	**9,365**	**(17,168)**	**–**	**–**
Net interest income	**42,169**	**34,285**	**2,002**	**30**	**78,486**
Net fee and commission income	**8,255**	**15,538**	**1,094**	**79**	**24,966**
Net gains arising from trading activities	**3,070**	**999**	**6,100**	**–**	**10,169**
Net gains arising from financial investments	**–**	**–**	**772**	**–**	**772**
Share of profits of associates and joint ventures	**–**	**–**	**–**	**114**	**114**
Insurance business income	**24**	**10,998**	**–**	**–**	**11,022**
Other operating income	**6,866**	**1,206**	**21**	**429**	**8,522**
Total operating income – net	**60,384**	**63,026**	**9,989**	**652**	**134,051**

(In millions of RMB)

	Six months ended 30 June 2021				
	Corporate Banking Business	**Personal Banking Business**	**Treasury Business**	**Other Business**	**Total**
Credit impairment losses	**(27,936)**	**(5,523)**	**377**	**–**	**(33,082)**
Other assets impairment losses	**(418)**	**–**	**–**	**–**	**(418)**
Insurance business expense	**(3)**	**(10,922)**	**–**	**–**	**(10,925)**
Other operating expense					
– Depreciation and amortisation	**(1,450)**	**(1,918)**	**(378)**	**(231)**	**(3,977)**
– Others	**(17,067)**	**(19,901)**	**(1,717)**	**(376)**	**(39,061)**
Profit before tax	**13,510**	**24,762**	**8,271**	**45**	**46,588**
Income tax					**(3,715)**
Net profit for the period					**42,873**
Depreciation and amortisation	**(1,450)**	**(1,918)**	**(378)**	**(231)**	**(3,977)**
Capital expenditure	**(2,979)**	**(3,941)**	**(777)**	**(474)**	**(8,171)**

(In millions of RMB)

	Six months ended 30 June 2020				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income	28,622	23,634	21,564	29	73,849
Inter-segment net interest income/(expense)	8,573	9,327	(17,900)	–	–
Net interest income	37,195	32,961	3,664	29	73,849
Net fee and commission income	8,489	14,859	850	79	24,277
Net gains arising from trading activities	1,596	980	4,750	27	7,353
Net gains arising from financial investments	–	–	1,505	–	1,505
Share of profits of associates and joint ventures	–	–	–	85	85
Insurance business income	38	10,898	–	–	10,936
Other operating income	7,171	1,198	50	535	8,954
Total operating income – net	54,489	60,896	10,819	755	126,959
Credit impairment losses	(19,688)	(13,683)	38	–	(33,333)
Other assets impairment losses	(163)	–	–	4	(159)
Insurance business expense	(16)	(11,006)	–	–	(11,022)
Other operating expense					
– Depreciation and amortisation	(1,430)	(2,250)	(176)	(52)	(3,908)
– Others	(16,858)	(19,555)	(1,678)	(488)	(38,579)
Profit before tax	16,334	14,402	9,003	219	39,958
Income tax					(2,961)
Net profit for the period					36,997
Depreciation and amortisation	(1,430)	(2,250)	(176)	(52)	(3,908)
Capital expenditure	(5,289)	(8,327)	(651)	(194)	(14,461)

(In millions of RMB)

	As at 30 June 2021				
	Corporate Banking Business	**Personal Banking Business**	**Treasury Business**	**Other Business**	**Total**
Segment assets	**4,456,590**	**2,211,505**	**4,654,307**	**62,439**	**11,384,841**
Including:					
Investments in associates and joint ventures	*–*	*–*	*–*	*5,505*	*5,505*
Unallocated assets					**29,119**
Total assets					**11,413,960**
Segment liabilities	**(4,924,055)**	**(2,511,670)**	**(2,960,317)**	**(77,186)**	**(10,473,228)**
Unallocated liabilities					**(4,817)**
Total liabilities					**(10,478,045)**

	As at 31 December 2020				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
Segment assets	4,192,292	2,067,778	4,346,218	63,337	10,669,625
Including:					
Investments in associates and joint ventures	*–*	*–*	*–*	*4,681*	*4,681*
Unallocated assets					27,991
Total assets					10,697,616
Segment liabilities	(4,832,353)	(2,312,508)	(2,598,865)	(70,190)	(9,813,916)
Unallocated liabilities					(5,072)
Total liabilities					(9,818,988)

There were no significant transactions with a single external customer that the Group mainly relied on.

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

12 LIQUIDITY RISK

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

(In millions of RMB)

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

(In millions of RMB)

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

13 NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

In July 2021, Bank of Communications (Hong Kong) Limited issued tier-2 capital bonds with the face value of USD1,000 million and coupon rate of 2.304% due 2031, Bank of Communications (Hong Kong) Limited has an option to redeem them at the end of 2026.

VIII. PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement will be simultaneously published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk, as well as the website of the Bank at www.bankcomm.com. This results announcement is extracted from the 2021 Interim Report prepared in accordance with the IFRSs. The full report will be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk, as well as the website of the Bank at www.bankcomm.com for the reference of shareholders and investors. The 2021 Interim Report, which is prepared in accordance with China Accounting Standard will be available on the website of the Shanghai Stock Exchange at www.sse.com.cn and the website of the Bank at www.bankcomm.com. Investors should read the full Interim Report for details of interim results announcement. The Interim Report prepared in accordance with the IFRSs will be distributed to the shareholders of H shares in September 2021.

This results announcement is prepared in both Chinese and English. Should there be any inconsistency between the Chinese and English versions, the Chinese version should prevail.

By order of the Board
Bank of Communications Co., Ltd.
Ren Deqi
Chairman of the Board

Shanghai, the PRC
27 August 2021

As at the date of this announcement, the directors of the Bank are Mr. Ren Deqi, Mr. Liu Jun, Mr. Li Longcheng, Mr. Wang Linping*, Mr. Chang Baosheng*, Mr. Liao, Yi Chien David*, Mr. Chan Siu Chung*, Mr. Song Hongjun*, Mr. Chen Junkui*, Mr. Liu Haoyang*, Mr. Yeung Chi Wai, Jason#, Mr. Woo Chin Wan, Raymond#, Mr. Cai Haoyi#, Mr. Shi Lei#, Mr. Zhang Xiangdong# and Ms. Li Xiaohui#.*

* *Non-executive directors*
\# *Independent Non-executive director*