Supplemental Listing Document

If you are in any doubt as to any aspect of this document, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, accountant or other professional adviser.

Application has been made to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in and for quotation of the Certificates (as defined below). The SGX-ST takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of SG Issuer, Société Générale, the Certificates, or the Company (as defined below).

3,400,000 European Style Cash Settled Short Certificates relating to

the ordinary H shares of China Merchants Bank Co., Ltd.

with a Daily Leverage of -5x

issued by

SG Issuer

(Incorporated in Luxembourg with limited liability)

unconditionally and irrevocably guaranteed by

Société Générale

Issue Price: S$1.20 per Certificate

This document is published for the purpose of obtaining a listing of all the above certificates (the "**Certificates**") to be issued by SG Issuer (the "**Issuer**") unconditionally and irrevocably guaranteed by Société Générale (the "**Guarantor**"), and is supplemental to and should be read in conjunction with a base listing document dated 18 June 2021 including such further base listing documents as may be issued from time to time (the "**Base Listing Document**") for the purpose of giving information with regard to the Issuer, the Guarantor and the Certificates. Information relating to the Company (as defined below) is contained in this document.

This document does not constitute or form part of any offer, or invitation, to subscribe for or to sell, or solicitation of any offer to subscribe for or to purchase, Certificates or other securities of the Issuer, nor is it calculated to invite, nor does it permit the making of, offers by the public to subscribe for or purchase for cash or other consideration the Certificates or other securities of the Issuer.

Restrictions have been imposed on offers and sales of the Certificates and on distributions of documents relating thereto in Singapore, Hong Kong, the European Economic Area, the United Kingdom and the United States (see "Placing and Sale" contained herein).

The Certificates are complex products. You should exercise caution in relation to them. Investors are warned that the price of the Certificates may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. The price of the Certificates also depends on the supply and demand for the Certificates in the market and the price at which the Certificates is trading at any time may differ from the underlying valuation of the Certificates because of market inefficiencies. It is not possible to predict the secondary market for the Certificates. Although the Issuer, the Guarantor and/or any of their affiliates may from time to time purchase the Certificates or sell additional Certificates on the market, the Issuer, the Guarantor and/or any of their affiliates are not obliged to do so. Investors should also note that there are leveraged risks because the Certificates integrate an inverse leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock (as defined below) and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock.

The Certificates are classified as capital markets products other than prescribed capital markets products[1] and Specified Investment Products (SIPs)[2], and may only be sold to retail investors with enhanced safeguards, including an assessment of such investors' investment knowledge or experience.

The Certificates constitute general unsecured obligations of the Issuer (in the case of any substitution of the Issuer in accordance with the Conditions of the Certificates, the Substituted Obligor as defined in the Conditions of the Certificates) and of no other person, and the guarantee dated 18 June 2021 (the "**Guarantee**") and entered into by the Guarantor constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person, and if you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person.

Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. It is expected that dealings in the Certificates will commence on or about 25 October 2021.

As of the date hereof, the Guarantor's long term credit rating by S&P Global Ratings is A, and by Moody's Investors Service, Inc. is A1.

The Issuer is regulated by the Luxembourg Commission de Surveillance du Secteur Financier on a consolidated basis and the Guarantor is regulated by, *inter alia*, the Autorité des Marchés Financiers, the Autorité de Contrôle Prudentiel et de Résolution and the European Central Bank.

22 October 2021

[1] As defined in the Securities and Futures (Capital Markets Products) Regulations 2018.
[2] As defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products.

Subject as set out below, the Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this document and the Base Listing Document in relation to themselves and the Certificates. To the best of the knowledge and belief of the Issuer and the Guarantor (each of which has taken all reasonable care to ensure that such is the case), the information contained in this document and the Base Listing Document for which they accept responsibility (subject as set out below in respect of the information contained herein with regard to the Company) is in accordance with the facts and does not omit anything likely to affect the import of such information. The information with regard to the Company as set out herein is extracted from publicly available information. The Issuer and the Guarantor accept responsibility only for the accurate reproduction of such information. No further or other responsibility or liability in respect of such information is accepted by the Issuer and the Guarantor.

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the offering of the Certificates, and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Guarantor. Neither the delivery of this document nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, the Guarantor or their respective subsidiaries and associates since the date hereof.

This document does not constitute an offer or invitation by or on behalf of the Issuer or the Guarantor to purchase or subscribe for any of the Certificates. The distribution of this document and the offering of the Certificates may, in certain jurisdictions, be restricted by law. The Issuer and the Guarantor require persons into whose possession this document comes to inform themselves of and observe all such restrictions. In particular, the Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the "**CFTC**") under the United States Commodity Exchange Act of 1936, as amended and the Issuer will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised. A further description of certain restrictions on offering and sale of the Certificates and distribution of this document is given in the section headed "Placing and Sale" contained herein.

The SGX-ST has made no assessment of, nor taken any responsibility for, the financial soundness of the Issuer or the Guarantor or the merits of investing in the Certificates, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

The Issuer, the Guarantor and/or any of their affiliates may repurchase Certificates at any time on or after the date of issue and any Certificates so repurchased may be offered from time to time in one or more transactions in the over-the-counter market or otherwise at prevailing market prices or in negotiated transactions, at the discretion of the Issuer, the Guarantor and/or any of their affiliates.

Investors should not therefore make any assumption as to the number of Certificates in issue at any time.

References in this document to the "**Conditions**" shall mean references to the Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities contained in the Base Listing Document. Terms not defined herein shall have the meanings ascribed thereto in the Conditions.

Table of Contents

RISK FACTORS

The following are risk factors relating to the Certificates:

(a) investment in Certificates involves substantial risks including market risk, liquidity risk, and the risk that the Issuer and/or the Guarantor will be unable to satisfy its/their obligations under the Certificates. Investors should ensure that they understand the nature of all these risks before making a decision to invest in the Certificates. You should consider carefully whether Certificates are suitable for you in light of your experience, objectives, financial position and other relevant circumstances. Certificates are not suitable for inexperienced investors;

(b) the Certificates constitute general unsecured obligations of the Issuer (in the case of any substitution of the Issuer in accordance with the Conditions of the Certificates, the Substituted Obligor as defined in the Conditions of the Certificates) and of no other person, and the Guarantee constitutes direct unconditional unsecured senior preferred obligations of the Guarantor and of no other person. In particular, it should be noted that the Issuer issues a large number of financial instruments, including Certificates, on a global basis and, at any given time, the financial instruments outstanding may be substantial. If you purchase the Certificates, you are relying upon the creditworthiness of the Issuer and the Guarantor and have no rights under the Certificates against any other person;

(c) since the Certificates relate to the price of the Underlying Stock, certain events relating to the Underlying Stock may cause adverse movements in the value and the price of the Underlying Stock, as a result of which, the Certificate Holders (as defined in the Conditions of the Certificates) may, in extreme circumstances, sustain a significant loss of their investment if the price of the Underlying Stock has risen sharply;

(d) due to their nature, the Certificates can be volatile instruments and may be subject to considerable fluctuations in value. The price of the Certificates may fall in value as rapidly as it may rise due to, including but not limited to, variations in the frequency and magnitude of the changes in the price of the Underlying Stock, the time remaining to expiry, the currency exchange rates and the creditworthiness of the Issuer and the Guarantor;

(e) if, whilst any of the Certificates remain unexercised, trading in the Underlying Stock is suspended or halted on the relevant stock exchange, trading in the Certificates may be suspended for a similar period;

(f) as indicated in the Conditions of the Certificates and herein, a Certificate Holder must tender a specified number of Certificates at any one time in order to exercise. Thus, Certificate Holders with fewer than the specified minimum number of Certificates in a particular series will either have to sell their Certificates or purchase additional Certificates, incurring transactions costs in each case, in order to realise their investment;

(g) investors should note that in the event of there being a Market Disruption Event (as defined in the Conditions) determination or payment of the Cash Settlement Amount (as defined in the Conditions) may be delayed, all as more fully described in the Conditions;

(h) certain events relating to the Underlying Stock require or, as the case may be, permit the Issuer to make certain adjustments or amendments to the Conditions. Investors may refer to the Conditions 4 and 6 on pages 31 to 35 and the examples and illustrations of adjustments set out in the "Information relating to the European Style Cash Settled Short Certificates on Single Equities" section of this document for more information;

(i) the Certificates are only exercisable on the Expiry Date and may not be exercised by Certificate Holders prior to such Expiry Date. Accordingly, if on the Expiry Date the Cash Settlement Amount is zero, a Certificate Holder will lose the value of his investment;

(j) the total return on an investment in any Certificate may be affected by the Hedging Fee Factor (as defined below), Management Fee (as defined below) and Gap Premium (as defined below);

(k) investors holding their position overnight should note that they would be required to bear the annualised cost which consists of the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Inverse Strategy (as described below) including the Stock Borrowing Cost (as defined below) and Rebalancing Cost (as defined below);

(l) investors should note that there may be an exchange rate risk relating to the Certificates where the Cash Settlement Amount is converted from a foreign currency into Singapore dollars.

Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation. Fluctuations in foreign exchange rates, foreign political and economic developments, and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Certificates. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies;

(m) investors should note that there are leveraged risks because the Certificates integrate an inverse leverage mechanism and the Certificates will amplify the movements in the increase, and in the decrease, of the value of the Underlying Stock and if the investment results in a loss, any such loss will be increased by the leverage factor of the Certificates. As such, investors could lose more than they would if they had invested directly in the Underlying Stock;

(n) when held for longer than a day, the performance of the Certificates could be more or less than the leverage factor that is embedded within the Certificates. The performance of the Certificates each day is locked in, and any subsequent returns are based on what was achieved the previous day. This process, referred to as compounding, may lead to a performance difference from 5 times the inverse performance of the Underlying Stock over a period longer than one day. This difference may be amplified in a volatile market with a sideway trend, where market movements are not clear in direction, whereby investors may sustain substantial losses;

(o) the Air Bag Mechanism (as defined below) is triggered only when the Underlying Stock is calculated or traded, which may not be during the trading hours of the Relevant Stock Exchange for the Certificates (as defined below);

(p) investors should note that the Air Bag Mechanism reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses;

(q) there is no assurance that the Air Bag Mechanism will prevent investors from losing the entire value of their investment, in the event of (i) an overnight increase in the Underlying Stock, where there is a 20% or greater gap between the previous day closing price and the opening price of the Underlying Stock the following day, as the Air Bag Mechanism will only be triggered when market opens the following day or (ii) a sharp intraday increase in the price of the Underlying

Stock of 20% or greater within the 15 minutes Observation Period compared to the reference price, being: (1) if air bag has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (2) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. Investors may refer to pages 51 to 52 of this document for more information;

(r) certain events may, pursuant to the terms and conditions of the Certificates, trigger (i) the implementation of methods of adjustment or (ii) the early termination of the Certificates. The Issuer will give the investors reasonable notice of any early termination. If the Issuer terminates the Certificates early, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of the Certificate less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. The performance of this commitment shall depend on (i) general market conditions and (ii) the liquidity conditions of the underlying instrument(s) and, as the case may be, of any other hedging transactions. Investors should note that the amount repaid by the Issuer may be less than the amount initially invested. Investors may refer to the Condition 13 on pages 37 to 38 of this document for more information;

(s) there is no assurance that an active trading market for the Certificates will sustain throughout the life of the Certificates, or if it does sustain, it may be due to market making on the part of the Designated Market Maker. The Issuer acting through its Designated Market Maker may be the only market participant buying and selling the Certificates. Therefore, the secondary market for the Certificates may be limited and you may not be able to realise the value of the Certificates. Do note that the bid-ask spread increases with illiquidity;

(t) in the ordinary course of their business, including without limitation, in connection with the Issuer or its appointed designated market maker's market making activities, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may effect transactions for their own account or for the account of their customers and hold long or short positions in the Underlying Stock. In addition, in connection with the offering of any Certificates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into one or more hedging transactions with respect to the Underlying Stock. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer, the Guarantor and any of their respective subsidiaries and affiliates, the Issuer, the Guarantor and any of their respective subsidiaries and affiliates may enter into transactions in the Underlying Stock which may affect the market price, liquidity or value of the Certificates and which may affect the interests of Certificate Holders;

(u) various potential and actual conflicts of interest may arise from the overall activities of the Issuer, the Guarantor and/or any of their subsidiaries and affiliates.

The Issuer, the Guarantor and any of their subsidiaries and affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and investment and other activities for their own account or the account of others. In addition, the Issuer, the Guarantor and any of their subsidiaries and affiliates, in connection with their other business activities, may possess or acquire material information about the Underlying Stock. Such activities and information may involve or otherwise affect issuers of the Underlying Stock in a manner that may cause consequences adverse to the Certificate Holders or otherwise create conflicts of interests in connection with the issue of Certificates by the Issuer. Such actions and conflicts may include, without limitation, the exercise of voting power, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. The Issuer, the Guarantor and any of their subsidiaries and affiliates have no obligation to disclose such information about the Underlying Stock or such activities. The Issuer, the Guarantor and any of their subsidiaries and affiliates and their officers and directors may engage in any such activities without regard to the issue of Certificates by the Issuer or the effect that such activities may directly or indirectly have on any Certificate;

(v) legal considerations which may restrict the possibility of certain investments:

Some investors' investment activities are subject to specific laws and regulations or laws and regulations currently being considered by various authorities. All potential investors must consult their own legal advisers to check whether and to what extent (i) they can legally purchase the Certificates (ii) the Certificates can be used as collateral security for various forms of borrowing (iii) if other restrictions apply to the purchase of Certificates or their use as collateral security. Financial institutions must consult their legal advisers or regulators to determine the appropriate treatment of the Certificates under any applicable risk-based capital or similar rules;

(w) the credit rating of the Guarantor is an assessment of its ability to pay obligations, including those on the Certificates. Consequently, actual or anticipated declines in the credit rating of the Guarantor may affect the market value of the Certificates;

(x) the Certificates are linked to the Underlying Stock and subject to the risk that the price of the Underlying Stock may rise. The following is a list of some of the significant risks associated with the Underlying Stock:

– Historical performance of the Underlying Stock does not give an indication of future performance of the Underlying Stock. It is impossible to predict whether the price of the Underlying Stock will fall or rise over the term of the Certificates; and

– The price of the Underlying Stock may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which the Underlying Stock may be traded;

(y) the value of the Certificates depends on the Leverage Inverse Strategy performance built in the Certificate. The Calculation Agent will make the Leverage Inverse Strategy last closing level and a calculation tool available to the investors on a website;

(z) two or more risk factors may simultaneously have an effect on the value of a Certificate such that the effect of any individual risk factor may not be predicted. No assurance can be given as to the effect any combination of risk factors may have on the value of a Certificate;

(aa) as the Certificates are represented by a global warrant certificate which will be deposited with The Central Depository (Pte) Limited ("**CDP**"):

(i) investors should note that no definitive certificate will be issued in relation to the Certificates;

(ii) there will be no register of Certificate Holders and each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates by way of interest (to the extent of such number) in the global warrant certificate in respect of those Certificates represented thereby shall be treated as the holder of such number of Certificates;

(iii) investors will need to rely on any statements received from their brokers/custodians as evidence of their interest in the Certificates; and

(iv) notices to such Certificate Holders will be published on the web-site of the SGX-ST. Investors will need to check the web-site of the SGX-ST regularly and/or rely on their brokers/custodians to obtain such notices;

(bb) the reform of HIBOR may adversely affect the value of the Certificates

The Hong Kong Inter-bank Offered Rate ("**HIBOR**") benchmark is referenced in the Leverage Inverse Strategy.

It is not possible to predict with certainty whether, and to what extent, HIBOR will continue to be supported going forwards. This may cause HIBOR to perform differently than they have done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on the Certificates.

In addition, the occurrence of a modification or cessation of HIBOR may cause adjustment of the Certificates which may include selecting one or more successor benchmarks and making related adjustments to the Certificates, including if applicable to reflect increased costs.

The Calculation Agent may make adjustments as it may determine appropriate if any of the following circumstances occurs or may occur: (1) HIBOR is materially changed or cancelled or (2)(i) the relevant authorisation, registration, recognition, endorsement, equivalence decision or approval in respect of the benchmark or the administrator or sponsor of the benchmark is not obtained, (ii) an application for authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register is rejected or (iii) any authorisation, registration, recognition, endorsement, equivalence decision or approval is suspended or inclusion in any official register is withdrawn.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any of the international or national reforms in making any investment decision with respect to any Certificate;

(cc) the US Foreign Account Tax Compliance Act ("**FATCA**") withholding risk:

FATCA generally imposes a 30 per cent. withholding tax on certain U.S.-source payments to certain non-US persons that do provide certification of their compliance with IRS rules to disclose the identity of their US owners and account holders (if any) or establish a basis for exemption for such disclosure. The Issuer or an investor's broker or custodian may be subject to FATCA and, as a result, may be required to obtain certification from investors that they have complied with FATCA disclosure requirements or have established a basis for exemption from FATCA. If an investor does not provide the Issuer or the relevant broker or custodian with such certification, the Issuer and the Guarantor or other withholding agent could be required to withhold U.S. tax on U.S.-source income (if any) paid pursuant to the Certificates. In certain cases, the Issuer or the relevant broker or custodian could be required to close an account of an investor who does not comply with the FATCA certification procedures.

FATCA IS PARTICULARLY COMPLEX. EACH INVESTOR SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO DETERMINE HOW THIS LEGISLATION MIGHT AFFECT EACH INVESTOR IN ITS PARTICULAR CIRCUMSTANCES;

(dd) U.S. withholding tax

The Issuer has determined that this Certificate is not linked to U.S. Underlying Equities within the meaning of applicable regulations under Section 871(m) of the United States Internal Revenue Code, as discussed in the accompanying Base Listing Document under "TAXATION—TAXATION IN THE UNITED STATES OF AMERICA—Section 871(m) of the U.S. Internal Revenue Code of 1986." Accordingly, the Issuer expects that Section 871(m) will not apply to the Certificates. Such determination is not binding on the IRS, and the IRS may disagree with this determination. Section 871(m) is complex and its application may depend on a Certificate Holder's particular circumstances. Certificate Holders should consult with their own tax advisers regarding the potential application of Section 871(m) to the Certificates; and

(ee) risk factors relating to the BRRD

French and Luxembourg law and European legislation regarding the resolution of financial institutions may require the write-down or conversion to equity of the Certificates or other resolution measures if the Issuer or the Guarantor is deemed to meet the conditions for resolution.

Directive 2014/59/EU of the European Parliament and of the Council of the European Union dated 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**BRRD**") entered into force on 2 July 2014. The BRRD has been implemented into Luxembourg law by, among others, the Luxembourg act dated 18 December 2015 on the failure of credit institutions and certain investment firms, as amended (the "**BRR Act 2015**"). Under the BRR Act 2015, the competent authority is the Luxembourg financial sector supervisory authority (*Commission de surveillance du secteur financier*, the CSSF) and the resolution authority is the CSSF acting as resolution council (*conseil de résolution*).

Moreover, Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism ("**SRM**") and a Single Resolution Fund (the "**SRM Regulation**") has established a centralised power of resolution entrusted to a Single Resolution Board (the "**SRB**") in cooperation with the national resolution authorities.

Since November 2014, the European Central Bank ("**ECB**") has taken over the prudential supervision of significant credit institutions in the member states of the Eurozone under the Single Supervisory Mechanism ("**SSM**"). In addition, the SRM has been put in place to ensure that the resolution of credit institutions and certain investment firms across the Eurozone is harmonised. As mentioned above, the SRM is managed by the SRB. Under Article 5(1) of the SRM Regulation, the SRM has been granted those responsibilities and powers granted to the EU Member States' resolution authorities under the BRRD for those credit institutions and certain investment firms subject to direct supervision by the ECB. The ability of the SRB to exercise these powers came into force at the beginning of 2016.

Societe Generale has been designated as a significant supervised entity for the purposes of Article 49(1) of Regulation (EU) No 468/2014 of the ECB of 16 April 2014 establishing the framework for cooperation within the SSM between the ECB and national competent authorities and with national designated authorities (the "**SSM Regulation**") and is consequently subject to the direct supervision of the ECB in the context of the SSM. This means that Societe Generale and SG Issuer (being covered by the consolidated prudential supervision of Societe Generale) are also subject to the SRM which came into force in 2015. The SRM Regulation mirrors the BRRD and, to a large part, refers to the BRRD so that the SRB is able to apply the same powers that would otherwise be available to the relevant national resolution authority.

The stated aim of the BRRD and the SRM Regulation is to provide for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and certain investment firms. The regime provided for by the BRRD is, among other things, stated to be needed to provide the resolution authority designated by each EU Member State (the "**Resolution Authority**") with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions while minimising the impact of an institution's failure on the economy and financial system (including taxpayers' exposure to losses).

Under the SRM Regulation, a centralised power of resolution is established and entrusted to the SRB acting in cooperation with the national resolution authorities. In accordance with the provisions of the SRM Regulation, when applicable, the SRB, has replaced the national resolution authorities designated under the BRRD with respect to all aspects relating to the decision-making process and the national resolution authorities designated under the BRRD continue to carry out activities relating to the implementation of resolution schemes adopted by the SRB. The provisions relating to the cooperation between the SRB and the national resolution authorities for the preparation of the institutions' resolution plans have applied since 1 January 2015 and the SRM has been fully operational since 1 January 2016.

The SRB is the Resolution Authority for the Issuer and the Guarantor.

The powers provided to the Resolution Authority in the BRRD and the SRM Regulation include write-down/conversion powers to ensure that capital instruments (including subordinated debt instruments) and eligible liabilities (including senior debt instruments if junior instruments prove insufficient to absorb all losses) absorb losses of the issuing institution that is subject to resolution in accordance with a set order of priority (the "**Bail-in Power**"). The conditions for resolution under the SRM Regulation are deemed to be met when: (i) the Resolution Authority determines that the institution is failing or is likely to fail, (ii) there is no reasonable prospect that any measure other than a resolution measure would prevent the failure within a reasonable timeframe, and (iii) a resolution measure is necessary for the achievement of the resolution objectives (in particular, ensuring the continuity of critical functions, avoiding a significant adverse effect on the financial system, protecting public funds by minimizing reliance on extraordinary public financial support, and protecting client funds and assets) and winding up of the institution under normal insolvency proceedings would not meet those resolution objectives to the same extent.

The Resolution Authority could also, independently of a resolution measure or in combination with a resolution measure, fully or partially write-down or convert capital instruments (including subordinated debt instruments) into equity when it determines that the institution or its group will no longer be viable unless such write-down or conversion power is exercised or when the institution requires extraordinary public financial support (except when extraordinary public financial support is provided in Article 10 of the SRM Regulation). The terms and conditions of the Certificates contain provisions giving effect to the Bail-in Power in the context of resolution and write-down or conversion of capital instruments at the point of non-viability.

The Bail-in Power could result in the full (i.e., to zero) or partial write-down or conversion of the Certificates into ordinary shares or other instruments of ownership, or the variation of the terms of the Certificates (for example, the maturity and/or interest payable may be altered and/or a temporary suspension of payments may be ordered). Extraordinary public financial support should only be used as a last resort after having assessed and applied, to the maximum extent practicable, the resolution measures. No support will be available until a minimum amount of contribution to loss absorption and recapitalization of 8% of total liabilities including own funds has been made by shareholders, holders of capital instruments and other eligible liabilities through write-down, conversion or otherwise.

In addition to the Bail-in Power, the BRRD provides the Resolution Authority with broader powers to implement other resolution measures with respect to institutions that meet the conditions for resolution, which may include (without limitation) the sale of the institution's business, the creation of a bridge institution, the separation of assets, the replacement or substitution of the institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments), removing management, appointing an interim administrator, and discontinuing the listing and admission to trading of financial instruments.

Before taking a resolution measure, including implementing the Bail-in Power, or exercising the power to write down or convert relevant capital instruments, the Resolution Authority must ensure that a fair, prudent and realistic valuation of the assets and liabilities of the institution is carried out by a person independent from any public authority.

The application of any measure under the BRRD and the SRM Regulation or any suggestion of such application with respect to the Issuer, the Guarantor or the Group could materially adversely affect the rights of Certificate Holders, the price or value of an investment in the Certificates and/or the ability of the Issuer or the Guarantor to satisfy its obligations under any Certificates, and as a result investors may lose their entire investment.

Moreover, if the Issuer's or the Guarantor's financial condition deteriorates, the existence of the Bail-in Power, the exercise of write-down/conversion powers or any other resolution tools by the Resolution Authority independently of a resolution measure or in combination with a resolution measure when it determines that the Issuer, the Guarantor or the Group will no longer be viable could cause the market price or value of the Certificates to decline more rapidly than would be the case in the absence of such powers.

Since 1 January 2016, EU credit institutions (such as Societe Generale) and certain investment firms have to meet, at all times, a minimum requirement for own funds and eligible liabilities ("**MREL**") pursuant to Article 12 of the SRM Regulation. The MREL, which is expressed as a percentage of the total liabilities and own funds of the institution, aims at preventing institutions from structuring their liabilities in a manner that impedes the effectiveness of the Bail-in Power in order to facilitate resolution.

The current regime will evolve as a result of the changes adopted by the EU legislators. On 7 June 2019, as part of the contemplated amendments to the so-called "EU Banking Package", the following legislative texts have been published in the Official Journal of the EU 14 May 2019:

- Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the BRRD as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms (the "**BRRD II**"); and
- Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending the SRM Regulation as regards the loss-absorbing and recapitalisation capacity ("**TLAC**") of credit institutions and investment firms (the "**SRM II Regulation**" and, together with the BRRD II, the "**EU Banking Package Reforms**").

The EU Banking Package Reforms will introduce, among other things, the TLAC standard as implemented by the Financial Stability Board's TLAC Term Sheet ("**FSB TLAC Term Sheet**"), by adapting, among others, the existing regime relating to the specific MREL with aim of reducing risks in the banking sector and further reinforcing institutions' ability to withstand potential shocks will strengthen the banking union and reduce risks in the financial system.

The TLAC will be implemented in accordance with the FSB TLAC Term Sheet, which impose a level of "Minimum TLAC" that will be determined individually for each global systemically important bank ("**G-SIB**"), such as Societe Generale, in an amount at least equal to (i) 16%, plus applicable buffers, of risk weight assets through January 1, 2022 and 18%, plus applicable buffers, thereafter and (ii) 6% of the Basel III leverage ratio denominator through January 1, 2022 and 6.75% thereafter (each of which could be extended by additional firm-specific requirements).

According to Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR**"), as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending the CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements (the "**CRR II**"), EU G-SIBs, such as Societe Generale, will have to comply with TLAC requirements, on top of the MREL requirements, as from the entry into force of the CRR II. As such, G-SIBs, such as Societe Generale will have to comply at the same time with TLAC and MREL requirements.

Consequently, criteria for MREL-eligible liabilities will be closely aligned with those laid down in the CRR, as amended by the CRR II for the TLAC-eligible liabilities, but subject to the complementary adjustments and requirements introduced in the BRRD II. In particular, certain debt instruments with an embedded derivative component, such as certain structured notes, will be eligible, subject to certain conditions, to meet the MREL requirements to the extent that they have a fixed or increasing principal amount repayable at maturity that is known in advance while only an additional return is linked to that derivative component and depends on the performance of a reference asset.

The level of capital and eligible liabilities required under MREL will be set by the SRB for Societe Generale on an individual and/or consolidated basis based on certain criteria including systemic importance any may also be set for SG Issuer. Eligible liabilities may be senior or subordinated, provided, among other requirements, that they have a remaining maturity of at least one year and, if governed by non-EU law, they must be able to be written down or converted under that law (including through contractual provisions).

The scope of liabilities used to meet the MREL includes, in principle, all liabilities resulting from claims arising from ordinary unsecured creditors (non-subordinated liabilities) unless they do not meet specific eligibility criteria set out in the BRRD, as amended by the BRRD II. To enhance the resolvability of institutions and entities through an effective use of the bail-in tool, the SRB should be able to require that the MREL be met with own funds and other subordinated liabilities, in particular where there are clear indications that bailed-in creditors are likely to bear losses in resolution that would exceed the losses that they would incur under normal insolvency proceedings. Moreover the SRB should assess the need to require institutions and entities to meet the MREL with own funds and other subordinated liabilities where the amount of liabilities excluded from the application of the bail- in tool reaches a certain threshold within a class of liabilities that includes MREL-eligible liabilities. Any subordination of debt instruments requested by the SRB for the MREL shall be without prejudice to the possibility to partly meet the TLAC requirements with non-subordinated debt instruments in accordance with the CRR, as amended by the CRR II, as permitted by the TLAC standard. Specific requirements apply to resolution groups with assets above EUR 100 billion (top-tier banks).

If the SRB finds that there could exist any obstacles to resolvability by the Issuer or the Guarantor and/or the Group, a higher MREL requirement could be imposed. Any failure by the Issuer or the Guarantor, as applicable, and/or the Group to comply with its MREL may have a material adverse effect on the Issuer's business, financial conditions and results of operations.

TERMS AND CONDITIONS OF THE CERTIFICATES

The following are the terms and conditions of the Certificates and should be read in conjunction with, and are qualified by reference to, the other information set out in this document and the Base Listing Document.

The Conditions are set out in the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" in the Base Listing Document. For the purposes of the Conditions, the following terms shall have the following meanings:

Certificates:	3,400,000 European Style Cash Settled Short Certificates relating to the ordinary H shares of China Merchants Bank Co., Ltd. (the "**Underlying Stock**")
ISIN:	LU2267111982
Company:	China Merchants Bank Co., Ltd. (RIC: 3968.HK)
Underlying Price[3] and Source:	HK$66.80 (Reuters)
Calculation Agent:	Société Générale
Strike Level:	Zero
Daily Leverage:	-5x (within the Leverage Inverse Strategy as described below)
Notional Amount per Certificate:	SGD 1.20
Management Fee (p.a.)[4]:	0.40%
Gap Premium (p.a.)[5]:	6.00%, is a hedging cost against extreme market movements overnight.
Stock Borrowing Cost[6]:	The annualised costs for borrowing stocks in order to take an inverse exposure on the Underlying Stock.
Rebalancing Cost[6]:	The transaction costs (if applicable), computed as a function of leverage and daily inverse performance of the Underlying Stock.
Launch Date:	18 October 2021
Closing Date:	22 October 2021

[3] These figures are calculated as at, and based on information available to the Issuer on or about 22 October 2021. The Issuer is not obliged, and undertakes no responsibility to any person, to update or inform any person of any changes to the figures after 22 October 2021.
[4] Please note that the Management Fee is calculated on a 360-day basis and may be increased up to a maximum of 3% p.a. on giving one month's notice to investors. Any increase in the Management Fee will be announced on the SGXNET. Please refer to "Fees and Charges" below for further details of the fees and charges payable and the maximum of such fees as well as other ongoing expenses that may be borne by the Certificates.
[5] Please note that the Gap Premium is calculated on a 360-day basis.
[6] These costs are embedded within the Leverage Inverse Strategy. Please note that the Stock Borrowing Cost may be changed on giving 5 Business Days' notice to investors. Any change in the Stock Borrowing Cost will be announced on the SGXNET.

Expected Listing Date:	25 October 2021
Last Trading Date:	The date falling 5 Business Days immediately preceding the Expiry Date, currently being 12 October 2023
Expiry Date:	19 October 2023 (if the Expiry Date is not a Business Day, then the Expiry Date shall fall on the preceding Business Day and subject to adjustment of the Valuation Date upon the occurrence of Market Disruption Events as set out in the Conditions of the Certificates)
Board Lot:	100 Certificates
Valuation Date:	18 October 2023 or if such day is not an Exchange Business Day, the immediately preceding Exchange Business Day.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Cash Settlement Amount:	In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to: Closing Level multiplied by the Notional Amount per Certificate Please refer to the "Information relating to the European Style Cash Settled Short Certificates on Single Equities" section on pages 42 to 57 of this document for examples and illustrations of the calculation of the Cash Settlement Amount.
Hedging Fee Factor:	In respect of each Certificate, shall be an amount calculated as: Product (for t from 2 to Valuation Date) of (1 – Management Fee x (ACT (t-1;t) ÷ 360)) x (1 – Gap Premium (t-1) x (ACT (t-1;t) ÷ 360)), where: "**t**" refers to "**Observation Date**" which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding

the Expected Listing Date to the Valuation Date; and

ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is "t-1") (included) and the Observation Date (which is "t") (excluded).

If the Issuer determines, in its sole discretion, that on any Observation Date a Market Disruption Event has occurred, then that Observation Date shall be postponed until the first succeeding Underlying Stock Business Day on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Underlying Stock Business Days immediately following the original date that, but for the Market Disruption Event, would have been an Observation Date. In that case, that fifth Underlying Stock Business Day shall be deemed to be the Observation Date notwithstanding the Market Disruption Event and the Issuer shall determine, its good faith estimate of the level of the Leverage Inverse Strategy and the value of the Certificate on that fifth Underlying Stock Business Day in accordance with the formula for and method of calculation last in effect prior to the occurrence of the first Market Disruption Event taking into account, inter alia, the exchange traded or quoted price of the Underlying Stock and the potential increased cost of hedging by the Issuer as a result of the occurrence of the Market Disruption Event.

An "**Underlying Stock Business Day**" is a day on which The Stock Exchange of Hong Kong Limited (the "**HKEX**") is open for dealings in Hong Kong during its normal trading hours and banks are open for business in Hong Kong.

Please refer to the "Information relating to the European Style Cash Settled Short Certificates on Single Equities" section on pages 42 to 57 of this document for examples and illustrations of the calculation of the Hedging Fee Factor.

Closing Level: In respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left(\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level}\right) \times \text{Hedging Fee Factor}$$

Initial Reference Level: 1,000

Final Reference Level: The closing level of the Leverage Inverse Strategy (as described below) on the Valuation Date

The calculation of the closing level of the Leverage Inverse Strategy is set out in the "Specific Definitions relating to the Leverage Inverse Strategy" section on pages 20 to 25 below.

Initial Exchange Rate[3]: 0.1729

Final Exchange Rate: The rate for the conversion of HKD to SGD as at 5:00pm (Singapore

	Time) on the Valuation Date as shown on Reuters, provided that if the Reuters service ceases to display such information, as determined by the Issuer by reference to such source(s) as the Issuer may reasonably determine to be appropriate at such a time.
Air Bag Mechanism:	The "**Air Bag Mechanism**" refers to the mechanism built in the Leverage Inverse Strategy and which is designed to reduce the Leverage Inverse Strategy exposure to the Underlying Stock during extreme market conditions. If the Underlying Stock rises by 15% or more ("**Air Bag Trigger Price**") during the trading day (which represents approximately 75% loss after a 5 times inverse leverage), the Air Bag Mechanism is triggered and the Leverage Inverse Strategy is adjusted intra-day. The Air Bag Mechanism reduces the impact on the Leverage Inverse Strategy if the Underlying Stock rises further, but will also maintain a reduced exposure to the Underlying Stock in the event the Underlying Stock starts to fall after the Air Bag Mechanism is triggered, thereby reducing its ability to recoup losses. Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered. The Leverage Inverse Strategy is floored at 0 and the Certificates cannot be valued below zero. Please refer to the "Extraordinary Strategy Adjustment for Performance Reasons ("Air Bag Mechanism")" section on pages 23 to 25 below and the "Description of Air Bag Mechanism" section on pages 48 to 49 of this document for further information of the Air Bag Mechanism.
Adjustments and Extraordinary Events:	The Issuer has the right to make adjustments to the terms of the Certificates if certain events, including any capitalisation issue, rights issue, extraordinary distributions, merger, delisting, insolvency (as more specifically set out in the terms and conditions of the Certificates) occur in respect of the Underlying Stock. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.
Underlying Stock Currency:	Hong Kong Dollar ("**HKD**")
Settlement Currency:	Singapore Dollar ("**SGD**")
Exercise Expenses:	Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates.
Relevant Stock Exchange for the Certificates:	The Singapore Exchange Securities Trading Limited (the "**SGX-ST**")
Relevant Stock Exchange for the Underlying Stock:	HKEX
Business Day and Exchange	A "**Business Day**" is a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for

Business Day:	business in Singapore. An "**Exchange Business Day**" is a day on which the SGX-ST and the HKEX are open for dealings in Singapore and Hong Kong respectively during its normal trading hours and banks are open for business in Singapore and Hong Kong.
Warrant Agent:	The Central Depository (Pte) Limited ("**CDP**")
Clearing System:	CDP
Fees and Charges:	Normal transaction and brokerage fees shall apply to the trading of the Certificates on the SGX-ST. Investors should note that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred. Investors who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. Investors holding position overnight would also be required to bear the Management Fee and Gap Premium, which are calculated daily and applied to the value of the Certificates, as well as certain costs embedded within the Leverage Inverse Strategy including the Stock Borrowing Cost and Rebalancing Cost. The Management Fee may be increased up to a maximum of 3% p.a. on giving one month's notice to investors in accordance with the terms and conditions of the Certificates. Any increase in the Management Fee will be announced on the SGXNET.
Further Information:	Please refer to the website at dlc.socgen.com for more information on the theoretical closing price of the Certificates on the previous trading day, the closing price of the Underlying Stock on the previous trading day, the Air Bag Trigger Price for each trading day and the Management Fee and Gap Premium.

Specific Definitions relating to the Leverage Inverse Strategy

Description of the Leverage Inverse Strategy

The Leverage Inverse Strategy is designed to track a 5 times daily leveraged inverse exposure to the Underlying Stock.

At the end of each trading day of the Underlying Stock, the exposure of the Leverage Inverse Strategy to the Underlying Stock is reset within the Leverage Inverse Strategy in order to retain a daily leverage of 5 times the inverse performance of the Underlying Stock (excluding costs) regardless of the performance of the Underlying Stock on the preceding day. This mechanism is referred to as the Daily Reset.

The Leverage Inverse Strategy incorporates an air bag mechanism which is designed to reduce exposure to the Underlying Stock during extreme market conditions, as further described below.

Leverage Inverse Strategy Formula

$\mathbf{LSL_t}$	means, for any Observation Date(t), the Leverage Inverse Strategy Closing Level as of such day (t). Subject to the occurrence of an Intraday Restrike Event, the **Leverage Inverse Strategy Closing Level** as of such Observation Date(t) is calculated in accordance with the following formulae: On Observation Date(1): $\mathrm{LSL_1} = 1000$ On each subsequent Observation Date(t): $$\mathrm{LSL_t} = \mathrm{Max}\left[\mathrm{LSL_{t-1}} \times \left(1 + \mathrm{LR_{t-1,t}} - \mathrm{FC_{t-1,t}} - \mathrm{SB_{t-1,t}} - \mathrm{RC_{t-1,t}}\right), 0\right]$$
$\mathbf{LR_{t-1,t}}$	means the Leveraged Return of the Underlying Stock between Observation Date(t-1) and Observation Date(t) closing prices, calculated as follows: $\mathrm{LR_{t\text{-}1,t}}$=Leverage × $\left(\frac{\mathrm{S_t}}{\mathrm{S_{t\text{-}1}} \times \mathrm{Rfactor_t}}\text{-}1\right)$
$\mathbf{FC_{t-1,t}}$	means, the Funding Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows : $$\mathrm{FC_{t-1,t}} = (\mathrm{Leverage} - 1) \times \frac{\mathrm{Rate_{t-1}} \times \mathrm{ACT(t-1,t)}}{\mathrm{DayCountBasisRate}}$$
$\mathbf{SB_{t-1,t}}$	means the Stock Borrowing Cost between Observation Date(t-1) (included) and Observation Date(t) (excluded) calculated as follows : $$\mathrm{SB_{t-1,t}} = -\mathrm{Leverage} \times \frac{\mathrm{CB} \times \mathrm{ACT(t-1,t)}}{\mathrm{DayCountBasisRate}}$$
CB	means the Cost of Borrowing applicable that is equal to 2.00%.
$\mathbf{RC_{t-1,t}}$	means the Rebalancing Cost of the Leverage Inverse Strategy on Observation Date (t), calculated as follows : $\mathrm{RC_{t-1,t}} = \mathrm{Leverage} \times (\mathrm{Leverage} - 1) \times \left(\left\lvert\frac{\mathrm{S_t}}{\mathrm{S_{t-1}} \times Rfactor_t} - 1\right\rvert\right) \times \mathrm{TC}$
TC	means the Transaction Costs applicable (including Stamp Duty and any other applicable taxes, levies and costs which may be levied on the stock transactions on the Relevant Stock Exchange for the Underlying Stock by the applicable regulatory authorities from time to time) that are currently equal to: 0.13% “Stamp Duty” refers to the applicable rate of stamp duty on the stock transactions in the jurisdiction of the Relevant Stock Exchange for the Underlying Stock, which may be changed by the applicable regulatory authorities from time to time.
Leverage	-5

$\mathbf{S_t}$	means, in respect of each Observation Date(t), the Closing Price of the Underlying Stock as of such Observation Date(t), subject to the adjustments and provisions of the Conditions.
$\mathbf{Rate_t}$	means, in respect of each Observation Date(t), the Overnight HKD Hong Kong Interbank Offered Rate (HIBOR) Fixing, as published on Reuters RIC HIHKDOND= or any successor page, being the rate as of day (t), provided that if any of such rate is not available, then that rate shall be determined by reference to the latest available rate that was published on the relevant Reuters page. Upon the occurrence or likely occurrence, as determined by the Calculation Agent, of modification, the permanent or indefinite cancellation or cessation in the provision of HIBOR, or a regulator or other official sector entity prohibits the use of HIBOR, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.
$\mathbf{Rfactor_t}$	means, in the event Observation Date (t) is an ex-dividend date of the Underlying Stock, an amount determined by the Calculation Agent, subject to the adjustments and provisions of the Conditions, according to the following formula : $$Rfactor_t = 1 - \frac{Div_t}{\mathbf{S_{t-1}}}$$ where Div_t is the dividend to be paid out in respect of the Underlying Stock and the relevant ex-dividend date which shall be considered gross of any applicable withholding taxes.
ACT(t-1,t)	ACT (t-1;t) means the number of calendar days between the Underlying Stock Business Day immediately preceding the Observation Date (which is “t-1”) (included) and the Observation Date (which is “t”) (excluded).
DayCountBasis Rate	365
Benchmark Fallback	upon the occurrence or likely occurrence, as determined by the Calculation Agent, of a Reference Rate Event, the Calculation Agent may make adjustments as it may determine appropriate to account for the relevant event or circumstance, including but not limited to using any alternative rates from such date, with or without retroactive effect as the Calculation Agent may in its sole and absolute discretion determine.
Reference Rate Event	means, in respect of the Reference Rate any of the following has occurred or will occur: (i) a Reference Rate Cessation; (ii) an Administrator/Benchmark Event; or (iii) a Reference Rate is, with respect to over-the-counter derivatives transactions which reference such Reference Rate, the subject of any market-wide development formally agreed upon by the International Swaps and Derivative Association (ISDA) or the Asia Securities Industry & Financial Markets Association (ASIFMA),

pursuant to which such Reference Rate is, on a specified date, replaced with a risk-free rate (or near risk-free rate) established in order to comply with the recommendations in the Financial Stability Board's paper titled "Reforming Major Interest Rate Benchmarks" dated 22 July 2014.

Reference Rate Cessation means, for a Reference Rate, the occurrence of one or more of the following events:

(i) a public statement or publication of information by or on behalf of the administrator of the Reference Rate announcing that it has ceased or will cease to provide the Reference Rate permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the Reference Rate;

(ii) a public statement or publication of information by the regulatory supervisor for the administrator of the Reference Rate, the central bank for the currency of the Reference Rate, an insolvency official with jurisdiction over the administrator for the Reference Rate, a resolution authority with jurisdiction over the administrator for the Reference Rate or a court or an entity with similar insolvency or resolution authority over the administrator for the Reference Rate, which states that the administrator of the Reference Rate has ceased or will cease to provide the Reference Rate permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the Reference Rate; or

(iii) in respect of a Reference Rate, a public statement or publication of information by the regulatory supervisor for the administrator of such Reference Rate announcing that (a) the regulatory supervisor has determined that such Reference Rate is no longer, or as of a specified future date will no longer be, representative of the underlying market and economic reality that such Reference Rate is intended to measure and that representativeness will not be restored and (b) it is being made in the awareness that the statement or publication will engage certain contractual triggers for fallbacks activated by pre-cessation announcements by such supervisor (howsoever described) in contracts;

Administrator/ Benchmark Event means, for a Reference Rate, any authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register in respect of the Reference Rate or the administrator or sponsor of the Benchmark has not been, or will not be, obtained or has been, or will be, rejected, refused, suspended or withdrawn by the relevant competent authority or other relevant official body, in each case with the effect that either the Issuer, the Calculation Agent or any other entity is not, or will not be, permitted under any applicable law or regulation to use the Reference Rate to perform its or their respective obligations under the Certificates.

Reference Rate(s) means the rate(s) used in the Leverage Inverse Strategy Formula, for example SORA, SOFR and US Federal Funds Effective Rate.

<u>Extraordinary Strategy Adjustment for Performance Reasons ("Air Bag Mechanism")</u>

Extraordinary Strategy Adjustment for Performance Reasons If the Calculation Agent determines that an Intraday Restrike Event has occurred during an Observation Date(t) (the **Intraday Restrike Date,** noted hereafter **IRD**), an adjustment (an **Extraordinary Strategy Adjustment for Performance Reasons**) shall take place during such Observation Date(t) in accordance with the following provisions.

(1) Provided the last Intraday Restrike Observation Period as of such Intraday Restrike Date does not end on the TimeReferenceClosing, the Leverage Inverse Strategy Closing Level on the Intraday Restrike Date ($\mathrm{LSL_{IRD}}$) should be computed as follows :

$$\mathrm{LSL_{IRD}} = \mathrm{Max}\left[\mathrm{ILSL_{IR(n)}} \times \left(1 + \mathrm{ILR_{IR(n),IR(C)}} - \mathrm{IRC_{IR(n),IR(C)}}\right), 0\right]$$

(2) If the last Intraday Restrike Event Observation Period on the relevant Intraday Restrike Date ends on the TimeReferenceClosing:

$$\mathrm{LSL_{IRD}} = \mathrm{Max}\left[\mathrm{ILSL_{IR(n)}}, 0\right]$$

$\mathbf{ILSL_{IR(k)}}$ means, in respect of IR(k), the Intraday Leverage Inverse Strategy Level in accordance with the following provisions :

(1) for k = 1 :

$$\mathrm{ILSL_{IR(1)}} = \mathrm{Max}\left[\mathrm{LSL_{IRD-1}} \times \left(1+\mathrm{ILR_{IR(0),IR(1)}} - \mathrm{FC_{IRD-1,IRD}} - \mathrm{SB_{IRD-1,IRD}} - \mathrm{IRC_{IR(0),IR(1)}}\right),0\right]$$

(2) for k > 1 :

$$\mathrm{ILSL_{IR(k)}} = \mathrm{Max}\left[\mathrm{ILSL_{IR(k-1)}} \times \left(1 + \mathrm{ILR_{IR(k-1),IR(k)}} - \mathrm{IRC_{IR(k-1),IR(k)}}\right), 0\right]$$

$\mathbf{ILR_{IR(k-1),IR(k)}}$ means the Intraday Leveraged Return between IR(k-1) and IR(k), calculated as follows :

$$\mathrm{ILR_{IR(k-1),IR(k)}} = \mathrm{Leverage} \times \left(\frac{\mathrm{IS_{IR(k)}}}{\mathrm{IS_{IR(k-1)}}} - 1\right)$$

$\mathbf{IRC_{IR(k-1),IR(k)}}$ means the Intraday Rebalancing Cost of the Leverage Inverse Strategy in respect of IR(k) on a given Intraday Restrike Date, calculated as follows :

$$\mathrm{IRC_{IR(k-1),IR(k)}} = \mathrm{Leverage} \times (\mathrm{Leverage}-1) \times \left(\left|\frac{\mathrm{IS_{IR(k)}}}{\mathrm{IS_{IR(k-1)}}} - 1\right|\right) \times \mathrm{TC}$$

$\mathbf{IS_{IR(k)}}$ means the Underlying Stock Price in respect of IR(k) computed as follows :

(1) for k=0

$$\mathrm{IS_{IR(0)}} = \mathrm{S_{IRD-1}} \times \mathrm{Rfactor_{IRD}}$$

(2) for k=1 to n

means in respect of IR(k), the highest price of the Underlying Stock during the respective Intraday Restrike Observation Period

(3) with respect to IR(C)

$$\mathrm{IS_{IR(C)}} = \mathrm{S_{IRD}}$$

In each case, subject to the adjustments and provisions of the Conditions.

IR(k) For k=0, means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the Observation Date immediately preceding the relevant Intraday Restrike Date;

For k=1 to n, means the k^{th} Intraday Restrike Event on the relevant Intraday Restrike Date.

IR(C) means the scheduled close for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto) on the relevant Intraday Restrike Date.

n means the number of Intraday Restrike Events that occurred on the relevant Intraday Restrike Date.

Intraday Restrike Event means in respect of an Observation Date(t) :

(1) provided no Intraday Restrike Event has previously occurred on such Observation Date (t), the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $\mathbf{IS_{IR(0)}}$ as of such Calculation Time.

(2) if k Intraday Restrike Events have occurred on the relevant Intraday Restrike Date, the increase at any Calculation Time of the Underlying Stock price by 15% or more compared with the relevant Underlying Stock Price $\mathbf{IS_{IR(k)}}$ as of such Calculation Time.

Calculation Time means any time between the TimeReferenceOpening and the TimeReferenceClosing, provided that the relevant data is available to enable the Calculation Agent to determine the Leverage Inverse Strategy Level.

TimeReferenceOpening means the scheduled opening time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).

TimeReferenceClosing means the scheduled closing time for the Relevant Stock Exchange for the Underlying Stock (or any successor thereto).

Intraday Restrike Event Observation Period means in respect of an Intraday Restrike Event, the period starting on and excluding the Intraday Restrike Event Time and finishing on and including the sooner between (1) the time falling 15 minutes after the Intraday Restrike Event Time and (2) the TimeReferenceClosing.

Where, during such period, the Calculation Agent determines that (1) the trading in the Underlying Stock is disrupted or subject to suspension or limitation or (2) the Relevant Stock Exchange for the Underlying Stock is not open for continuous trading, the Intraday Restrike Event Observation Period will be extended to the extent necessary until (1) the trading in the Underlying Stock is no longer disrupted, suspended or limited and (2) the Relevant Stock Exchange for the Underlying Stock is open for continuous trading.

Intraday Restrike Event Time means in respect of an Intraday Restrike Event, the Calculation Time on which such event occurs.

The Conditions set out in the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" in the Base Listing Document are set out below. This section is qualified in its entirety by reference to the detailed information appearing elsewhere in this document which shall, to the extent so specified or to the extent inconsistent with the relevant Conditions set out below, replace or modify the relevant Conditions for the purpose of the Certificates.

TERMS AND CONDITIONS OF THE EUROPEAN STYLE CASH SETTLED LONG/SHORT CERTIFICATES ON SINGLE EQUITIES

1. Form, Status and Guarantee, Transfer and Title

(a) *Form*. The Certificates (which expression shall, unless the context otherwise requires, include any further certificates issued pursuant to Condition 11) are issued subject to and with the benefit of:-

(i) a master instrument by way of deed poll (the "**Master Instrument**") dated 18 June 2021, made by SG Issuer (the "**Issuer**") and Société Générale (the "**Guarantor**"); and

(ii) a warrant agent agreement (the "**Master Warrant Agent Agreement**" or "**Warrant Agent Agreement**") dated any time before or on the Closing Date, made between the Issuer and the Warrant Agent for the Certificates.

Copies of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement are available for inspection at the specified office of the Warrant Agent.

The holders of the Certificates (the "**Certificate Holders**") are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement.

(b) *Status and Guarantee*. The Certificates constitute direct, general and unsecured obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The Certificates provide for cash settlement on exercise. The Certificates do not entitle Certificate Holders to the delivery of any Underlying Stock, are not secured by the Underlying Stock and do not entitle Certificate Holders to any interest in any Underlying Stock.

The due and punctual payment of any amounts due by the Issuer in respect of the Certificates issued by the Issuer is unconditionally and irrevocably guaranteed by the Guarantor as provided in the Guarantee (each such amount payable under the Guarantee, a "**Guarantee Obligation**").

The Guarantee Obligations will constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor ranking as senior preferred obligations as provided for in Article L. 613-30-3 I 3° of the French Code *Monétaire et Financier* (the "**Code**").

Such Guarantee Obligations rank and will rank equally and rateably without any preference or priority among themselves and:

(i) *pari passu* with all other direct, unconditional, unsecured and unsubordinated obligations of the Guarantor outstanding as of the date of the entry into force of the law no. 2016-1691 (the "**Law**") on 11 December 2016;

(ii) *pari passu* with all other present or future direct, unconditional, unsecured and senior preferred obligations (as provided for in Article L. 613-30-3 I 3° of the Code) of the Guarantor issued after the date of the entry into force of the Law on 11 December 2016;

(iii) junior to all present or future claims of the Guarantor benefiting from the statutorily preferred exceptions; and

(iv) senior to all present and future senior non-preferred obligations (as provided for in Article L.613-30-3 I 4° of the Code) of the Guarantor.

In the event of the failure of the Issuer to promptly perform its obligations to any Certificate Holder under the terms of the Certificates, such Certificate Holder may, but is not obliged to, give written notice to the Guarantor at Société Générale, Tour Société Générale, 75886 Paris Cedex 18, France marked for the attention of SEGL/JUR/OMF - Market Transactions & Financing.

(c) Transfer. The Certificates are represented by a global warrant certificate ("**Global Warrant**") which will be deposited with The Central Depository (Pte) Limited ("**CDP**"). Certificates in definitive form will not be issued. Transfers of Certificates may be effected only in Board Lots or integral multiples thereof. All transactions in (including transfers of) Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records maintained by CDP.

(d) *Title*. Each person who is for the time being shown in the records maintained by CDP as entitled to a particular number of Certificates shall be treated by the Issuer, the Guarantor and the Warrant Agent as the holder and absolute owner of such number of Certificates, notwithstanding any notice to the contrary. The expression "**Certificate Holder**" shall be construed accordingly.

(e) *Bail-In*. By the acquisition of Certificates, each Certificate Holder (which, for the purposes of this Condition, includes any current or future holder of a beneficial interest in the Certificates) acknowledges, accepts, consents and agrees:

(i) to be bound by the effect of the exercise of the Bail-In Power (as defined below) by the Relevant Resolution Authority (as defined below) on the Issuer's liabilities under the Certificates, which may include and result in any of the following, or some combination thereof:

(A) the reduction of all, or a portion, of the Amounts Due (as defined below), on a permanent basis;

(B) the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or the Guarantor or another person (and the issue to the Certificate Holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the Conditions of the Certificates, in which case the Certificate Holder agrees to accept in lieu of its rights under the Certificates any such shares, other securities or other obligations of the Issuer or the Guarantor or another person;

(C) the cancellation of the Certificates; and/or

(D) the amendment or alteration of the expiration of the Certificates or amendment of the amounts payable on the Certificates, or the date on which the amounts become payable, including by suspending payment for a temporary period; and

that terms of the Certificates are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the Relevant Resolution Authority or the regulator,

(the "**Statutory Bail-In**");

(ii) if the Relevant Resolution Authority exercises its Bail-In Power on liabilities of the Guarantor, pursuant to Article L.613-30-3-I-3 of the French Monetary and Financial Code (the "**M&F Code**"):

(A) ranking:

(1) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the M&F Code;

(2) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the M&F Code; and

(3) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the M&F Code; and

(B) which are not *titres non structurés* as defined under Article R.613-28 of the M&F Code, and

(C) which are not or are no longer eligible to be taken into account for the purposes of the MREL (as defined below) ratio of the Guarantor

and such exercise of the Bail-In Power results in the write-down or cancellation of all, or a portion of, the principal amount of, or the outstanding amount payable in respect of, and/or interest on, such liabilities, and/or the conversion of all, or a portion, of the principal amount of, or the outstanding amount payable in respect of, or interest on, such liabilities into shares or other securities or other obligations of the Guarantor or another person, including by means of variation to their terms and conditions in order to give effect to such exercise of Bail-In Power, then the Issuer's obligations under the Certificates will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the Certificate Holders and/or (ii) the delivery or the payment of value of the shares or other securities or other obligations of the Guarantor or another person that would be paid or delivered to the Certificate Holders as if, in either case, the Certificates had been directly issued by the Guarantor itself, and as if any Amount Due under the Certificates had accordingly been directly subject to the exercise of the Bail-In Power (the "**Contractual Bail-in**").

No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Statutory Bail-In with respect to the Issuer or the Guarantor unless, at the time such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer or the Guarantor under the applicable laws and regulations in effect in France or Luxembourg and the European Union applicable to the Issuer or the Guarantor or other members of its group.

No repayment or payment of the Amounts Due will become due and payable or be paid under the Certificates issued by SG Issuer after implementation of the Contractual Bail-in.

Upon the exercise of the Statutory Bail-in or upon implementation of the Contractual Bail-in with respect to the Certificates, the Issuer or the Guarantor will provide a written notice to the Certificate Holders in accordance with Condition 9 as soon as practicable regarding such exercise of the Statutory Bail-in or implementation of the Contractual Bail-in. Any delay or failure by the Issuer or the Guarantor to give notice shall not affect the validity and enforceability of the Statutory Bail-in or Contractual Bail-in nor the effects on the Certificates described above.

Neither a cancellation of the Certificates, a reduction, in part or in full, of the Amounts Due, the conversion thereof into another security or obligation of the Issuer or the Guarantor or another person, as a result of the exercise of the Statutory Bail-in or the implementation of the Contractual Bail-in with respect to the Certificates will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Certificate Holder to any remedies (including equitable remedies) which are hereby expressly waived.

The matters set forth in this Condition shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer, the Guarantor and each Certificate Holder. No expenses necessary for the procedures under this Condition, including, but not limited to, those incurred by the Issuer and the Guarantor, shall be borne by any Certificate Holder.

For the purposes of this Condition:

"**Amounts Due**" means any amounts due by the Issuer under the Certificates.

"**Bail-In Power**" means any statutory cancellation, write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, or any other applicable laws or regulations, as amended, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled and/or converted into shares or other securities or obligations of the obligor or any other person.

"**MREL**" means the Minimum Requirement for own funds and Eligible Liabilities as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time).

"**Relevant Resolution Authority**" means any authority with the ability to exercise the Bail-in Power on Societe Generale or SG Issuer as the case may be.

2. Certificate Rights and Exercise Expenses

(a) *Certificate Rights*. Every Certificate entitles each Certificate Holder, upon due exercise and on compliance with Condition 4, to payment by the Issuer of the Cash Settlement Amount (as defined below) (if any) in the manner set out in Condition 4.

The "**Cash Settlement Amount**", in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The "**Closing Level**", in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to:

$$\left(\frac{\text{Final Reference Level} \times \text{Final Exchange Rate}}{\text{Initial Reference Level} \times \text{Initial Exchange Rate}} - \text{Strike Level}\right) \times \text{Hedging Fee Factor}$$

If the Issuer determines, in its sole discretion, that on the Valuation Date or any Observation Date a Market Disruption Event has occurred, then that Valuation Date or Observation Date shall be postponed until the first succeeding Exchange Business Day or Underlying Stock Business Day, as the case may be, on which there is no Market Disruption Event, unless there is a Market Disruption Event on each of the five Exchange Business Days or Underlying Stock Business Days, as the case may be, immediately following the original date that, but for the Market Disruption Event, would have been a Valuation Date or an Observation Date. In that case:-

(i) that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, shall be deemed to be the Valuation Date or the Observation Date notwithstanding the Market Disruption Event; and

(ii) the Issuer shall determine the Final Reference Level or the relevant closing level on the basis of its good faith estimate of the Final Reference Level or the relevant closing level that would have prevailed on that fifth Exchange Business Day or Underlying Stock Business Day, as the case may be, but for the Market Disruption Event.

"**Market Disruption Event**" means the occurrence or existence of (i) any suspension of trading on the Relevant Stock Exchange of the Underlying Stock requested by the Company if that suspension is, in the determination of the Issuer, material, (ii) any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) on the Relevant Stock Exchange in the Underlying Stock if that suspension or limitation is, in the determination of the Issuer, material, or (iii) the closing of the Relevant Stock Exchange or a disruption to trading on the Relevant Stock Exchange if that disruption is, in the determination of the Issuer, material as a result of the occurrence of any act of God, war, riot, public disorder, explosion or terrorism.

(b) *Exercise Expenses*. Certificate Holders will be required to pay all charges which are incurred in respect of the exercise of the Certificates (the "**Exercise Expenses**"). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount in accordance with Condition 4. Notwithstanding the foregoing, the Certificate Holders shall account to the Issuer on demand for any Exercise Expenses to the extent that they were not or could not be deducted from the Cash Settlement Amount prior to the date of payment of the Cash Settlement Amount to the Certificate Holders in accordance with Condition 4.

(c) No Rights. The purchase of Certificates does not confer on the Certificate Holders any right (whether in respect of voting, dividend or other distributions in respect of the Underlying Stock or otherwise) which the holder of an Underlying Stock may have.

3. Expiry Date

Unless automatically exercised in accordance with Condition 4(b), the Certificates shall be deemed to expire at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day (as defined below), the immediately preceding Business Day.

4. Exercise of Certificates

(a) *Exercise*. Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in accordance with Condition 4(b).

(b) *Automatic Exercise*. Certificate Holders shall not be required to deliver an exercise notice. Exercise of Certificates shall be determined by whether the Cash Settlement Amount (less any Exercise Expenses) is positive. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) below. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.

(c) *Settlement*. In respect of Certificates which are automatically exercised in accordance with Condition 4(b), the Issuer will pay to the relevant Certificate Holder the Cash Settlement Amount (if any) in the Settlement Currency. The aggregate Cash Settlement Amount (less any Exercise Expenses) shall be despatched as soon as practicable and no later than five Business Days following the Expiry Date by way of crossed cheque or other payment in immediately available funds drawn in favour of the Certificate Holder only (or, in the case of joint Certificate Holders, the first-named Certificate Holder) appearing in the records maintained by CDP. Any payment made pursuant to this Condition 4(c) shall be delivered at the risk and expense of the Certificate Holder and posted to the Certificate Holder's address appearing in the records maintained by CDP (or, in the case of joint Certificate Holders, to the address of the first-named Certificate Holder appearing in the records maintained by CDP). If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

(d) *CDP not liable*. CDP shall not be liable to any Certificate Holder with respect to any action taken or omitted to be taken by the Issuer or the Warrant Agent in connection with the exercise of the Certificates or otherwise pursuant to or in connection with these Conditions.

(e) *Business Day*. In these Conditions, a "**Business Day**" shall be a day on which the SGX-ST is open for dealings in Singapore during its normal trading hours and banks are open for business in Singapore.

5. Warrant Agent

(a) *Warrant Agent*. The Issuer reserves the right, subject to the appointment of a successor, at any time to vary or terminate the appointment of the Warrant Agent and to appoint another Warrant Agent provided that it will at all times maintain a Warrant Agent which, so long as the Certificates are listed on the SGX-ST, shall be in Singapore. Notice of any such termination or appointment and of any change in the specified office of the Warrant Agent will be given to the Certificate Holders in accordance with Condition 9.

(b) *Agent of Issuer*. The Warrant Agent will be acting as agent of the Issuer and will not assume any obligation or duty to or any relationship of agency or trust for the Certificate Holders. All determinations and calculations by the Warrant Agent under these Conditions shall (save in the case of manifest error) be final and binding on the Issuer and the Certificate Holders.

6. Adjustments

(a) *Potential Adjustment Event*. Following the declaration by a Company of the terms of any Potential Adjustment Event (as defined below), the Issuer will determine whether such Potential Adjustment Event has a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock and, if so, will (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate to account for that dilutive or concentrative or other effect, and (ii) determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an exchange on which options or futures contracts on the Underlying Stock are traded.

(b) *Definitions*. "**Potential Adjustment Event**" means any of the following:

(i) a subdivision, consolidation, reclassification or other restructuring of the Underlying Stock (excluding a Merger Event) or a free distribution or dividend of any such Underlying Stock to existing holders by way of bonus, capitalisation or similar issue;

(ii) a distribution or dividend to existing holders of the Underlying Stock of (1) such Underlying Stock, or (2) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Company equally or proportionately with such payments to holders of such Underlying Stock, or (3) share capital or other securities of another issuer acquired by the Company as a result of a "spin-off" or other similar transaction, or (4) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Issuer;

(iii) an extraordinary dividend;

(iv) a call by the Company in respect of the Underlying Stock that is not fully paid;

(v) a repurchase by the Company of the Underlying Stock whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;

(vi) with respect to a Company an event that results in any shareholder rights pursuant to a shareholder rights agreement or other plan or arrangement of the type commonly referred to as a "poison pill" being distributed, or becoming separated from shares of common stock or other shares of the capital stock of such Company (provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights); or

(vii) any other event that may have, in the opinion of the Issuer, a dilutive or concentrative or other effect on the theoretical value of the Underlying Stock.

(c) *Merger Event, Tender Offer, Nationalisation and Insolvency*. If a Merger Event, Tender Offer, Nationalisation or Insolvency occurs in relation to the Underlying Stock, the Issuer may take any action described below:

(i) determine the appropriate adjustment, if any, to be made to any one or more of the Conditions to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Issuer may, but need not, determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, Nationalisation or Insolvency made by an options exchange to options on the Underlying Stock traded on that options exchange;

(ii) cancel the Certificates by giving notice to the Certificate Holders in accordance with Condition 9. If the Certificates are so cancelled, the Issuer will pay an amount to each Certificate Holder in respect of each Certificate held by such Certificate Holder which amount shall be the fair market value of a Certificate taking into account the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer and/or any of its affiliates of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its reasonable discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9; or

(iii) following any adjustment to the settlement terms of options on the Underlying Stock on such exchange(s) or trading system(s) or quotation system(s) as the Issuer in its reasonable discretion shall select (the "**Option Reference Source**") make a corresponding adjustment to any one or more of the Conditions, which adjustment will be effective as of the date determined by the Issuer to be the effective date of the corresponding adjustment made by the Option Reference Source. If options on the Underlying Stock are not traded on the Option Reference Source, the Issuer will make such adjustment, if any, to any one or more of the Conditions as the Issuer determines appropriate, with reference to the rules and precedents (if any) set by the Option Reference Source, to account for the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, that in the determination of the Issuer would have given rise to an adjustment by the Option Reference Source if such options were so traded.

Once the Issuer determines that its proposed course of action in connection with a Merger Event, Tender Offer, Nationalisation or Insolvency, it shall give notice to the Certificate Holders in accordance with Condition 9 stating the occurrence of the Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto. Certificate Holders should be aware that due to the nature of such events, the Issuer will not make an immediate determination of its proposed course of action or adjustment upon the announcement or occurrence of a Merger Event, Tender Offer, Nationalisation or Insolvency.

(d) *Definitions*. "**Insolvency**" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Company (i) all the Underlying Stock of that Company is required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Underlying Stock of that Company become legally prohibited from transferring them. "**Merger Date**" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Issuer. "**Merger Event**" means, in respect of the Underlying Stock, any (i) reclassification or change of such Underlying Stock that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Stock outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Company is the continuing entity and which does not result in reclassification or change of all of such Underlying Stock outstanding), (iii) takeover offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Stock of the Company that results in a transfer of or an irrevocable commitment to transfer all such Underlying Stock (other than such Underlying Stock owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Company or its subsidiaries with or into another entity in which the Company is the continuing entity and which does not result in a reclassification or change of all such Underlying Stock outstanding but results in the outstanding Underlying Stock (other than Underlying Stock owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Stock immediately following such event, in each case if the Merger Date is on or before the Valuation Date. "**Nationalisation**" means that all the Underlying Stock or all or substantially all of the assets of a Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof. "**Tender Offer**" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Company, as determined by the Issuer, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Issuer deems relevant.

(e) *Other Adjustments*. Except as provided in this Condition 6 and Conditions 10 and 12, adjustments will not be made in any other circumstances, subject to the right reserved by the Issuer (such right to be exercised in the Issuer's sole discretion and without any obligation whatsoever) to make such adjustments and amendments as it believes appropriate in circumstances where an event or events occur which it believes in its sole discretion (and notwithstanding any prior adjustment made pursuant to the above) should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such adjustment or, as the case may be, amendment provided that such adjustment or, as the case may be, amendment is considered by the Issuer not to be materially prejudicial to the Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such adjustment or amendment in any particular jurisdiction).

(f) *Notice of Adjustments*. All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Certificate Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Condition 9. For the avoidance of doubt, no notice will be given if the Issuer determines that adjustments will not be made.

7. Purchases

The Issuer, the Guarantor or any of their respective subsidiaries may at any time purchase Certificates at any price in the open market or by tender or by private treaty. Any Certificates so purchased may be held or resold or surrendered for cancellation.

8. Meetings of Certificate Holders; Modification

(a) *Meetings of Certificate Holders*. The Master Warrant Agent Agreement or Warrant Agent Agreement contains provisions for convening meetings of the Certificate Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Warrant Agent Agreement or Warrant Agent Agreement) of a modification of the provisions of the Certificates or of the Master Warrant Agent Agreement or Warrant Agent Agreement.

At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the meeting is held) specifying the date, time and place of the meeting shall be given to the Certificate Holders.

Such a meeting may be convened by the Issuer or by Certificate Holders holding not less than ten per cent. of the Certificates for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Certificates for the time being remaining unexercised, or at any adjourned meeting, two or more persons being or representing Certificate Holders whatever the number of Certificates so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Certificate Holders who, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Certificate Holders shall be binding on all the Certificate Holders whether or not they are present at the meeting. Resolutions can be passed in writing if passed unanimously.

(b) *Modification*. The Issuer may, without the consent of the Certificate Holders, effect (i) any modification of the provisions of the Certificates or the Master Instrument which is not materially prejudicial to the interests of the Certificate Holders or (ii) any modification of the provisions of the Certificates or the Master Instrument which is of a formal, minor or technical nature, which is made to correct an obvious error or which is necessary in order to comply with mandatory provisions of Singapore law. Any such modification shall be binding on the Certificate Holders and shall be notified to them by the Warrant Agent before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

9. Notices

(a) *Documents.* All cheques and other documents required or permitted by these Conditions to be sent to a Certificate Holder or to which a Certificate Holder is entitled or which the Issuer shall have agreed to deliver to a Certificate Holder may be delivered by hand or sent by post addressed to the Certificate Holder at his address appearing in the records maintained by CDP or, in the case of joint Certificate Holders, addressed to the joint holder first named at his address appearing in the records maintained by CDP, and airmail post shall be used if that address is not in Singapore. All documents delivered or sent in accordance with this paragraph shall be delivered or sent at the risk of the relevant Certificate Holder.

(b) *Notices.* All notices to Certificate Holders will be validly given if published in English on the web-site of the SGX-ST. Such notices shall be deemed to have been given on the date of the first such publication. If publication on the web-site of the SGX-ST is not practicable, notice will be given in such other manner as the Issuer may determine. The Issuer shall, at least one month prior to the expiry of any Certificate, give notice of the date of expiry of such Certificate in the manner prescribed above.

10. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Certificates will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator (including a provisional liquidator) or receiver or judicial manager or trustee or administrator or analogous person under Singapore or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law. In the event of the voluntary liquidation of the Company, the Issuer shall make such adjustments or amendments as it reasonably believes are appropriate in the circumstances.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Certificate Holders, to create and issue further certificates so as to form a single series with the Certificates, subject to the approval of the SGX-ST.

12. Delisting

(a) Delisting. If at any time, the Underlying Stock ceases to be listed on the Relevant Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Certificates as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Certificate Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Certificate Holder or the tax or other consequences that may result in any particular jurisdiction).

(b) Issuer's Determination. The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Certificate Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Certificate Holders in accordance with Condition 9 as soon as practicable after they are determined.

13. Early Termination

(a) *Early Termination for Illegality and Force Majeure, etc.* If the Issuer determines that a Regulatory Event (as defined below) has occurred and, for reasons beyond its control, the performance of its obligations under the Certificates has become illegal or impractical in whole or in part for any reason, or the Issuer determines that, for reasons beyond its control, it is no longer legal or practical for it to maintain its hedging arrangements with respect to the Certificates for any reason, the Issuer may in its discretion and without obligation terminate the Certificates early in accordance with Condition 13(d).

Should any one or more of the provisions contained in the Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

For the purposes of this Condition:

"**Regulatory Event**" means, following the occurrence of a Change in Law (as defined below) with respect to the Issuer and/or Société Générale as Guarantor or in any other capacity (including without limitation as hedging counterparty of the Issuer, market maker of the Certificates or direct or indirect shareholder or sponsor of the Issuer) or any of its affiliates involved in the issuer of the Certificates (hereafter the "**Relevant Affiliates**" and each of the Issuer, Société Générale and the Relevant Affiliates, a "**Relevant Entity**") that, after the Certificates have been issued, (i) any Relevant Entity would incur a materially increased (as compared with circumstances existing prior to such event) amount of tax, duty, liability, penalty, expense, fee, cost or regulatory capital charge however defined or collateral requirements for performing its obligations under the Certificates or hedging the Issuer's obligations under the Certificates, including, without limitation, due to clearing requirements of, or the absence of, clearing of the transactions entered into in connection with the issue of, or hedging the Issuer's obligation under, the Certificates, (ii) it is or will become for any Relevant Entity impracticable, impossible (in each case, after using commercially reasonable efforts), unlawful, illegal or otherwise prohibited or contrary, in whole or in part, under any law, regulation, rule, judgement, order or directive of any governmental, administrative or judicial authority, or power, applicable to such Relevant Entity (a) to hold, acquire, issue, reissue, substitute, maintain, settle, or as the case may be, guarantee, the Certificates, (b) to acquire, hold, sponsor or dispose of any asset(s) (or any interest thereof) of any other transaction(s) such Relevant Entity may use in connection with the issue of the Certificates or to hedge the Issuer's obligations under the Certificates, (c) to perform obligations in connection with, the Certificates or any contractual arrangement entered into between the Issuer and Société Générale or any Relevant Affiliate (including without limitation to hedge the Issuer's obligations under the Certificates) or (d) to hold, acquire, maintain, increase, substitute or redeem all or a substantial part of its direct or indirect shareholding in the Issuer's capital or the capital of any Relevant Affiliate or to directly or indirectly sponsor the Issuer or any Relevant Affiliate, or (iii) there is or may be a material adverse effect on a Relevant Entity in connection with the issue of the Certificates.

"**Change in law**" means (i) the adoption, enactment, promulgation, execution or ratification of any applicable new law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) after the Certificates have been issued, (ii) the implementation or application of any applicable law, regulation or rule (including, without limitation, any applicable tax law, regulation or rule) already in force when the Certificates have been issued but in respect of which the manner of its implementation or application was not known or unclear at the time, or (iii) the change of any applicable law, regulation or rule existing when the Certificates are issued, or the change in the interpretation or application or practice relating thereto, existing when the Certificates are issued of any applicable law, regulation or rule, by any competent court, tribunal, regulatory authority or any other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any additional or alternative court, tribunal, authority or entity, to that existing when the Certificates are issued).

(b) *Early Termination for Holding Limit Event*. The Issuer may in its discretion and without obligation terminate the Certificates early in accordance with Condition 13(d) where a Holding Limit Event (as defined below) occurs.

For the purposes of this Condition:

"**Holding Limit Event**" means, assuming the investor is the Issuer and/or any of its affiliates, the Issuer together with its affiliates, in aggregate hold, an interest in the Underlying Stock, constituting or likely to constitute (directly or indirectly) ownership, control or the power to vote a percentage of any class of voting securities of the Underlying Stock, of the Underlying Stock in excess of a percentage permitted or advisable, as determined by the Issuer, for the purpose of its compliance with the Bank Holding Company Act of 1956 as amended by Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Volcker Rule), including any requests, regulations, rules, guidelines or directives made by the relevant governmental authority under, or issued by the relevant governmental authority in connection with, such statutes.

(c) *Early Termination for other reasons.* The Issuer reserves the right (such right to be exercised in the Issuer's sole and unfettered discretion and without any obligation whatsoever) to terminate the Certificates in accordance with Condition 13(d) where an event or events occur which it believes in its sole discretion should, in the context of the issue of the Certificates and the obligations of the Issuer, give rise to such termination provided that such termination (i) is considered by the Issuer not to be materially prejudicial to the interests of Certificate Holders generally (without considering the circumstances of any individual Certificate Holder or the tax or other consequences of such termination in any particular jurisdiction); or (ii) is otherwise considered by the Issuer to be appropriate and such termination is approved by the SGX-ST.

(d) *Termination*. If the Issuer terminates the Certificates early, then the Issuer will give notice to the Certificate Holders in accordance with Condition 9. The Issuer will, if and to the extent permitted by applicable law, pay an amount to each Certificate Holder in respect of each Certificate held by such holder equal to the fair market value of a Certificate notwithstanding such illegality, impracticality or the relevant event less the cost to the Issuer of unwinding any underlying related hedging arrangements, all as determined by the Issuer in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Certificate Holders in accordance with Condition 9.

14. Substitution of the Issuer

The Issuer may be replaced by the Guarantor or any subsidiary of the Guarantor as principal obligor in respect of the Certificates without the consent of the relevant Certificate Holders. If the Issuer determines that it shall be replaced by the Guarantor or any subsidiary of the Guarantor (the "**Substituted Obligor**"), it shall give at least 90 days' notice (exclusive of the day on which the notice is given and of the day on which the substitution is effected) specifying the date of the substitution, in accordance with Condition 9, to the Certificate Holders of such event and, immediately on the expiry of such notice, the Substituted Obligor shall become the principal obligor in place of the Issuer and the Certificate Holders shall thereupon cease to have any rights or claims whatsoever against the Issuer.

Upon any such substitution, all references to the Issuer in the Conditions and all agreements relating to the Certificates will be to the Substituted Obligor and the Certificates will be modified as required, and the Certificate Holders will be notified of the modified terms and conditions of such Certificates in accordance with Condition 9.

For the purposes of this Condition, it is expressly agreed that by subscribing to, acquiring or otherwise purchasing or holding the Certificates, the Certificate Holders are expressly deemed to have consented to the substitution of the Issuer by the Substituted Obligor and to the release of the Issuer from any and all obligations in respect of the Certificates and all agreements relating thereto and are expressly deemed to have accepted such substitution and the consequences thereof.

15. Governing Law

The Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement will be governed by and construed in accordance with Singapore law. The Issuer and the Guarantor and each Certificate Holder (by its purchase of the Certificates) shall be deemed to have submitted for all purposes in connection with the Certificates, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement to the non-exclusive jurisdiction of the courts of Singapore. The Guarantee shall be governed by and construed in accordance with Singapore law.

16. Prescription

Claims against the Issuer for payment of any amount in respect of the Certificates will become void unless made within six years of the Expiry Date and, thereafter, any sums payable in respect of such Certificates shall be forfeited and shall revert to the Issuer.

17. Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore

Unless otherwise provided in the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement, a person who is not a party to any contracts made pursuant to the Global Warrant, the Master Instrument and the Master Warrant Agent Agreement or Warrant Agent Agreement has no rights under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore to enforce any terms of such contracts. Except as expressly provided herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts.

SUMMARY OF THE ISSUE

The following is a summary of the issue and should be read in conjunction with, and is qualified by reference to, the other information set out in this document and the Base Listing Document. Terms used in this Summary are defined in the Conditions.

Issuer:	SG Issuer
Company:	China Merchants Bank Co., Ltd.
The Certificates:	European Style Cash Settled Short Certificates relating to the Underlying Stock
Number:	3,400,000 Certificates
Form:	The Certificates will be issued subject to, and with the benefit of, a master instrument by way of deed poll dated 18 June 2021 (the "**Master Instrument**") and executed by the Issuer and the Guarantor and a master warrant agent agreement dated 29 May 2017 (the "**Master Warrant Agent Agreement**") and made between the Issuer, the Guarantor and the Warrant Agent.
Cash Settlement Amount:	In respect of each Certificate, is the amount (if positive) equal to: Notional Amount per Certificate x Closing Level
Denominations:	Certificates are represented by a global warrant in respect of all the Certificates.
Exercise:	The Certificates may only be exercised on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, in a Board Lot or integral multiples thereof. Certificate Holders will not be required to deliver an exercise notice. If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates will be deemed to have been automatically exercised at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day. The Cash Settlement Amount less the Exercise Expenses in respect of the Certificates shall be paid in the manner set out in Condition 4(c) of the Conditions. In the event the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired at 10:00 a.m. (Singapore time) on the Expiry Date or if the Expiry Date is not a Business Day, the immediately preceding Business Day, and Certificate Holders shall not be entitled to receive any payment from the Issuer in respect of the Certificates.
Exercise and Trading Currency:	SGD
Board Lot:	100 Certificates

Transfers of Certificates:	Certificates may only be transferred in Board Lots (or integral multiples thereof). All transfers in Certificates, in the open market or otherwise, must be effected through a securities account with CDP. Title will pass upon registration of the transfer in the records of CDP.
Listing:	Application has been made to the SGX-ST for permission to deal in and for quotation of the Certificates and the SGX-ST has agreed in principle to grant permission to deal in and for quotation of the Certificates. Issue of the Certificates is conditional on such listing being granted. It is expected that dealings in the Certificates on the SGX-ST will commence on or about 25 October 2021.
Governing Law:	The laws of Singapore
Warrant Agent:	The Central Depository (Pte) Limited 11 North Buona Vista Drive #06-07 The Metropolis Tower 2 Singapore 138589
Further Issues:	Further issues which will form a single series with the Certificates will be permitted, subject to the approval of the SGX-ST.

The above summary is a qualified in its entirety by reference to the detailed information appearing elsewhere in this document and the Base Listing Document.

INFORMATION RELATING TO THE EUROPEAN STYLE CASH SETTLED SHORT CERTIFICATES ON SINGLE EQUITIES

What are European Style Cash Settled Short Certificates on Single Equities?

European style cash settled short certificates on single equities (the "**Certificates**") are structured products relating to the Underlying Stock and the return on a Certificate is linked to the performance of the Leverage Inverse Strategy.

A) Cash Settlement Amount Payable upon the Exercise of the Certificates at Expiry

Upon the exercise of the Certificates at expiry, the Certificate Holders would be paid a Cash Settlement Amount in respect of each Certificate.

The Cash Settlement Amount, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to the Closing Level multiplied by the Notional Amount per Certificate.

The Closing Level, in respect of each Certificate, shall be an amount payable in the Settlement Currency equal to (1) divided by (2) less (3) subject to any adjustments such as (4), where:

(1) is the Final Reference Level multiplied by the Final Exchange Rate;

(2) is the Initial Reference Level multiplied by the Initial Exchange Rate;

(3) is the Strike Level; and

(4) is the Hedging Fee Factor.

If the Cash Settlement Amount (less any Exercise Expenses) is positive, all Certificates shall be deemed to have been automatically exercised and investors will receive a Cash Settlement Amount. If the Cash Settlement Amount (less any Exercise Expenses) is zero, all Certificates shall be deemed to have expired. Please refer to the section headed "Terms and Conditions of the European Style Cash Settled Long/Short Certificates on Single Equities" for further details on the calculation of the Cash Settlement Amount.

The Certificates are only suitable for investors who believe that the price of the Underlying Stock will decrease and are seeking short-term leveraged inverse exposure to the Underlying Stock.

B) Trading the Certificates before Expiry

If the Certificate Holders want to cash out their investments in the Certificates before the expiry of the Certificates, they may sell the Certificates in the secondary market during the life of the Certificates, and would be subject to the following fees and charges:

(i) <u>For Certificate Holders who trade the Certificates intraday</u>: shall pay normal transaction and brokerage fees for the trading of the Certificates on the SGX-ST, and may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Certificates are transferred; and

(ii) <u>For Certificate Holders who hold the Certificates overnight</u>: in addition to the normal transaction and brokerage fees and applicable stamp taxes, would also be required to bear the Management Fee and Gap Premium as well as certain costs embedded within the Leverage Inverse Strategy including the Stock Borrowing Cost and Rebalancing Cost.

Illustration of the Calculation of Hedging Fee Factor

Hedging Fee Factor	=	Product of the Daily Fees

Daily Fees	=	**Daily Management Fee Adjustment**
		1 – Management Fee x ACT (t-1;t) / 360
		x
		Daily Gap Premium Adjustment
		1 – Gap Premium (t-1) x ACT (t-1;t) / 360

Illustration of the Calculation of Cash Settlement Amount

Cash Settlement Amount = Final Value of Certificates – Strike Level (zero)

		t[7]=0		t=1		t=2		t=i
Value of Certificates	=	Notional Amount	x	Leverage Inverse Strategy daily performance[8] x Daily Fees	x	Leverage Inverse Strategy daily performance x Daily Fees	x …	Leverage Inverse Strategy Daily performance x Daily Fees

		t=0		**Product of the daily Leverage Inverse Strategy Performance**		**Product of the Daily Fees (Hedging Fee Factor)**
Value of Certificates	=	Notional Amount	x	Leverage Inverse Strategy daily performance x Leverage Inverse Strategy daily performance	x	Daily Fees x Daily Fees

		t=0				
Final Value of Certificates	=	Notional Amount	x	Final Reference Level x Final Exchange Rate ÷ Initial Reference Level x Initial Exchange Rate	x	Hedging Fee Factor

Illustration of the applicable fees and charges for an intraday trading scenario

Hedging Fee is implemented overnight in the price of the Certificate. As a consequence, when trading intraday, investors will not bear any Hedging Fee.

Investors will only support bid/ask costs, which are the difference between the price at which the Designated Market Maker purchases (bid) and sells (ask) the Certificate at any point of time.

[7] "t" refers to "**Observation Date**" which means each Underlying Stock Business Day (subject to Market Disruption Event) from (and including) the Underlying Stock Business Day immediately preceding the Expected Listing Date to the Valuation Date.
[8] Leverage Inverse Strategy daily performance is computed as the Leverage Inverse Strategy Closing Level on Business Day (t) divided by the Leverage Inverse Strategy Closing Level on Business Day (t-1).

Example of Calculation of Hedging Fee Factor and Cash Settlement Amount

The example is purely hypothetical. We include the example to illustrate how the Certificates work, and you MUST NOT rely on them as any indication of the actual return or what the payout on the Certificates might actually be. The example also assumes a product which expires 16 days after listing date, to illustrate the daily calculation of price, costs and fees from listing date to expiry date.

Assuming an investor purchases the following Certificates at the Issue Price:

Underlying Stock:	Ordinary H shares of China Merchants Bank Co., Ltd.
Expected Listing Date:	**03/07/2018**
Expiry Date:	**18/07/2018**
Initial Reference Level:	**1,000**
Initial Exchange Rate:	**1**
Final Reference Level:	**1,200**
Final Exchange Rate:	**1**
Issue Price:	**1.20 SGD**
Notional Amount per Certificate:	**1.20 SGD**
Management Fee (p.a.):	**0.40%**
Gap Premium (p.a.):	**6.00%**
Strike Level:	Zero

Hedging Fee Factor

Hedging Fee Factor on the n^{th} Underlying Stock Business Day after issuance of Certificate (“HFF (n)”) is calculated as follows:

HFF(0) = 100%

On Next Calendar Day (assuming it is an Underlying Stock Business Day):

$$\text{HFF}(1) = \text{HFF}(0) \times \left(1 - \text{Management Fee} \times \frac{\text{ACT}(t-1;t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\text{ACT}(t-1;t)}{360}\right)$$

$$\text{HFF}(1) = 100\% \times \left(1 - 0.40\% \times \frac{1}{360}\right) \times \left(1 - 6.00\% \times \frac{1}{360}\right)$$

$$\text{HFF}(1) = 100\% \times 99.9989\% \times 99.9833\% \approx 99.9822\%$$

Assuming 2nd Underlying Stock Business Day falls 3 Calendar Days after 1st Underlying Stock Business Day:

$$\mathrm{HFF}\ (2) = \mathrm{HFF}\ (1) \times \left(1 - \text{Management Fee} \times \frac{\mathrm{ACT}\ (t-1; t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\mathrm{ACT}\ (t-1; t)}{360}\right)$$

$$\mathrm{HFF}\ (2) = 99.9822\% \times \left(1 - 0.40\% \times \frac{3}{360}\right) \times \left(1 - 6.00\% \times \frac{3}{360}\right)$$

$$\mathrm{HFF}\ (2) = 99.9822\% \times 99.9967\% \times 99.9500\% \approx 99.9289\%$$

The same principle applies to the following Underlying Stock Business Days:

$$\mathrm{HFF}\ (n) = \mathrm{HFF}\ (n-1) \times \left(1 - \text{Management Fee} \times \frac{\mathrm{ACT}\ (t-1; t)}{360}\right) \times \left(1 - \text{Gap Premium} \times \frac{\mathrm{ACT}\ (t-1; t)}{360}\right)$$

In this example, the Hedging Fee Factor as of the Valuation Date would be equal to 99.7337% as illustrated below:

Date	HFF
3/7/2018	100.0000%
4/7/2018	99.9822%
5/7/2018	99.9644%
6/7/2018	99.9467%
9/7/2018	99.8934%
10/7/2018	99.8756%
11/7/2018	99.8579%
12/7/2018	99.8401%
13/7/2018	99.8224%
16/7/2018	99.7691%
17/7/2018	99.7514%
18/7/2018	99.7337%

Cash Settlement Amount

In this example, the Closing Level and the Cash Settlement Amount would be computed as follows:

Closing Level = [(Final Reference Level x Final Exchange Rate) / (Initial Reference Level x Initial Exchange Rate) – Strike Level] x Hedging Fee Factor

= [(1200 x 1) / (1000 x 1) – 0] x 99.7337%

= 119.68%

Cash Settlement Amount = Closing Level x Notional Amount per Certificate

= 119.68% x 1.20 SGD

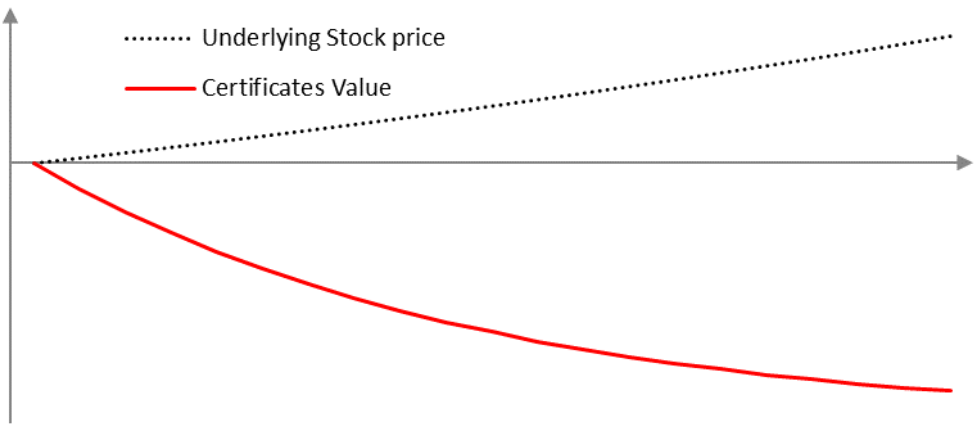
= 1.436 SGD

Illustration on how returns and losses can occur under different scenarios

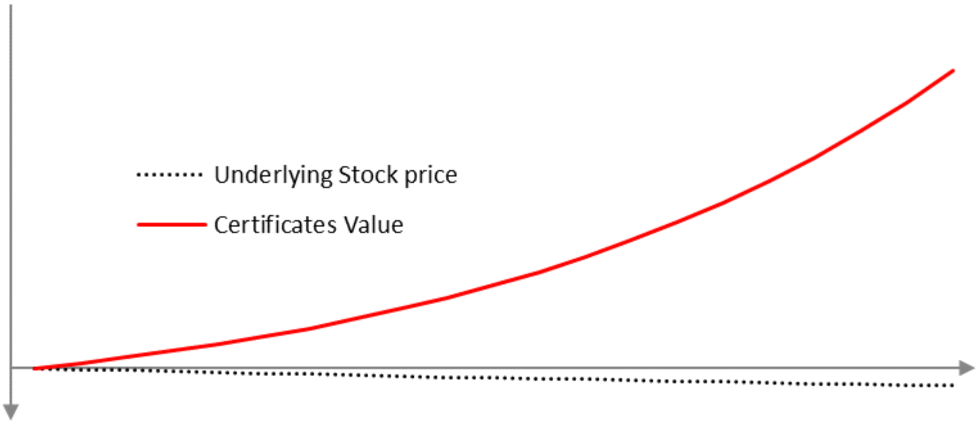
The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of the Underlying Stock performance on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, dividends, or any other market parameters.

1. <u>Illustrative examples</u>

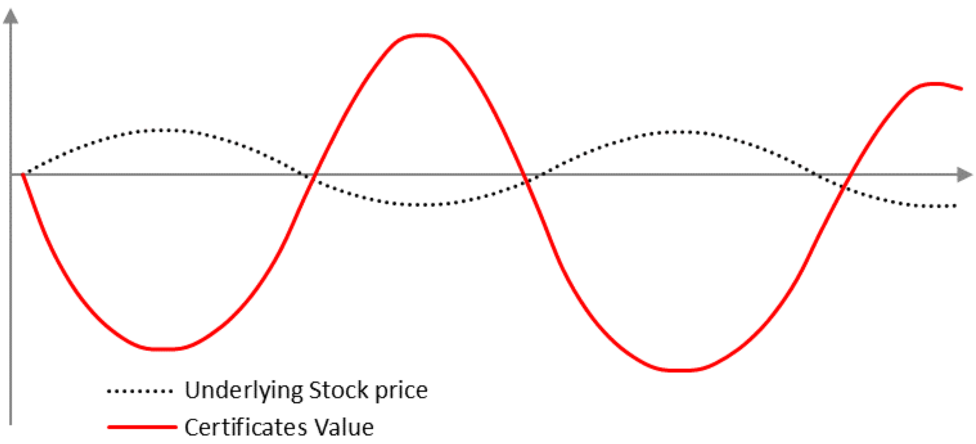
<u>Scenario 1 – Upward Trend</u>



<u>Scenario 2 – Downward Trend</u>



<u>Scenario 3 – Volatile Market</u>



2. Numerical Examples

Scenario 1 – Upward Trend

Underlying Stock						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		2.0%	2.0%	2.0%	2.0%	2.0%
Value at end of day	10,000.0	10,200.0	10,404.0	10,612.1	10,824.3	11,040.8
Accumulated Return		2.00%	4.04%	6.12%	8.24%	10.41%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-10.0%	-10.0%	-10.0%	-10.0%	-10.0%
Price at end of day	1.2	1.08	0.97	0.87	0.79	0.71
Accumulated Return		-10.00%	-19.00%	-27.10%	-34.39%	-40.95%

Scenario 2 – Downward Trend

Underlying Stock						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-2.0%	-2.0%	-2.0%	-2.0%	-2.0%
Value at end of day	10,000.0	9,800.0	9,604.0	9,411.9	9,223.7	9,039.2
Accumulated Return		-2.00%	-3.96%	-5.88%	-7.76%	-9.61%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		10.0%	10.0%	10.0%	10.0%	10.0%
Price at end of day	1.2	1.32	1.45	1.60	1.76	1.93
Accumulated Return		10.00%	21.00%	33.10%	46.41%	61.05%

Scenario 3 – Volatile Market

Underlying Stock						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		2.0%	-2.0%	2.0%	-2.0%	2.0%
Value at end of day	10,000.0	10,200.0	9,996.0	10,195.9	9,992.0	10,191.8
Accumulated Return		2.00%	-0.04%	1.96%	-0.08%	1.92%

Value of the Certificates						
	Day 0	Day 1	Day 2	Day 3	Day 4	Day 5
Daily return		-10.0%	10.0%	-10.0%	10.0%	-10.0%
Price at end of day	1.2	1.08	1.19	1.07	1.18	1.06
Accumulated Return		-10.00%	-1.00%	-10.90%	-1.99%	-11.79%

Description of Air Bag Mechanism

The Certificates integrate an “Air Bag Mechanism” which is designed to reduce exposure to the Underlying Stock during extreme market conditions.

When the Air Bag triggers, a 30-minute period starts. This period is divided into two sub-periods:

- Observation Period : during 15 minutes after the Air Bag trigger, the price of the Underlying Stock is observed and its maximum price is recorded; and
- Reset Period: after 15 minutes, the Leverage Inverse Strategy is reset using the maximum price of the Underlying Stock during the Observation Period as the New Observed Price. The New Observed Price replaces the last closing price of the Underlying Stock in order to compute the performance of the Leverage Inverse Strategy, 30 minutes after the Air Bag trigger.

Trading of Certificates is suspended for at least 30 minutes after the Air Bag is triggered. Investors cannot sell or purchase any Certificates during this period.

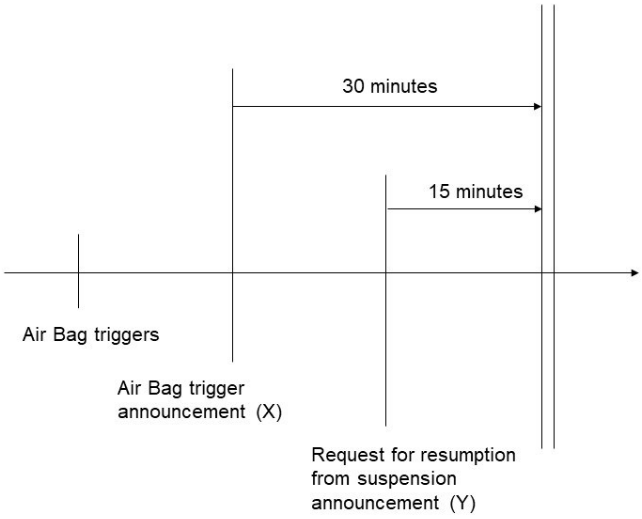
The performance of the Leverage Inverse Strategy will be the inverse of the Underlying Stock.

Air Bag Mechanism timeline

<table>
<tr><th>Air Bag Trigger</th><th>Observation Period</th><th>Resumption of Trading</th></tr>
<tr><td>More than 45 minutes before Market Close</td><td rowspan="5">First 15 minutes after Air Bag Trigger</td><td>Trading resumes the same day between 30 and 45 minutes after Air Bag Trigger</td></tr>
<tr><td>45 minutes before Market Close</td><td rowspan="6">Next trading day at Market Open</td></tr>
<tr><td>30 to 45 minutes before Market Close</td></tr>
<tr><td>30 minutes before Market Close</td></tr>
<tr><td>15 to 30 minutes before Market Close</td></tr>
<tr><td>15 minutes before Market Close</td><td rowspan="2">From Air Bag Trigger to Market Close</td></tr>
<tr><td>Less than 15 minutes before Market Close</td></tr>
</table>

With **Market Close** defined as:

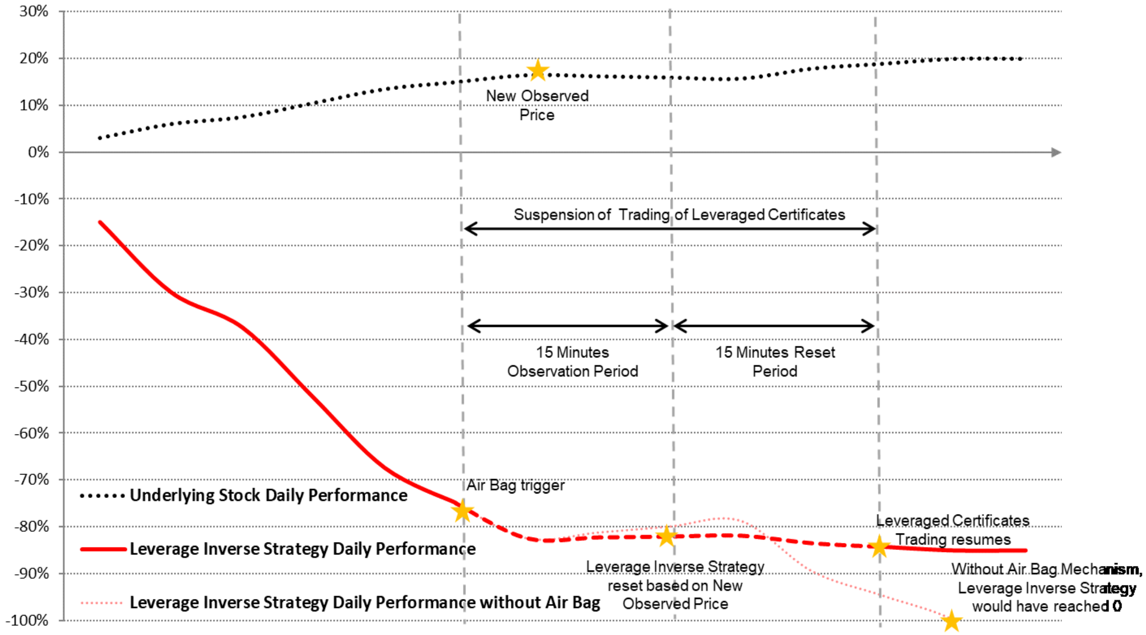
- Underlying Stock closing time with respect to the Observation Period
- The sooner between Underlying Stock closing time and SGX closing time with respect to the Resumption of Trading



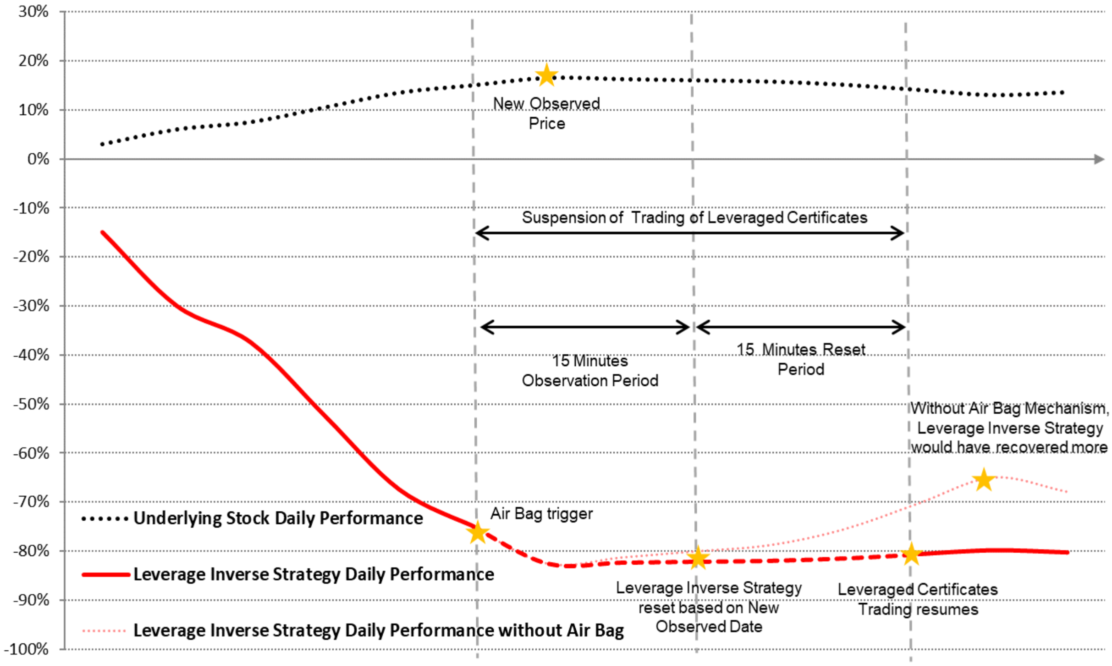
- The later between X+30 minutes or Y+15 minutes will be the earliest time the Certificates can be resumed, the next quarter-of-an-hour of which will be the scheduled resumption time of the Certificates.
- If the scheduled resumption time of the Certificates is at or later than the scheduled closing time of the underlying asset, the Certificates will resume at 9 a.m. on the next SGX-ST trading day.

Illustrative examples of the Air Bag Mechanism[9]

Scenario 1 – Upward Trend after Air Bag trigger



Scenario 2 – Downward Trend after Air Bag trigger



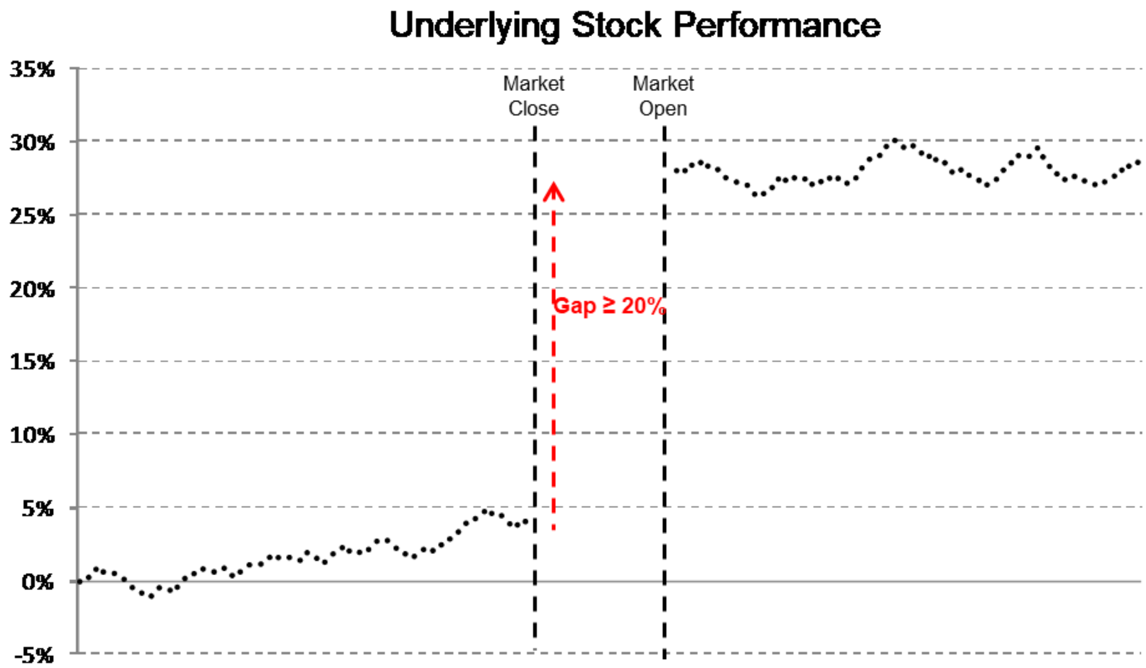
[9] The illustrative examples are not exhaustive.

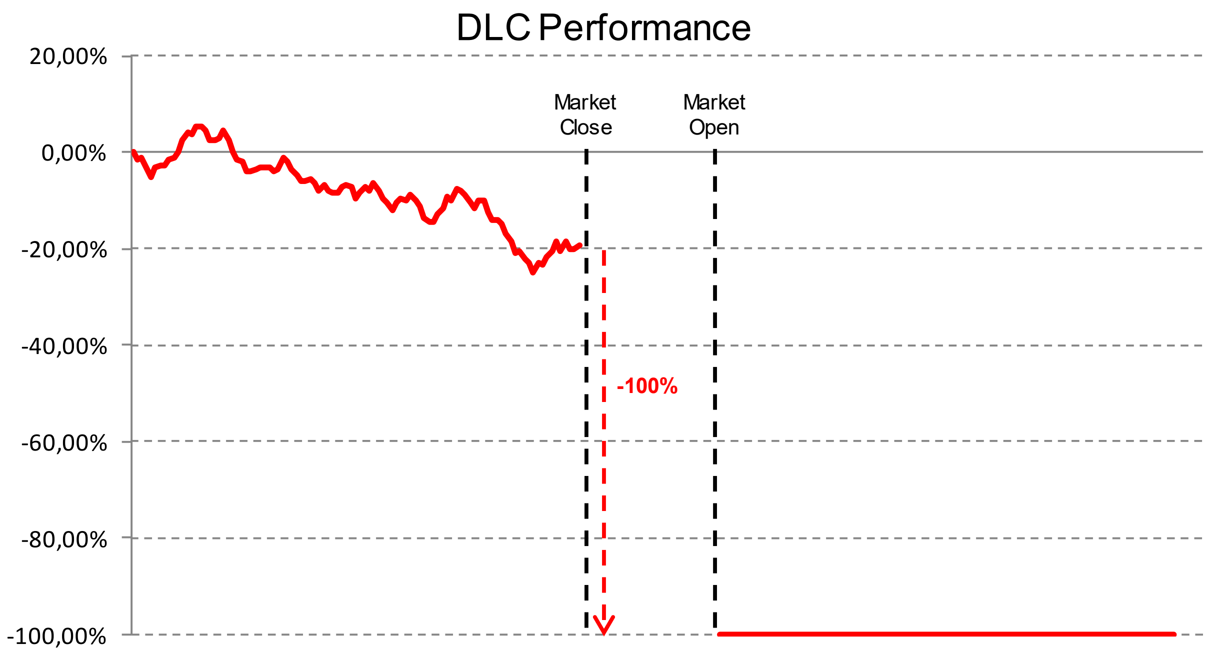
Scenarios where the investor may lose the entire value of the investment

The scenarios below are purely hypothetical and do not take fees and charges payable by investors into consideration. The scenarios highlight cases where the Certificates may lose 100% of their value.

<u>*Scenario 1 – Overnight rise of the Underlying Stock*</u>

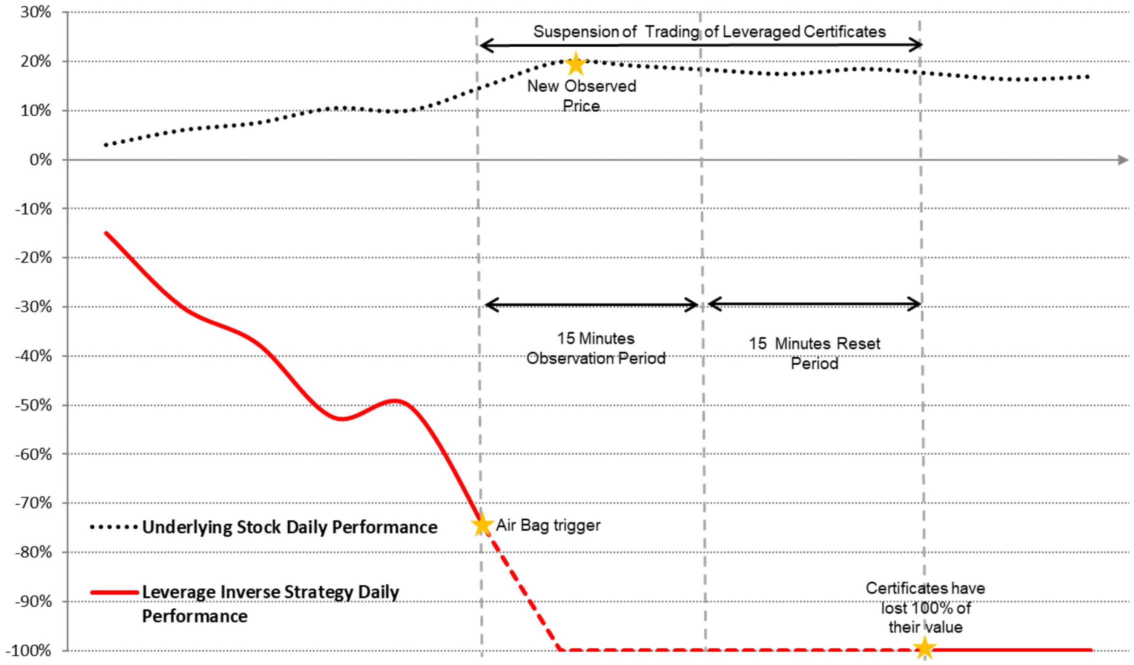
On any business day, the opening price of the Underlying Stock may be higher or lower than the closing price on the previous day. The difference between the previous closing price and the opening price of the Underlying Stock is termed a “gap”. If the opening price of the Underlying Stock is 20% or more above the previous day closing price, the Air Bag Mechanism would only be triggered when the market opens the following day, and the Certificates would lose their entire value in such event.





Scenario 2 – Sharp intraday rise of the Underlying Stock

Although the Air Bag Mechanism is designed to reduce the exposure to the Underlying Stock during extreme market conditions, the Certificate can lose 100% of its value in the event the price of the Underlying Stock rises by 20% or more within the 15 minutes Observation Period compared to the reference price, being: (i) if air bag has not been previously triggered on the same day, the previous closing price of the Underlying Stock, or (ii) if one or more air bag have been previously triggered on the same day, the latest New Observed Price. The Certificates would lose their entire value in such event.



Examples and illustrations of adjustments due to certain corporate actions

The examples are purely hypothetical and do not take fees and charges payable by investors into consideration. The examples highlight the effect of corporate actions on the value of the Certificates and do not take into account the possible influence of fees, exchange rates, or any other market parameters.

In the case of any corporate action on the Underlying Stock, the Calculation Agent will, as soon as reasonably practical after it becomes aware of such event, determine whether such corporate action has a dilutive or concentrative effect on the theoretical value of the Underlying Stock, and if so, will (a) calculate the corresponding adjustment, if any, to be made to the elements relating to the Underlying Stock which are used to determine any settlement or payment terms under the Certificates and/or adjust at its discretion any other terms of the Certificates as it determines appropriate to preserve the economic equivalent of the obligations of the Issuer under the Certificates and (b) determine the effective date of such adjustment.

Notwithstanding the foregoing, in the event Observation Date (t) is an ex-date with respect to a corporate action related to the Underlying Stock, the Calculation Agent may, in its sole and absolute discretion, replace the $Rfactor_t$ with respect to such Observation Date (t) by an amount computed according to the following generic formula :

$$Rfactor_t = \left[1 - \frac{Div_t + DivExc_t - M \times R}{\mathrm{S}_{t-1}}\right] \times \frac{1}{1+M}$$

This formula is provided for indicative purposes and the Calculation Agent may determine that this formula is not appropriate for certain corporate actions and may apply a different formula instead.

Such adjustment of $Rfactor_t$ would affect the Leveraged Return, the Rebalancing Cost, and the Underlying Reference Price used to determine the Intraday Restrike Event. The Air Bag mechanism would not be triggered if the stock price rises by 15% exclusively because of the dilutive effect of a corporate action.

Where:

$\mathrm{DivExc_t}$ is the amount received as an Extraordinary Dividend by a holder of existing Shares for each Share held prior to the Extraordinary Dividend, net of any applicable withholding taxes.

M is the number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe or to receive (positive amount) or the number of existing Shares redeemed or canceled per existing Share (negative amount), as the case may be, resulting from the corporate action.

R is the subscription price per Share (positive amount) or the redemption price per Share (negative amount) including any dividends or other benefits forgone to be subscribe to or to receive (as applicable), or to redeem a Share.

1. Stock split

Assuming the Underlying Stock is subject to a 1 to 2 stock split (i.e. 1 new Share for every 1 existing share):

$\mathrm{S_{t-1}}$ = \$100

$\mathrm{S_t}$ = \$51

$\mathrm{Div_t} = \$0$

$\mathrm{DivExc_t} = \$0$

M = 1 (i.e. 1 new Shares for 1 existing Share)

R = $0 (no subscription price / redemption price)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 2 \times 0)}{100}\right] \times \frac{1}{1 + 1} = 50\%$$

As a consequence:

$$\mathrm{LR}_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1\right) = -5 \times \left(\frac{51}{100 \times 50\%} - 1\right) = -10\%$$

S_{t-1}	$S_{t-1} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	50	51	2%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
1.20	1.08	-10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $57.5, which is 15% above$50, the Underlying Stock Reference Price.

2. <u>Share Consolidation</u>

Assuming the Underlying Stock is subject to a 2 to 1 share consolidation (i.e. 1 Share canceled for every 2 existing Shares):

S_{t-1} = $100

S_t = $202

$\mathrm{Div}_t = \$0$

$\mathrm{DivExc}_t = \$0$

M = -0.5 (i.e. 0.5 Shares canceled for each 1 existing Share)

R = $0 (no subscription price / redemption price)

$$Rfactor_t = \left[1 - \frac{0 + 0 - (-0.5) \times 0)}{100}\right] \times \frac{1}{1 + (-0.5)} = 200\%$$

As a consequence:

$$\mathrm{LR}_{t-1,t} = \text{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1\right) = -5 \times \left(\frac{202}{100 \times 200\%} - 1\right) = -5\%$$

S_{t-1}	$S_{t-1} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	200	202	1%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
1.20	1.14	-5%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $230, which is 15% above $200, the Underlying Stock Reference Price.

3. <u>Rights Issues</u>

Assuming there is a rights issue with respect to the Underlying Stock, with a right to receive 1 new Share for every 2 existing Shares, for a subscription price of $40.

S_{t-1} = $100

S_t = $84

$\mathrm{Div}_t = \$0$

$\mathrm{DivExc}_t = \$0$

R = $40 (i.e. subscription price of $40)

M = 0.5 (i.e. 1 new share for every 2 existing shares)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 0.5 \times 40}{100}\right] \times \frac{1}{1 + 0.5} = 80\%$$

As a consequence:

$$\mathrm{LR}_{t-1,t} = \mathrm{Leverage} \times \left(\frac{S_t}{S_{t-1} \times Rfactor_t} - 1\right) = -5 \times \left(\frac{84}{100 \times 80\%} - 1\right) = -25\%$$

S_{t-1}	$S_{t-1} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	80	84	5%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
1.20	0.90	-25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $92, which is 15% above $80, the Underlying Stock Reference Price.

4. Bonus Issues

Assuming there is a bonus issue with respect to the Underlying Stock, where shareholders receive 1 bonus share for 5 existing shares:

S_{t-1} = \$100

S_t = \$85

$\mathrm{Div}_t = \$0$

$\mathrm{DivExc}_t = \$0$

R = \$0

M = 0.2 (i.e. 1 new share for 5 existing shares)

$$Rfactor_t = \left[1 - \frac{0 + 0 - 0.2 \times 0}{100}\right] \times \frac{1}{1 + 0.2} = 83.33\%$$

As a consequence:

$$\mathrm{LR}_{t-1,t} = \mathrm{Leverage} \times \left(\frac{\mathrm{S}_t}{\mathrm{S}_{t-1} \times Rfactor_t} - 1\right) = -5 \times \left(\frac{85}{100 \times 83.33\%} - 1\right) = -10\%$$

S_{t-1}	$\mathrm{S}_{t-1} \times Rfactor_t$	S_t	Adjusted Underlying Stock Performance
100	83.33	85	2%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
1.20	1.08	-10%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to \$95.83, which is 15% above \$83.33, the Underlying Stock Reference Price.

5. Extraordinary Dividend

Assuming there is an extraordinary dividend of \$20 (net of taxes) paid in respect of each stock.

S_{t-1} = \$100

S_t = \$84

$\mathrm{Div}_t = \$0$

$\mathrm{DivExc}_t = \$20$

R = \$0

M = 0

$$Rfactor_t = \left[1 - \frac{0 + 20 - 0 \times 0}{100}\right] \times \frac{1}{1 + 0} = 80\%$$

As a consequence:

$$\mathrm{LR}_{\mathrm{t-1,t}} = \text{Leverage } \times \left(\frac{\mathrm{S_t}}{\mathrm{S_{t-1}} \times Rfactor_t} - 1\right) = -5 \times \left(\frac{84}{100 \times 80\%} - 1\right) = -25\%$$

$\mathrm{S_{t-1}}$	$\mathrm{S_{t-1}} \times Rfactor_t$	$\mathrm{S_t}$	Adjusted Underlying Stock Performance
100	80	84	5%

Value of the Certificate (t-1)	Value of the Certificate (t)	Certificates' performance (excluding any cost and fees)
1.20	0.90	-25%

In such case an Intraday Restrike Event would occur if the Underlying Stock price rises to $92, which is 15% above $80, the Underlying Stock Reference Price.

INFORMATION RELATING TO THE COMPANY

*All information contained in this document regarding the Company, including, without limitation, its financial information, is derived from publicly available information which appears on the web-site of Hong Kong Exchanges and Clearing Limited (the "**HKExCL**") at http://www.hkex.com.hk and/or the Company's web-site at https://english.cmbchina.com/. The Issuer has not independently verified any of such information.*

China Merchants Bank Co., Ltd. (the "**Company**" or the "**Bank**") is a China-based commercial bank. The Bank operates its businesses through three segments, which are Wholesale Finance segment, Retail Finance segment and Other segment. Wholesale Finance segment consists of savings and loans; settlement and cash management services; trade finance and offshore business; investment banking; interbank lending, buyback and other interbank business; asset custody business; financial market business and other businesses. Retail Finance segment includes savings and loans, bank card services, wealth management, private banking and other services. Other segment consists of investment real estates and the operations of the Company's subsidiaries, affiliated companies and joint venture companies. The Company operates its business in domestic market and to overseas markets, with China as its main market.

The information set out in Appendix I of this document relates to the unaudited consolidated financial statements of the Company and its subsidiaries for the six months ended 30 June 2021 and has been extracted and reproduced from an announcement by the Company dated 6 September 2021 in relation to the same. Further information relating to the Company may be located on the web-site of the HKExCL at http://www.hkex.com.hk.

INFORMATION RELATING TO THE DESIGNATED MARKET MAKER

Société Générale has been appointed the designated market maker ("**DMM**") for the Certificates. The DMM will provide competitive buy and sell quotes for the Certificates continuously during the trading hours of the SGX-ST on the following basis:

(a)	Maximum bid and offer spread	:	(i) when the best bid price of the Certificate is S$10 and below: 10 ticks or S$0.20 whichever is greater; and (ii) when the best bid price of the Certificate is above S$10: 5% of the best bid price of the Certificate.
(b)	Minimum quantity subject to bid and offer spread	:	10,000 Certificates
(c)	Last Trading Day for Market Making	:	The date falling 5 Exchange Business Days immediately preceding the Expiry Date

In addition, the DMM may not provide a quotation in the following circumstances:

(i) during the pre-market opening and five minutes following the opening of the SGX-ST on any trading day;

(ii) if the Certificates are valueless (where the Issuer's bid price is below the minimum bid size for such securities as prescribed by the SGX-ST);

(iii) before the Relevant Stock Exchange for the Underlying Stock has opened and after the Relevant Stock Exchange for the Underlying Stock has closed on any trading day;

(iv) when trading in the Underlying Stock is suspended or limited in a material way for any reason, for the avoidance of doubt, the DMM is not obliged to provide quotations for the Certificates at any time when the Underlying Stock is not negotiated/traded for any reason;

(v) where the Certificates are suspended from trading for any reason;

(vi) market disruption events, including, without limitation, any suspension of or limitation imposed on trading (including but not limited to unforeseen circumstances such as by reason of movements in price exceeding limits permitted by the SGX-ST or any act of God, war, riot, public disorder, explosion, terrorism or otherwise) in the Underlying Stock;

(vii) where the Issuer or the DMM faces technical problems affecting the ability of the DMM to provide bids and offer quotations;

(viii) where the ability of the Issuer to source a hedge or unwind an existing hedge, as determined by the Issuer in good faith, is materially affected by the prevailing market conditions, and the Issuer informs the SGX-ST of its inability to do so as soon as practicable;

(ix) in cases where the Issuer has no Certificates to sell, then the DMM will only provide the bid price;

(x) if the stock market experiences exceptional price movement and volatility;

(xi) when it is a public holiday in Singapore and/or Hong Kong and/or the SGX-ST and/or the HKEX are not open for dealings; and

(xii) during the suspension of trading of Certificates after an Air Bag Mechanism has been triggered.

The last trading day on which the DMM will provide competitive quotations for the Certificates would be the fifth Exchange Business Day immediately preceding the Expiry Date.

SUPPLEMENTAL INFORMATION RELATING TO THE GUARANTOR

The information set out in Appendix II of this document is a reproduction of the press release dated 3 August 2021 containing the Guarantor's consolidated financial results for the second quarter ended 30 June 2021.

SUPPLEMENTAL GENERAL INFORMATION

The information set out herein is supplemental to, and should be read in conjunction with, the information set out on page 105 of the Base Listing Document.

1. Save as disclosed in this document and the Base Listing Document, neither the Issuer nor the Guarantor is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) which may have or have had in the previous 12 months a significant effect on the financial position of the Issuer or the Guarantor in the context of the issuance of the Certificates.

2. Settlement of trades done on a normal "ready basis" on the SGX-ST generally take place on the second Business Day following the transaction. Dealing in the Certificates will take place in Board Lots in Singapore dollars. For further details on the transfer of Certificates and their exercise, please refer to the section headed "Summary of the Issue" above.

3. It is not the current intention of the Issuer to apply for a listing of the Certificates on any stock exchange other than the SGX-ST.

4. Save as disclosed in the Base Listing Document and herein, there has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2020 or the Guarantor since 30 June 2021, in the context of the issuance of Certificates hereunder.

5. The following contracts, relating to the issue of the Certificates, have been or will be entered into by the Issuer and/or the Guarantor and may be material to the issue of the Certificates:

   (a) the Guarantee;

   (b) the Master Instrument; and

   (c) the Master Warrant Agent Agreement.

   None of the directors of the Issuer and the Guarantor has any direct or indirect interest in any of the above contracts.

6. The Auditors of the Issuer and the Guarantor have given and have not withdrawn their written agreement to the inclusion of the report, included herein, in the form and context in which it is included. Their report was not prepared exclusively for incorporation into this document.

   The Auditors of the Issuer and the Guarantor have no shareholding in the Issuer or the Guarantor or any of its subsidiaries, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of the Issuer or the Guarantor or any of its subsidiaries.

7. The Certificates are not fully covered by the Underlying Stock held by Issuer or a trustee for and on behalf of the Issuer. The Issuer has appropriate risk management capabilities to manage the issue of the Certificates.

8. Société Générale, Singapore Branch, currently of 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, has been authorised to accept, on behalf of the Issuer and the Guarantor, service of process and any other notices required to be served on the Issuer or the Guarantor. Any notices required to be served on the Issuer or the Guarantor should be sent to Société Générale at the above address for the attention of Société Générale Legal Department.

9. Copies of the following documents may be inspected during usual business hours on any

weekday (Saturdays, Sundays and holidays excepted) at the offices of Société Générale, Singapore Branch at 8 Marina Boulevard, #12-01 Marina Bay Financial Centre Tower 1, Singapore 018981, during the period of 14 days from the date of this document:

(a) the Memorandum and Articles of Association of the Issuer and the Constitutional Documents of the Guarantor;

(b) the latest financial reports (including the notes thereto) of the Issuer;

(c) the latest financial reports (including the notes thereto) of the Guarantor;

(d) the consent letters from the Auditors to the Issuer and the Guarantor referred to in paragraph 6 above;

(e) the Base Listing Document;

(f) this document; and

(g) the Guarantee.

PLACING AND SALE

General

No action has been or will be taken by the Issuer that would permit a public offering of the Certificates or possession or distribution of any offering material in relation to the Certificates in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Certificates, or distribution of any offering material relating to the Certificates may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligation on the Issuer. In the event that the Issuer contemplates a placing, placing fees may be payable in connection with the issue and the Issuer may at its discretion allow discounts to placees.

Each Certificate Holder undertakes that it will inform any subsequent purchaser of the terms and conditions of the Certificates and all such subsequent purchasers as may purchase such securities from time to time shall deemed to be a Certificate Holder for the purposes of the Certificates and shall be bound by the terms and conditions of the Certificates.

Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Certificates may not be circulated or distributed, nor may Certificates be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than pursuant to, and in accordance with the conditions of, any applicable provision of the Securities and Futures Act, Chapter 289 of Singapore.

Hong Kong

Each dealer has represented and agreed, and each further dealer appointed in respect of the Certificates and each other purchaser will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates (except for Certificates which are a "structured product" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong ("**SFO**")) other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus", as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong ("**CWUMPO**") or which do not constitute an offer to the public within the meaning of the CWUMPO; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

European Economic Area

Each dealer represents and agrees, and each further dealer appointed in respect of the Certificates will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell, or otherwise make available any Certificates which are the subject of the offering as contemplated by this document to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

(ii) a customer within the meaning of Directive 2016/97/EU (as amended, the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended and superseded, the Prospectus Regulation); and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

United Kingdom

Each dealer represents and agrees, and each further dealer appointed in respect of the Certificates will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates which are the subject of the offering as contemplated by this document to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

(ii) a customer within the meaning of the provisions of the Financial Services and Markets Act, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

Each dealer further represents and agrees, and each further dealer appointed in respect of the Certificates will be required to further represent and agree, that:

(a) in respect to Certificates having a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the

Certificates would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

United States

The Certificates and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or any state securities law, and trading in the Certificates has not been approved by the United States Commodity Futures Trading Commission (the "**CFTC**") under the United States Commodity Exchange Act of 1936, as amended (the "**Commodity Exchange Act**") and the Issuer will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder. None of the Securities and Exchange Commission, any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Certificates or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Certificates, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Certificates or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Certificates, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised.

Each dealer has represented and agreed, and each further dealer will be required to represent and agree, that it has not and will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, Certificates in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redeem, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any such U.S. person. Any person purchasing Certificates of any tranches must agree with the relevant dealer or the seller of such Certificates that (i) it will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, any Certificates in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person, and (ii) it is not purchasing any Certificates for the account or benefit of any U.S. person.

Exercise or otherwise redemption of Certificates will be conditional upon certification that each person exercising or otherwise redeeming a Certificate is not a U.S. person or in the United States and that the Certificate is not being exercised or otherwise redeemed on behalf of a U.S. person. No payment will be made to accounts of holders of the Certificates located in the United States.

As used in the preceding paragraphs, the term "**United States**" includes the territories, the possessions and all other areas subject to the jurisdiction of the United States of America, and the term

“**U.S. person**” means any person who is (i) a U.S. person as defined under Regulation S under the Securities Act, (ii) a U.S. person as defined in paragraph 7701(a)(30) of the Internal Revenue Code of 1986, or (iii) a person who comes within any definition of U.S. person for the purposes of the United States Commodity Exchange Act of 1936, as amended (the “**CEA**”) or any rules thereunder of the CFTC (the “**CFTC Rules**”), guidance or order proposed or issued under the CEA (for the avoidance of doubt, any person who is not a “Non-United States person” defined under CFTC Rule 4.7(a)(1)(iv), but excluding, for purposes of subsection (D) thereof, the exception for qualified eligible persons who are not “Non-United States persons”, shall be considered a U.S. person).

APPENDIX I

REPRODUCTION OF THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021 OF CHINA MERCHANTS BANK CO., LTD. AND ITS SUBSIDIARIES

The information set out below is a reproduction of the unaudited consolidated financial statements of the Company and its subsidiaries for the six months ended 30 June 2021 and has been extracted and reproduced from an announcement by the Company dated 6 September 2021 in relation to the same.

Report on Review of Interim Consolidated Financial Statements

Deloitte. 德勤

To the board of directors of China Merchants Bank Co., Ltd.
(A joint stock limited company incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim consolidated financial statements of China Merchants Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 102 to 190 which comprise the consolidated statement of financial position as of 30 June 2021 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Bank are responsible for the preparation and presentation of these interim consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants
Hong Kong

13 August 2021

Unaudited Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021

(Expressed in millions of Renminbi unless otherwise stated)

	Notes	Six months ended 30 June 2021	2020
Interest income	3	**159,243**	153,685
Interest expense	4	**(59,902)**	(62,812)
Net interest income		**99,341**	90,873
Fee and commission income	5	**56,005**	45,611
Fee and commission expense		**(3,751)**	(3,342)
Net fee and commission income		**52,254**	42,269
Other net income	6	**15,050**	13,839
– Disposal of financial instruments at amortised cost		**1**	(145)
Operating income		**166,645**	146,981
Operating expenses	7	**(50,612)**	(44,882)
Operating profit before impairment losses and taxation		**116,033**	102,099
Expected credit losses	8	**(41,895)**	(40,443)
Share of profits of joint ventures		**1,668**	930
Share of profits of associates		**517**	252
Profit before taxation		**76,323**	62,838
Income tax	9	**(14,675)**	(12,760)
Profit for the period		**61,648**	50,078
Attributable to:			
Equity holders of the Bank		**61,150**	49,788
Non-controlling interests		**498**	290
Earnings per share			
Basic and diluted (RMB)	11	**2.35**	1.97

The notes on pages 110 to 190 form part of this interim consolidated financial statements.

Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

(Expressed in millions of Renminbi unless otherwise stated)

	Notes	Six months ended 30 June 2021	2020
Profit for the period		**61,648**	50,078
Other comprehensive income for the period after tax			
Items that may be reclassified subsequently to profit or loss			
Fair value loss on debt instruments measured at fair value through other comprehensive income		**(210)**	(142)
Net changes in expected credit losses of debt instruments measured at fair value through other comprehensive income		**3,478**	845
Net movement in cash flow hedge reserve		**47**	(50)
Share of other comprehensive income from equity-accounted investees		**(142)**	250
Exchange difference on translation of financial statements of foreign operations		**(744)**	826
Items that will not be reclassified subsequently to profit or loss			
Fair value gain on equity instruments designated at fair value through other comprehensive income		**1,045**	108
Remeasurement of defined benefit scheme redesigned through reserve		**26**	(46)
Other comprehensive income for the period, net of tax	10	**3,500**	1,791
Attributable to:			
Equity holders of the Bank		**3,551**	1,705
Non-controlling interests		**(51)**	86
Total comprehensive income for the period		**65,148**	51,869
Attributable to:			
Equity holders of the Bank		**64,701**	51,493
Non-controlling interests		**447**	376

The notes on pages 110 to 190 form part of this interim consolidated financial statements.

Unaudited Consolidated Statement of Financial Position

At 30 June 2021

(Expressed in millions of Renminbi unless otherwise stated)

	Notes	30 June 2021	31 December 2020
Assets			
Cash		**11,852**	13,088
Precious metals		**3,602**	7,970
Balances with central banks	12	**558,433**	525,358
Balances with banks and other financial institutions	13	**123,451**	103,335
Placements with banks and other financial institutions	14	**253,003**	226,919
Amounts held under resale agreements	15	**334,278**	286,262
Loans and advances to customers	16	**5,154,030**	4,804,361
Investments at fair value through profit or loss	17(a)	**474,776**	495,723
Derivative financial assets	41(f)	**31,690**	47,272
Debt investments at amortised cost	17(b)	**1,084,214**	1,049,280
Debt investments at fair value through other comprehensive income	17(c)	**565,665**	516,553
Equity investments designated at fair value through other comprehensive income	17(d)	**7,031**	7,139
Interests in joint ventures	18	**13,778**	12,403
Interests in associates	19	**8,118**	2,519
Investment properties	20	**1,537**	1,623
Property and equipment	21	**76,163**	69,470
Right-of-use assets	22	**18,311**	19,104
Intangible assets	23	**4,289**	4,763
Goodwill	24	**9,954**	9,954
Deferred tax assets	25	**79,866**	72,893
Other assets		**71,845**	85,459
Total assets		**8,885,886**	8,361,448

The notes on pages 110 to 190 form part of this interim consolidated financial statements.

	Notes	30 June 2021	31 December 2020
Liabilities			
Borrowing from central bank		**304,116**	331,622
Deposits from banks and other financial institutions	26	**766,992**	723,402
Placements from banks and other financial institutions	27	**169,124**	143,517
Financial liabilities at fair value through profit or loss	28	**72,673**	60,351
Derivative financial liabilities	41(f)	**37,315**	50,061
Amounts sold under repurchase agreements	29	**122,143**	142,927
Deposits from customers	30	**6,018,945**	5,664,135
Salaries and welfare payable		**20,195**	15,462
Tax payable		**22,160**	18,648
Contract liabilities		**6,769**	6,829
Lease liabilities		**13,748**	14,242
Provision	31	**21,887**	8,229
Debt securities issued	32	**428,718**	346,141
Deferred tax liabilities	25	**1,228**	1,073
Other liabilities		**118,305**	104,455
Total liabilities		**8,124,318**	7,631,094
Equity			
Share capital	33	**25,220**	25,220
Other equity instruments		**84,054**	84,054
– Preference shares	34(a)	**34,065**	34,065
– Perpetual bonds	34(b)	**49,989**	49,989
Capital reserve		**67,523**	67,523
Investment revaluation reserve	35	**11,047**	8,207
Hedging reserve		**(19)**	(66)
Surplus reserve		**71,158**	71,158
Regulatory general reserve		**98,452**	98,082
Retained earnings		**398,825**	338,664
Proposed profit appropriations		**–**	31,601
Exchange reserve		**(1,385)**	(693)
Total equity attributable to equity holders of the Bank		**754,875**	723,750
Non-controlling interests		**6,693**	6,604
– Non-controlling interest		**2,992**	2,851
– Perpetual debt capital	43(a)	**3,701**	3,753
Total equity		**761,568**	730,354
Total equity and liabilities		**8,885,886**	8,361,448

The notes on pages 110 to 190 form part of this interim consolidated financial statements.

Approved and authorised for issue by the board of directors on 13 August 2021.

Miao Jianmin
Director

Tian Huiyu
Director

Unaudited Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

(Expressed in millions of Renminbi unless otherwise stated)

		Six months ended 30 June 2021														
		Total equity attributable to equity holders of the Bank												Non-controlling interests		
			Other equity instruments													
	Notes	Share capital	Preference shares	Perpetual bonds	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	Regulatory general reserve	Retained earning	Proposed profit appropriations	Exchange reserve	Subtotal	Non-controlling interest	Perpetual debt capital	Total
At 1 January 2021		25,220	34,065	49,989	67,523	8,207	(66)	71,158	98,082	338,664	31,601	(693)	723,750	2,851	3,753	730,354
Changes in equity for the period		–	–	–	–	2,840	47	–	370	60,161	(31,601)	(692)	31,125	141	(52)	31,214
(a) Net profit for the period		–	–	–	–	–	–	–	–	61,150	–	–	61,150	384	114	61,648
(b) Other comprehensive income for the period		–	–	–	–	4,196	47	–	–	–	–	(692)	3,551	1	(52)	3,500
Total comprehensive income for the period		–	–	–	–	4,196	47	–	–	61,150	–	(692)	64,701	385	62	65,148
(c) Profit appropriations		–	–	–	–	–	–	–	370	(2,345)	(31,601)	–	(33,576)	(244)	(114)	(33,934)
(i) Appropriations to regulatory general reserve		–	–	–	–	–	–	–	370	(370)	–	–	–	–	–	–
(ii) Dividends appropriations for the year 2020		–	–	–	–	–	–	–	–	–	(31,601)	–	(31,601)	(244)	–	(31,845)
(iii) Distribution to perpetual bonds		–	–	–	–	–	–	–	–	(1,975)	–	–	(1,975)	–	–	(1,975)
(iv) Distribution to perpetual debt capital	43(a)	–	–	–	–	–	–	–	–	–	–	–	–	–	(114)	(114)
(d) Transfers within equity upon disposal of equity instruments designated at FVTOCI		–	–	–	–	(1,356)	–	–	–	1,356	–	–	–	–	–	–
At 30 June 2021		25,220	34,065	49,989	67,523	11,047	(19)	71,158	98,452	398,825	–	(1,385)	754,875	2,992	3,701	761,568

The notes on pages 110 to 190 form part of this interim consolidated financial statements.

Six months ended 30 June 2020

		Total equity attributable to equity holders of the Bank											Non-controlling interests		
	Notes	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	Regulatory general reserve	Retained earnings	Proposed profit appropriations	Exchange reserve	Subtotal	Non-controlling interest	Perpetual debt capital	Total
At 1 January 2020		25,220	34,065	67,523	8,919	(39)	62,291	90,151	291,346	30,264	1,561	611,301	2,427	3,979	617,707
Changes in equity for the period		–	–	–	998	(50)	–	(696)	50,497	(30,264)	744	21,229	4	81	21,314
(a) Net profit for the period		–	–	–	–	–	–	–	49,788	–	–	49,788	167	123	50,078
(b) Other comprehensive income for the period		–	–	–	1,011	(50)	–	–	–	–	744	1,705	5	81	1,791
Total comprehensive income for the period		–	–	–	1,011	(50)	–	–	49,788	–	744	51,493	172	204	51,869
(c) Profit appropriations		–	–	–	–	–	–	(696)	696	(30,264)	–	(30,264)	(168)	(123)	(30,555)
(i) Appropriations to regulatory general reserve		–	–	–	–	–	–	275	(275)	–	–	–	–	–	–
(ii) Reversal of regulatory general reserve (note)		–	–	–	–	–	–	(971)	971	–	–	–	–	–	–
(iii) Dividends appropriations for the year 2019		–	–	–	–	–	–	–	–	(30,264)	–	(30,264)	(168)	–	(30,432)
(iv) Distribution to perpetual debt capital	43(a)	–	–	–	–	–	–	–	–	–	–	–	–	(123)	(123)
(d) Transfers within equity upon disposal of equity instruments designated at FVTOCI		–	–	–	(13)	–	–	–	13	–	–	–	–	–	–
At 30 June 2020		25,220	34,065	67,523	9,917	(89)	62,291	89,455	341,843	–	2,305	632,530	2,431	4,060	639,021

Note: During the six months ended 30 June 2020, CMB Wing Lung Bank Limited, one of the wholly-owned subsidiaries of the Group reversed its regulatory general reserve by RMB971 million, in accordance with the latest regulatory requirements of the Hong Kong Monetary Authority.

The notes on pages 110 to 190 form part of this interim consolidated financial statements.

Unaudited Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

(Expressed in millions of Renminbi unless otherwise stated)

	Six months ended 30 June	
	2021	2020
Operating activities		
Profit before tax	76,323	62,838
Adjustments for:		
– Impairment losses on loans and advances	14,457	36,211
– Impairment losses on investments and others	27,438	4,232
– Unwinding of discount on the allowances of loans and advances	(141)	(98)
– Depreciation of property and equipment and investment properties	4,253	3,737
– Depreciation of right-of-use assets	2,162	2,208
– Amortisation of other assets	670	629
– Net gain on debt securities and equity investments	(7,403)	(8,517)
– Interest income on investments	(26,800)	(25,008)
– Interest expense on issued debt securities	6,047	8,570
– Share of profits of associates	(517)	(252)
– Share of profits of joint ventures	(1,668)	(930)
– Net gains on disposal of property and equipment and other assets	(23)	(17)
– Interest expense on lease liabilities	291	314
Changes in:		
Balances with central bank	(19,230)	22,634
Loans and advances to customers	(364,614)	(455,590)
Other assets	14,262	(20,070)
Deposits from customers	351,829	595,628
Amount due to banks and other financial institutions	49,096	167,262
Amount due from banks and other financial institutions with original maturity over 3 months	(40,918)	(32,224)
Borrowing from central bank	(29,751)	(53,967)
Other liabilities	(28,870)	(33,834)
Cash generated from operating activities before income tax payment	26,893	273,756
Income tax paid	(20,571)	(19,502)
Net cash generated from operating activities	6,322	254,254
Investing activities		
Payment for the purchases of investments	(644,655)	(676,213)
Payment for the purchases of property and equipment and other assets	(11,686)	(8,898)
Payment for investments in subsidiaries, associates or joint venture	(4,935)	(157)
Proceeds from disposals of investments	584,181	471,464
Gains received from investments	34,625	33,571
Proceeds from disposals of subsidiaries, associates or joint venture	264	328
Proceeds from disposals of property and equipment and other assets	286	561
Net cash used in investing activities	(41,920)	(179,344)

The notes on pages 110 to 190 form part of this interim consolidated financial statements.

	Note	Six months ended 30 June 2021	2020
Financing activities			
Proceeds from the issuance of debt securities		**43,994**	1,183
Proceeds from the issuance of negotiable interbank certificates of deposit		**187,385**	79,711
Proceeds from the issuance of certificates of deposit		**16,492**	15,250
Proceeds from other financing activities		**6,496**	2,374
Repayment of negotiable interbank certificates of deposit		**(140,240)**	(221,393)
Repayment of certificates of deposit		**(18,958)**	(15,258)
Repayment of debt securities		**(10,830)**	(27,948)
Repayment of lease liabilities		**(2,460)**	(2,022)
Distribution paid on perpetual debt capital		**(114)**	(123)
Distribution paid on appropriations		**(244)**	-
Interest paid on financing activities		**(3,195)**	(6,620)
Repayments for other financing activities		**(126)**	(1)
Net cash generated from/(used in) financing activities		**78,200**	(174,847)
Net increase/(decrease) in cash and cash equivalents		**42,602**	(99,937)
Cash and cash equivalents as at 1 January		**552,790**	589,675
Effect of foreign exchange rate changes		**(1,627)**	1,311
Cash and cash equivalents as at 30 June	37(a)	**593,765**	491,049
Cash flows from operating activities include:			
Interest received		**131,395**	127,813
Interest paid		**49,047**	49,738

The notes on pages 110 to 190 form part of this interim consolidated financial statements.

Notes to the Unaudited Interim Consolidated Financial Statements

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

1. General information

China Merchants Bank Co., Ltd. (the "Bank") is a commercial bank incorporated in Shenzhen, the People's Republic of China (the "PRC"). With the approval of the China Securities Regulatory Commission (the "CSRC") of the PRC, the A-Shares of the Bank were listed on Shanghai Stock Exchange on 9 April 2002. On 22 September 2006, the Bank's H-Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK").

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

As at 30 June 2021, apart from the Head Office, the Bank had 51 branches in Mainland China, Hong Kong, New York, Singapore, Luxembourg, London and Sydney. In addition, the Bank has three representative offices in Beijing, New York and Taipei.

The particulars of the Group's major subsidiaries as at 30 June 2021 are set out below.

Name of company	Place of incorporation and operation	Particulars of the issued and paid up capital (in millions)	% of ownership held by the Bank directly and indirectly	Principal activity	Economic nature	Legal representative
CMB International Capital Holdings Corporation Limited ("CMBICHC")	Hong Kong	HKD4,129	100%	Investment bank and investment managements	Limited liability	Tian Huiyu
CMB Financial Leasing Company Limited ("CMBFLC")	Shanghai	RMB6,000	100%	Finance leasing	Limited liability	Shi Shunhua
CMB Wing Lung Bank Limited ("CMB WLB")	Hong Kong	HKD1,161	100%	Banking	Limited liability	Zhu Qi
China Merchants Fund Management Co., Ltd. ("CMFM")	Shenzhen	RMB1,310	55%	Fund management	Limited liability	Wang Xiaoqing
CMB Wealth Management Co., Ltd ("CMBWM")	Shenzhen	RMB5,000	100%	Asset management	Limited liability	(note (i))
China Merchants Europe S.A. ("CMB Europe S.A.") (note (ii))	Luxembourg	EUR50	100%	Banking	Limited liability	Li Biao
Cigna & CMB Asset Management Company Limited ("CIGNA & CMAM")	Beijing	RMB500	(note (iii))	Asset management	Limited liability	Liu Hui

Notes:

(i) The legal representative of CMBWM was changed from Liu Hui to Chen Yisong on 8 July, 2021.

(ii) CMB Europe S.A. is a wholly-owned subsidiary of which the establishment was approved by the China Banking and Insurance Regulatory Commission ("CBIRC") Yin Jianfu [2016] No. 460. It was formally established in November 2019 and has obtained a commercial banking license in Luxemburg from European Central Bank (ECB) in 2021.

(iii) CIGNA & CMAM was registered and established on 18 October, 2020 with the approval of CBIRC Yinbao Jianfu [2020] No.708. CIGNA & CMAM is an indirectly controlled subsidiary of the Bank, with 87.3458% held by CIGNA & CMB Life Insurance Co., Ltd., a joint venture of the Bank, and 12.6542% held by CMBICHC, a subsidiary of the Bank.

2. Basis of preparation, principal accounting policies, accounting estimates and judgements

(a) Basis of preparation and principal accounting policies

This unaudited interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

This unaudited interim consolidated financial statements do not include all of the information required for full set of financial statement prepared in accordance with International Financial Reporting Standards ("IFRSs"), and should be read in conjunction with the 2020 annual consolidated financial statements.

Other than the application of the following amendments to IFRSs, the Group's accounting policies and methods of computation applied in preparing this unaudited interim consolidated financial statements are consistent with those applied in preparing the Group's annual consolidated financial statements for the year ended 31 December 2020.

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

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

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

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

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

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

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

Hedge accounting

For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

Cash flows hedges

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

Transition and summary of effects

The Group has financial instruments linked to London Interbank Offered Rate (LIBOR) that will be subject to interbank offered rates (IBOR) reform. These financial instruments mainly include loans and advances to customers, debt investments, etc. The Group has gradually changed the interest rate benchmark for these financial instruments to Sterling Overnight Index Average (SONIA) or Secured Overnight Financing Rate (SOFR) in 2021. In order to reflect the changes that are required by the interest rate benchmark reform, the Group has recalculated the effective interest rate of the financial instruments whose change of future cash flow is necessary as a direct consequence of interest rate benchmark reform, and used these effective interest rates as the basis of subsequent measurements. Such changes in effective interest rate have no significant impact on the interim consolidated financial statements.

2. Basis of preparation, principal accounting policies, accounting estimates and judgements *(continued)*

(a) Basis of preparation and principal accounting policies *(continued)*

Impacts and accounting policies on application of Amendment to IFRS 16 – "Covid-19-Related Rent Concessions"

The amendment provides a practical expedient to covid-19-related rent concessions if certain conditions are met. This amendment has no significant impact on the interim consolidated financial statements.

(b) Accounting estimates and judgements

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

The Group's significant accounting estimates and judgements applied in preparing the unaudited interim consolidated financial statements are consistent with those applied in preparing the consolidated financial statements for the year ended 31 December 2020 except for impairment under the Expected Credit Loss ("ECL") model.

Impairment under the ECL model:

In order to increase the Group's resilience and guard itself against losses, the Group refined the measurement system of loss allowance for financial instruments, and further optimised the measurement system in the principle of prudence and robustness as at 30 June 2021. The changes in accounting estimates were mainly about enhancing the risk differentiation of the model in order to optimise the fineness and foresight of loss allowance for financial instruments. Among which, when determining whether there is any significant increase in credit risk, the application of early warning signal is further deepened; when considering forward-looking information, the macroeconomic index database is expanded; in terms of the classification of risk characteristics, the reference index is optimised. The changes in accounting estimates resulted in a decrease in the Group's loss allowance by RMB151 million as at 30 June 2021, and an increase in the Group's profit before taxation by RMB151 million in the first half of 2021. In the first half of 2021, the expected credit losses of the Group were RMB41,895 million, representing a year-on-year increase of 3.59%. The changes in accounting estimates are expected to have no significant impact on the current period net profit, total assets and net assets of the Group. The changes in accounting estimates are applied prospectively for future periods, and do not require to adjust the announced financial reports retrospectively. Therefore, the changes will not have any impact on the financial conditions and operating results of the Group in previous periods. Details of the accounting estimates about the ECL are set out in note 41 (a).

3. Interest income

	Six months ended 30 June	
	2021	2020
Loans and advances to customers	**122,537**	118,376
– Corporate loans and advances	**39,925**	41,687
– Retail loans and advances	**77,542**	72,824
– Discounted bills	**5,070**	3,865
Balances with central banks	**3,894**	3,744
Balances with banks and other financial institutions	**346**	1,173
Placements with banks and other financial institutions	**2,693**	3,298
Amounts held under resale agreements	**2,973**	2,086
Investments	**26,800**	25,008
– Debt investments at fair value through other comprehensive income	**7,667**	6,899
– Debt investments at amortised cost	**19,133**	18,109
Total	**159,243**	153,685

Note: For the six months ended 30 June 2021, included in the above is the interest income of RMB5,729 million accrued on loans and advances to customers at fair value through other comprehensive income (six months ended 30 June 2020: RMB4,507 million).

4. Interest expense

	Six months ended 30 June	
	2021	2020
Deposits from customers	**40,383**	41,916
Borrowing from central bank	**4,187**	4,583
Deposits from banks and other financial institutions	**5,374**	4,118
Placements from banks and other financial institutions	**2,271**	2,628
Amounts sold under repurchase agreements	**1,349**	683
Debt securities issued	**6,047**	8,570
Lease liabilities	**291**	314
Total	**59,902**	62,812

5. Fee and commission income

	Six months ended 30 June	
	2021	2020
Bank cards fees	**9,396**	9,418
Settlement and clearing fees	**7,277**	6,362
Agency services fees	**15,173**	10,810
Commissions from credit commitment and lending business	**3,852**	3,654
Commissions on trust and fiduciary activities	**15,882**	13,558
Others	**4,425**	1,809
Total	**56,005**	45,611

6. Other net income

	Six months ended 30 June	
	2021	2020
Net gains/(losses) from fair value change		
– financial instruments at fair value through profit or loss (“FVTPL”)	**253**	(1,628)
– derivative instruments	**810**	(38)
– precious metals	**(367)**	498
Investment net income		
– financial instruments at FVTPL	**6,644**	7,381
– disposal of financial instruments at amortised cost	**1**	(145)
– disposal of debt instruments at fair value through other comprehensive income (“FVTOCI”)	**2,267**	2,967
Of which: gains on disposal of bills	**1,519**	1,709
– dividend income from equity investments designated at FVTOCI	**33**	139
– others	**(23)**	6
Exchange gains	**1,925**	1,789
Other income		
– lease income on operating leases	**2,903**	2,591
– insurance income	**228**	211
Others	**376**	68
Total	**15,050**	13,839

7. Operating expenses

	Six months ended 30 June 2021	2020
Staff costs		
– Salaries and bonuses	**23,419**	20,284
– Social insurance and corporate supplementary insurance	**4,533**	3,680
– Others	**3,375**	3,619
Subtotal	**31,327**	27,583
Tax and surcharges	**1,426**	1,304
Property, equipment and investment properties depreciation	**4,253**	3,737
Intangible assets amortisation	**582**	586
Right-of-use assets depreciation	**2,162**	2,208
Short-term rent and low-value asset rent	**154**	132
Charge for insurance claims	**154**	143
Other general and administrative expenses	**10,554**	9,189
Total	**50,612**	44,882

8. Expected credit losses

	Six months ended 30 June 2021	2020
Loans and advances to customers		
– Loans and advances at amortised cost	**13,586**	36,407
– Loans and advances at FVTOCI	**871**	(196)
Amounts due from banks and other financial institutions	**4,419**	672
Investments		
– Debt investments at amortised cost	**5,352**	(125)
– Debt investments at FVTOCI	**3,740**	1,303
Expected credit losses relating to financial guarantees and loan commitments	**13,662**	1,923
Others	**265**	459
Total	**41,895**	40,443

9. Income tax

(a) Income tax in the unaudited consolidated statement of profit or loss represents:

	Six months ended 30 June 2021	2020
Current income tax expense		
– Mainland China	**22,495**	18,041
– Hong Kong	**459**	580
– Overseas	**121**	101
Subtotal	**23,075**	18,722
Deferred taxation	**(8,400)**	(5,962)
Total	**14,675**	12,760

9. Income tax *(continued)*

(b) A reconciliation of income tax expense in the unaudited consolidated statement of profit or loss and that calculated at the applicable tax rate is as follows:

	Six months ended 30 June 2021	2020
Profit before taxation	**76,323**	62,838
Tax at the PRC statutory income tax rate of 25% (Six months ended 30 June 2020: 25%)	**19,080**	15,709
Tax effects of the following items:		
– Effects of non-deductible expenses	**792**	845
– Effects of non-taxable income	**(5,570)**	(4,582)
– Effects of different applicable rates of tax prevailing in other jurisdictions	**(212)**	(361)
– Transfer out of prior year's deferred tax assets	**585**	1,149
Income tax expense	**14,675**	12,760

Note:

(i) Taxation for Hong Kong and overseas operations is charged at the applicable rates of tax prevailing in relevant regions or countries.

10. Other comprehensive income

(a) Tax effects relating to each component of other comprehensive income

	Six months ended 30 June 2021			2020		
	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount
Items that may be reclassified to profit or loss						
– Fair value loss on debt instruments measured at FVTOCI	**(138)**	**(72)**	**(210)**	(141)	(1)	(142)
– Net changes in expected credit losses of debt instruments measured at FVTOCI	**4,650**	**(1,172)**	**3,478**	1,119	(274)	845
– Net movement in cash flow hedge reserve	**38**	**9**	**47**	(60)	10	(50)
– Share of other comprehensive income from equity-accounted investees	**(142)**	**–**	**(142)**	250	–	250
– Exchange difference on translation of financial statements of foreign operations	**(744)**	**–**	**(744)**	826	–	826
Items that will not be reclassified subsequently to profit or loss						
– Fair value gain on equity instruments designated at FVTOCI	**1,392**	**(347)**	**1,045**	137	(29)	108
– Remeasurement of defined benefit scheme redesigned through reserve	**31**	**(5)**	**26**	(55)	9	(46)
Other comprehensive income	**5,087**	**(1,587)**	**3,500**	2,076	(285)	1,791

10. Other comprehensive income *(continued)*

(b) Fair value change on the components of other comprehensive income

	Six months ended 30 June 2021	2020
Fair value changes in debt instruments at FVTOCI		
Changes in fair value recognised during the period	**1,490**	2,083
Reclassification adjustments for amounts transferred to profit or loss upon disposal	**(1,700)**	(2,225)
Net movement in the debt instrument revaluation reserve during the period recognised in other comprehensive income	**(210)**	(142)
Changes in expected credit losses in financial assets at FVTOCI		
Changes in expected credit losses recognised during the period	**3,478**	845
Net movement in the debt instrument revaluation reserve during the period recognised in other comprehensive income	**3,478**	845
Cash flow hedge		
Effective portion of changes in fair value of hedging instruments	**(21)**	(42)
Reclassification adjustment for realised gains/(loss) transferred to profit or loss	**68**	(8)
Net movement in the hedging reserve during the period recognised in other comprehensive income	**47**	(50)
Equity instruments designated at FVTOCI		
Changes in fair value recognised during the period	**1,045**	108
Net movement in the equity investment revaluation reserve during the period recognised in other comprehensive income	**1,045**	108

11. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2021 and 2020 is based on the net profit attributable to shareholders of the Bank and the weighted average number of shares in issue. There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the six months ended 30 June 2021 and 2020.

	Six months ended 30 June 2021	2020
Net profit attributable to equity holders of the Bank (in RMB million)	**61,150**	49,788
Net profit attributable to investors of perpetual bonds (in RMB million)	**(1,975)**	–
Net profit attributable to ordinary shareholders of the Bank (in RMB million)	**59,175**	49,788
Weighted average number of shares in issue (in million shares) (note)	**25,220**	25,220
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)	**2.35**	1.97

Note:

The Bank issued non-cumulative preference shares in 2017 and non-cumulative perpetual bonds in 2020. For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares and interests on non-cumulative perpetual bonds declared in respect of the period should be deducted from the amounts attributable to equity holders of the Bank. There were no dividends on non-cumulative preference shares declared during the six months ended 30 June 2021 and 2020. The Bank declared interests on perpetual bonds amounting to 1,975 million on 23 June 2021 (six months ended 30 June 2020: nil).

The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur as of 30 June 2021 and 2020. Therefore the conversion feature of preference shares has no effect on the diluted earnings per share calculation.

12. Balances with central banks

	30 June 2021	31 December 2020
Statutory deposit reserve (note (i))	**499,816**	495,630
Surplus deposit reserve (note (ii))	**38,267**	24,408
Fiscal deposits	**20,124**	5,080
Interest receivable	**226**	240
Total	**558,433**	525,358

Notes:

(i) Statutory deposit reserve funds are deposited with The People's Bank of China ("PBOC") and other central banks outside Mainland China as required and are not available for the Group's daily operations. The statutory deposit reserve funds of the Bank's institutions located in Mainland China are calculated at 9% and 7% of the eligible RMB deposits and foreign currency deposits respectively as at 30 June 2021 (31 December 2020: 9 % and 5 % of the eligible RMB deposits and foreign currency deposits respectively). Eligible deposits include deposits from government authorities and other organisations, retail deposits, corporate deposits, and net credit balances of entrusted business and RMB deposits placed by the financial institutions outside Mainland China.

(ii) Surplus deposit reserve maintained with the PBOC and central banks outside Mainland China is mainly for clearing purpose.

13. Balances with banks and other financial institutions

	30 June 2021	31 December 2020
Principal (a)	**124,025**	103,448
Impairment losses (a)(b)	**(632)**	(277)
Subtotal	**123,393**	103,171
Interest receivable	**58**	164
Total	**123,451**	103,335

(a) Analysed by nature of counterparties

	30 June 2021	31 December 2020
Balances in Mainland China		
– Banks	**75,319**	55,117
– Other financial institutions	**11,496**	1,694
Subtotal	**86,815**	56,811
Balances outside Mainland China		
– Banks	**35,556**	45,942
– Other financial institutions	**1,654**	695
Subtotal	**37,210**	46,637
Total	**124,025**	103,448
Less: Impairment allowances		
– Banks	**(483)**	(265)
– Other financial institutions	**(149)**	(12)
Subtotal	**(632)**	(277)
Net carrying amount	**123,393**	103,171

(b) Movements of allowances for losses are as follows:

	2021	2020
Balance as at 1 January	**277**	372
Charge/(reversal) for the period/year	**364**	(93)
Exchange difference	**(9)**	(2)
Balance as at 30 June/31 December	**632**	277

14. Placements with banks and other financial institutions

	30 June 2021	31 December 2020
Principal (a)	**254,233**	226,516
Impairment allowances (a)(c)	**(2,436)**	(376)
Subtotal	**251,797**	226,140
Interest receivable	**1,206**	779
Total	**253,003**	226,919

(a) Analysed by nature of counterparties

	30 June 2021	31 December 2020
Placements in Mainland China		
– Banks	**23,397**	27,637
– Other financial institutions	**105,057**	108,914
Subtotal	**128,454**	136,551
Placements outside Mainland China		
– Banks	**125,052**	89,965
– Other financial institutions	**727**	–
Subtotal	**125,779**	89,965
Total	**254,233**	226,516
Less: Impairment allowances		
– Banks	**(659)**	(145)
– Other financial institutions	**(1,777)**	(231)
Subtotal	**(2,436)**	(376)
Net carrying amount	**251,797**	226,140

(b) Analysed by contractual remaining maturity

	30 June 2021	31 December 2020
Maturing		
– Within one month (inclusive)	**124,797**	96,002
– Between one month and one year (inclusive)	**124,829**	125,969
– Over one year	**2,171**	4,169
Total	**251,797**	226,140

(c) Movements of allowances for impairment are as follows:

	2021	2020
Balance as at 1 January	**376**	338
Charge for the period/year	**2,055**	53
Exchange difference	**5**	(15)
Balance as at 30 June/31 December	**2,436**	376

15. Amounts held under resale agreements

	30 June 2021	31 December 2020
Principal (a)	336,881	286,879
Impairment allowances (a)(d)	(2,743)	(743)
Subtotal	334,138	286,136
Interest receivable	140	126
Total	334,278	286,262

(a) Analysed by nature of counterparties

	30 June 2021	31 December 2020
Amounts held under resale agreements in Mainland China		
– Banks	41,683	29,227
– Other financial institutions	294,628	257,155
Subtotal	336,311	286,382
Amounts held under resale agreements outside Mainland China		
– Other financial institutions	570	497
Subtotal	570	497
Total	336,881	286,879
Less: Impairment allowances		
– Banks	(122)	(185)
– Other financial institutions	(2,621)	(558)
Subtotal	(2,743)	(743)
Net carrying amount	334,138	286,136

(b) Analysed by contractual remaining maturity

	30 June 2021	31 December 2020
Maturing		
– Within one month (inclusive)	333,990	279,446
– Between one month and one year (inclusive)	148	6,690
Total	334,138	286,136

(c) Analysed by asset types

	30 June 2021	31 December 2020
Bonds	317,578	278,817
Bills	16,560	7,319
Total	334,138	286,136

(d) Movements of allowances for impairment are as follows:

	2021	2020
Balance as at 1 January	743	396
Charge for the period/year	2,000	347
Balance as at 30 June/31 December	2,743	743

16. Loans and advances to customers

(a) Loans and advances to customers

	30 June 2021	31 December 2020
Gross loans and advances to customers at amortised cost (i)	**4,907,943**	4,647,140
Interest receivable	**9,758**	9,528
Subtotal	**4,917,701**	4,656,668
Loss allowances of loans and advances to customers at amortised cost (i)	**(238,582)**	(234,426)
Loss allowances of interest receivable	**(467)**	(96)
Subtotal	**(239,049)**	(234,522)
Loans and advances to customers at amortised cost	**4,678,652**	4,422,146
Loans and advances to customers at FVTOCI (ii)	**468,424**	375,359
Loans and advances to customers at FVTPL (iii)	**6,954**	6,856
Total	**5,154,030**	4,804,361

(i) Loans and advances to customers at amortised cost

	30 June 2021	31 December 2020
Corporate loans and advances	**2,042,846**	1,965,980
Retail loans and advances	**2,864,990**	2,681,160
Discounted bills	**107**	–
Gross loans and advances to customers at amortised cost	**4,907,943**	4,647,140
Less: loss allowances		
– Stage 1 (12-month ECL)	**(158,802)**	(159,918)
– Stage 2 (Lifetime ECL-not credit-impaired)	**(33,102)**	(27,401)
– Stage 3 (Lifetime ECL-credit impaired)	**(46,678)**	(47,107)
Subtotal	**(238,582)**	(234,426)
Net loans and advances to customers at amortised cost	**4,669,361**	4,412,714

(ii) Loans and advances to customers at FVTOCI

	30 June 2021	31 December 2020
Corporate loans and advances	**42,455**	44,623
Discounted bills	**425,969**	330,736
Loans and advances to customers at FVTOCI	**468,424**	375,359
Loss allowances		
– Stage 1 (12-month ECL)	**(988)**	(226)
– Stage 2 (Lifetime ECL-not credit-impaired)	**(122)**	(12)
– Stage 3 (Lifetime ECL-credit impaired)	**–**	–
Total	**(1,110)**	(238)

No impairment allowance is recognised in the carrying amount of loans and advances to customers at FVTOCI as it is at fair value.

(iii) Loans and advances to customers at FVTPL

	30 June 2021	31 December 2020
Corporate loans and advances	**6,954**	6,856
Total	**6,954**	6,856

16. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers

(i) Analysed by industry sector and category:

Operations in Mainland China

	30 June 2021	31 December 2020
Transportation, storage and postal services	**396,826**	381,898
Property development	**342,105**	342,667
Manufacturing	**267,364**	256,173
Production and supply of electric power, heat, gas and water	**168,369**	161,777
Leasing and commercial services	**162,763**	143,805
Wholesale and retail	**130,837**	132,055
Construction	**113,452**	101,442
Water conservancy, environment and public utilities management	**65,786**	52,911
Finance services	**63,432**	74,892
Information transmission, software and IT services	**61,441**	54,491
Mining	**29,956**	31,097
Others	**65,983**	65,330
Corporate loans and advances subtotal	**1,868,314**	1,798,538
Discounted bills	**426,076**	327,479
Residential mortgage	**1,319,638**	1,264,466
Credit cards	**796,870**	746,560
Micro-finance loans	**539,420**	474,545
Others	**164,879**	156,713
Retail loans and advances subtotal	**2,820,807**	2,642,284
Gross loans and advances to customers	**5,115,197**	4,768,301

Operations outside Mainland China

	30 June 2021	31 December 2020
Property development	**62,359**	48,125
Finance services	**45,221**	39,402
Transportation, storage and postal services	**30,733**	30,526
Manufacturing	**27,090**	26,962
Wholesale and retail	**14,129**	17,720
Information transmission, software and IT services	**10,547**	9,644
Production and supply of electric power, heat, gas and water	**9,600**	8,636
Leasing and commercial services	**6,299**	11,223
Mining	**5,349**	9,579
Construction	**3,983**	2,177
Water conservancy, environment and public utilities management	**1,442**	2,383
Others	**6,866**	12,317
Corporate loans and advances subtotal	**223,618**	218,694
Discounted bills	**–**	3,257
Residential mortgage	**10,398**	10,349
Credit cards	**115**	127
Micro-finance loans	**1,603**	1,183
Others	**32,067**	27,217
Retail loans and advances subtotal	**44,183**	38,876
Gross loans and advances to customers	**267,801**	260,827

As at 30 June 2021, over 90% of the Group's loans and advances to customers are originated in the People's Republic of China (31 December 2020: over 90%).

16. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers *(continued)*

(ii) Analysed by type of guarantees:

	30 June 2021	31 December 2020
Credit loans	**1,864,395**	1,758,502
Guaranteed loans	**738,330**	696,634
Collateralised loans	**2,026,608**	1,914,658
Pledged loans	**327,589**	328,598
Subtotal	**4,956,922**	4,698,392
Discounted bills	**426,076**	330,736
Gross amount of loans and advances to customers	**5,382,998**	5,029,128

(iii) Analysed by overdue term:

	30 June 2021				
	Overdue within 3 months	Overdue from 3 months up to 1 year	Overdue from 1 year up to 3 years	Overdue more than 3 years	Total overdue loans
Credit loans	**9,438**	**10,603**	**2,516**	**962**	**23,519**
Guaranteed loans	**1,396**	**5,160**	**6,196**	**1,871**	**14,623**
Collateralised loans	**2,160**	**3,692**	**3,972**	**1,816**	**11,640**
Pledged loans	**415**	**92**	**4,063**	**490**	**5,060**
Gross amount of loans and advances to customers	**13,409**	**19,547**	**16,747**	**5,139**	**54,842**

	31 December 2020				
	Overdue within 3 months	Overdue from 3 months up to 1 year	Overdue from 1 year up to 3 years	Overdue more than 3 years	Total overdue loans
Credit loans	11,350	11,753	1,538	688	25,329
Guaranteed loans	737	3,982	6,165	2,268	13,152
Collateralised loans	3,116	3,901	4,033	1,883	12,933
Pledged loans	381	476	3,737	560	5,154
Gross amount of loans and advances to customers	15,584	20,112	15,473	5,399	56,568

Note: Loans are classified as overdue when the principal or interest is overdue more than one day.

Among the above-mentioned overdue loans and advances to customers, collateralised loans and pledged loans that are overdue but not impaired at the end of the reporting period are as follows:

	30 June 2021	31 December 2020
Collateralised loans that are overdue but not impaired	**1,609**	2,308
Pledged loans that are overdue but not impaired	**268**	177
Total	**1,877**	2,485

16. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers *(continued)*

(iv) Analysed by ECL:

	30 June 2021			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit impaired)	Total
Loans and advances measured at amortised cost	**4,739,710**	**113,691**	**54,542**	**4,907,943**
Less: Loss allowances of loans and advances to customers at amortised cost	**(158,802)**	**(33,102)**	**(46,678)**	**(238,582)**
Net loans and advances to customers at amortised cost	**4,580,908**	**80,589**	**7,864**	**4,669,361**
Loans and advances to customers at FVTOCI	**467,648**	**776**	**–**	**468,424**
Loss allowances of loans and advances to customers at FVTOCI	**(988)**	**(122)**	**–**	**(1,110)**

	31 December 2020			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit impaired)	Total
Loans and advances measured at amortised cost	4,517,239	76,286	53,615	4,647,140
Less: Loss allowances of loans and advances to customers at amortised cost	(159,918)	(27,401)	(47,107)	(234,426)
Net loans and advances to customers at amortised cost	4,357,321	48,885	6,508	4,412,714
Loans and advances to customers at FVTOCI	374,800	559	–	375,359
Loss allowances of loans and advances to customers at FVTOCI	(226)	(12)	–	(238)

16. Loans and advances to customers *(continued)*

(c) Movements of allowances for impairment losses

(i) Movements of allowances for expected credit loss on loans and advances measured at amortised cost:

	Six months ended 30 June 2021			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit impaired)	Total
Balance as at 1 January 2021	159,918	27,401	47,107	234,426
Transfer to				
– Stage 1	1,347	(1,345)	(2)	–
– Stage 2	(1,729)	2,132	(403)	–
– Stage 3	(285)	(5,075)	5,360	–
(Reversal)/charge for the period	(470)	9,990	4,066	13,586
Write-offs/disposals	–	–	(14,789)	(14,789)
Unwinding of discount on allowances	–	–	(141)	(141)
Recoveries of loans and advances written off	–	–	5,485	5,485
Exchange difference	21	(1)	(5)	15
Balance as at 30 June 2021	158,802	33,102	46,678	238,582

	Year ended 31 December 2020			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit impaired)	Total
Balance as at 1 January 2020	138,803	37,644	46,309	222,756
Transfer to				
– Stage 1	2,636	(2,571)	(65)	–
– Stage 2	(552)	1,398	(846)	–
– Stage 3	(565)	(10,698)	11,263	–
Charge for the year	19,696	1,652	25,635	46,983
Write-offs/disposals	–	–	(43,734)	(43,734)
Unwinding of discount on allowances	–	–	(186)	(186)
Recoveries of loans and advances written off	–	–	8,781	8,781
Exchange difference	(100)	(24)	(50)	(174)
Balance as at 31 December 2020	159,918	27,401	47,107	234,426

16. Loans and advances to customers *(continued)*

(c) Movements of allowances for impairment losses *(continued)*

(ii) Movements of allowances for impairment losses on loans and advances measured at FVTOCI:

	2021	2020
Balance as at 1 January	**238**	341
Charge/(reversal) for the period/year	**871**	(101)
Exchange difference	**1**	(2)
Balance as at 30 June 2021/31 December 2020	**1,110**	238

17. Investments

	Notes	**30 June 2021**	31 December 2020
Investments at FVTPL	17(a)	**474,776**	495,723
Debt investments at amortised cost	17(b)	**1,084,214**	1,049,280
Debt investments at FVTOCI	17(c)	**565,665**	516,553
Equity investments designated at FVTOCI	17(d)	**7,031**	7,139
Total		**2,131,686**	2,068,695

(a) Investments at FVTPL

	Notes	**30 June 2021**	31 December 2020
Investments measured at FVTPL	(i)	**444,776**	464,466
Investments designated at FVTPL	(ii)	**30,000**	31,257
Total		**474,776**	495,723

17. Investments *(continued)*

(a) Investments at FVTPL *(continued)*

(i) Investments measured at FVTPL

Investments held for trading

	30 June 2021	31 December 2020
Bonds:		
Classified by issuer		
– Government bonds	**45,686**	32,254
– Bonds issued by policy banks	**24,165**	4,845
– Bonds issued by commercial banks and other financial institutions	**18,966**	22,636
– Other debt securities	**41,264**	71,395
Subtotal	**130,081**	131,130
Classified by listing		
– Listed in Mainland China	**110,318**	110,561
– Listed outside Mainland China	**19,301**	20,361
– Unlisted	**462**	208
Subtotal	**130,081**	131,130
Other investments:		
Classified by underlying assets		
– Equity investments	**104**	56
– Investments in funds	**3,009**	2,971
– Wealth management products	**279**	961
– Long position in precious metal contracts	**203**	96
Subtotal	**3,595**	4,084
Classified by listing		
– Listed in Mainland China	**83**	31
– Listed outside Mainland China	**266**	140
– Unlisted	**3,246**	3,913
Subtotal	**3,595**	4,084
Total investments held for trading	**133,676**	135,214

17. Investments *(continued)*

(a) Investments at FVTPL *(continued)*

(i) Investments measured at FVTPL *(continued)*

Other investments measured at FVTPL

	30 June 2021	31 December 2020
Bonds:		
Classified by issuer		
– Bonds issued by commercial banks and other financial institutions	9,246	8,706
– Other debt securities	6,855	6,667
Subtotal	16,101	15,373
Classified by listing		
– Listed in Mainland China	14,555	14,244
– Listed outside Mainland China	1,108	995
– Unlisted	438	134
Subtotal	16,101	15,373
Other investments:		
Classified by underlying assets		
– Non-standard assets – Bills	134,506	175,303
– Equity investments	4,030	3,354
– Investments in funds	153,403	133,861
– Wealth management products	1,846	298
– Others	1,214	1,063
Subtotal	294,999	313,879
Classified by listing		
– Listed in Mainland China	27	65
– Listed outside Mainland China	931	739
– Unlisted	294,041	313,075
Subtotal	294,999	313,879
Total other investments measured at FVTPL	311,100	329,252

(ii) Investments designated at FVTPL

	30 June 2021	31 December 2020
Bonds:		
Classified by issuer		
– Government bonds	41	41
– Bonds issued by policy banks	19,138	18,431
– Bonds issued by commercial banks and other financial institutions	9,693	10,567
– Other debt securities	1,128	2,218
Total	30,000	31,257
Classified by listing		
– Listed in Mainland China	28,265	28,533
– Listed outside Mainland China	1,735	2,710
– Unlisted	–	14
Total	30,000	31,257

17. Investments *(continued)*

(b) Debt investments at amortised cost

	30 June 2021	31 December 2020
Debt investments at amortised cost (i)(ii)	**1,101,842**	1,060,387
Interest receivable	**14,332**	15,099
Subtotal	**1,116,174**	1,075,486
Loss allowances for debt investments at amortised cost (i)(ii)(iii)	**(31,864)**	(26,118)
Loss allowances for interest receivable	**(96)**	(88)
Subtotal	**(31,960)**	(26,206)
Total	**1,084,214**	1,049,280

(i) Debt investments at amortised cost by type：

	30 June 2021	31 December 2020
Bonds:		
Classified by issuer		
– Government bonds	**677,537**	623,727
– Bonds issued by policy banks	**253,562**	252,996
– Bonds issued by commercial banks and other financial institutions	**25,174**	28,157
– Other debt securities	**5,791**	6,529
Subtotal	**962,064**	911,409
Classified by listing		
– Listed in Mainland China	**956,271**	906,053
– Listed outside Mainland China	**2,506**	2,064
– Unlisted	**3,287**	3,292
Subtotal	**962,064**	911,409
Fair value of listed bonds	**971,317**	916,422
Other investments:		
Classified by underlying assets		
– Non-standard assets – Bills	**–**	12,725
– Non-standard assets – Loans	**126,082**	123,681
– Non-standard assets – Creditor's beneficiary rights to other commercial banks	**7,700**	6,400
– Non-standard assets – Others	**5,390**	5,580
– Others	**606**	592
Subtotal	**139,778**	148,978
Classified by listing		
– Unlisted	**139,778**	148,978
Total	**1,101,842**	1,060,387
Less: loss allowances		
Stage 1 (12-month ECL)	**(18,302)**	(11,832)
Stage 2 (Lifetime ECL – not credit-impaired)	**(354)**	(326)
Stage 3 (Lifetime ECL – credit impaired)	**(13,208)**	(13,960)
Subtotal	**(31,864)**	(26,118)
Net debt investments at amortised cost	**1,069,978**	1,034,269

17. Investments *(continued)*

(b) Debt investments at amortised cost *(continued)*

(ii) Analysed by ECL:

	30 June 2021			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit impaired)	Total
Debt investments at amortised cost	1,087,200	1,228	13,414	1,101,842
Less: Loss allowances of debt investments at amortised cost	(18,302)	(354)	(13,208)	(31,864)
Net debt investments at amortised cost	1,068,898	874	206	1,069,978

	31 December 2020			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit impaired)	Total
Debt investments at amortised cost	1,044,826	971	14,590	1,060,387
Less: Loss allowances of debt investments at amortised cost	(11,832)	(326)	(13,960)	(26,118)
Net debt investments at amortised cost	1,032,994	645	630	1,034,269

(iii) Movements of allowances for impairment losses

	Six months ended 30 June 2021			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit impaired)	Total
Balance as at 1 January 2021	11,832	326	13,960	26,118
Transfer to:				
– Stage 1	–	–	–	–
– Stage 2	–	–	–	–
– Stage 3	–	–	–	–
Charge/(reversal) for the period	6,471	28	(1,147)	5,352
Recoveries of debt previously written off	–	–	397	397
Exchange difference	(1)	–	(2)	(3)
Balance as at 30 June 2021	18,302	354	13,208	31,864

17. Investments *(continued)*

(b) Debt investments at amortised cost *(continued)*

(iii) Movements of allowances for impairment losses *(continued)*

	Year ended 31 December 2020			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit impaired)	Total
Balance as at 1 January 2020	9,179	283	4,533	13,995
Transfer to:				
– Stage 1	–	–	–	–
– Stage 2	–	–	–	–
– Stage 3	(204)	–	204	–
Charge for the year	2,858	43	10,974	13,875
Write-offs	–	–	(1,822)	(1,822)
Recoveries of debt previously written off	–	–	80	80
Exchange difference	(1)	–	(9)	(10)
Balance as at 31 December 2020	11,832	326	13,960	26,118

(c) Debt investments at FVTOCI

	30 June 2021	31 December 2020
Debt investments at FVTOCI (i)	**558,550**	510,307
Interest receivable	**7,115**	6,246
Total	**565,665**	516,553
Impairment allowances of debt investments at FVTOCI (ii)	**(7,745)**	(4,014)
Impairment allowances of interest receivable	**(53)**	(25)
Total	**(7,798)**	(4,039)

No impairment allowance is recognised in the carrying amount of debt investments at FVTOCI as it is at fair value.

17. Investments *(continued)*

(c) Debt investments at FVTOCI *(continued)*

(i) Debt investments at FVTOCI by type：

	30 June 2021	31 December 2020
Bonds:		
Classified by issuer		
– Government bonds	**334,469**	287,007
– Bonds issued by policy banks	**86,251**	71,542
– Bonds issued by commercial banks and other financial institutions	**85,495**	97,487
– Other debt securities	**52,335**	54,271
Total	**558,550**	510,307
Classified by listing		
– Listed in Mainland China	**456,211**	400,456
– Listed outside Mainland China	**63,795**	64,191
– Unlisted	**38,544**	45,660
Total	**558,550**	510,307

(ii) Movements of allowances for impairment losses

	2021	2020
Balance as at 1 January	**4,014**	2,600
Charge for the period/year	**3,740**	1,492
Exchange difference	**(9)**	(78)
Balance as at 30 June 2021/31 December 2020	**7,745**	4,014

(d) Equity investments designated at FVTOCI

	30 June 2021	31 December 2020
Repossessed equity instruments	**951**	899
Others	**6,080**	6,240
Total	**7,031**	7,139
Listed in Mainland China	**60**	52
Listed outside Mainland China	**2,333**	2,023
Unlisted	**4,638**	5,064
Total	**7,031**	7,139

During the six months ended 30 June 2021, the fair value of equity investments designated at FVTOCI at the date of derecognition was RMB2,217 million (year ended 31 December 2020: RMB433 million), the cumulative profit of RMB1,356 million (year ended 31 December 2020: the cumulative loss of RMB26 million) previously recognised in investment revaluation reserve was then transferred to retained earnings.

18. Interests in joint ventures

	30 June 2021	31 December 2020
Share of net assets	**13,778**	12,403
Share of profits for the period/year	**1,668**	2,392
Share of other comprehensive (expense)/income for the period/year	**(138)**	456

Details of the Group's interests in major joint ventures are as follows:

Name of joint ventures	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital (in thousands)	Group's effective interest	Percentage of ownership held by the Bank	Percentage of ownership held by subsidiaries	Principal activity
CIGNA & CMB Life Insurance Co., Ltd. (note(i))	Limited liability	Shenzhen	RMB2,800,000	50.00%	50.00%	–	Life insurance business
Merchants Union Consumer Finance Company Limited (note(ii))	Limited liability	Shenzhen	RMB3,868,964	50.00%	24.15%	25.85%	Consumer finance

Notes:

(i) The Group holds 50.00% equity interests in CIGNA & CMB Life Insurance Co., Ltd. ("CIGNA & CMB Life"), and Life Insurance Company of North America ("INA") holds the other 50.00% equity interests in CIGNA & CMB Life. The Bank and INA share the joint venture's risk, profits and losses based on their shareholding proportionally. The Bank's investment in CIGNA & CMB Life is accounted for as an investment in joint venture.

(ii) CMB WLB, one of the Group's wholly-owned subsidiaries, and China United Network Communications Limited ("CUNC"), a subsidiary of China Unicom Limited, jointly set up Merchants Union Consumer Finance Company Limited ("MUCFC"), CBIRC (formerly China Banking Regulatory Commission) approved the operation of MUCFC on 3 March 2015. CMB WLB and CUNC each held 50.00% equity interests in MUCFC and share the risks, profits and losses proportionally based on their shareholdings. In December 2017, the Bank made a capital contribution of RMB600 million in MUCFC, and other shareholders injected capital proportionally. After the capital injection, the capital of MUCFC increased to RMB2,859 million, with the Bank's shareholding percentage becoming 15%, CMB WLB's shareholding percentage becoming 35%, and the Group's total shareholding percentage remained at 50%. In December 2018, the Bank made another capital contribution of RMB1,000 million in MUCFC, and CUNC made the same amount of capital injection. Since then, the Bank holds 24.15% and CMB WLB holds 25.85% of equity interest of MUCFC, respectively, and the Group's total shareholding percentage remains at 50%.

19. Interests in associates

	30 June 2021	31 December 2020
Share of net assets	**8,118**	2,519
Share of profits for the period/year	**517**	489
Share of other comprehensive (expense)/income for the period/year	**(4)**	7

Details of the Group's interests in major associate are as follows:

	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital (in thousands)	Group's effective interest	Percentage of ownership held by the Bank	Percentage of ownership held by subsidiaries	Principal activity
Bank of Taizhou Co., Ltd.	Limited liability	Taizhou	RMB1,800,000	24.8559%	24.8559%	–	Commercial Bank

Note: The Bank, which originally held a 10% stake in Bank of Taizhou, acquired a total of 14.8559% stake from Ping An Trust Co., Ltd. and Ping An Life Insurance Company of China, Ltd. for a total consideration of RMB3,121 million on 31 May 2021. Upon the completion of the transaction, the Bank held 24.8559% stake of Bank of Taizhou. The Bank can exercise significant influence on Bank of Taizhou and therefore this investment is converted from equity investments designated at FVTOCI to interests in associates.

20. Investment properties

	2021	2020
Cost:		
At 1 January	**3,276**	3,558
Transfers out for the period/year	**–**	(173)
Exchange difference	**(28)**	(109)
At 30 June/31 December	**3,248**	3,276
Accumulated depreciation:		
At 1 January	**1,653**	1,633
Depreciation for the period/year	**77**	166
Transfers out for the period/year	**–**	(72)
Exchange difference	**(19)**	(74)
At 30 June/31 December	**1,711**	1,653
Net book value:		
At 30 June/31 December	**1,537**	1,623
At 1 January	**1,623**	1,925

The Group's total future minimum leases receivable under non-cancellable operating leases are as follows:

	30 June 2021	31 December 2020
Within 1 year (inclusive)	**324**	625
1 year to 2 years (inclusive)	**163**	358
2 years to 3 years (inclusive)	**121**	114
3 years to 4 years (inclusive)	**106**	87
4 years to 5 years (inclusive)	**102**	66
Over 5 years	**403**	364
Total	**1,219**	1,614

21. Property and equipment

	Leasehold land and buildings	Construction in progress	Computer equipment	Leasehold improvements	Aircrafts, vessels and professional equipment	Motor vehicles and others	Total
Cost:							
At 1 January 2021	28,279	3,107	15,149	9,661	48,124	6,299	110,619
Additions	70	669	474	207	9,962	212	11,594
Reclassification and transfers	1	(1)	5	–	–	(5)	–
Disposals	(14)	–	(278)	(28)	(297)	(528)	(1,145)
Exchange difference	(40)	–	(16)	(4)	(518)	(1)	(579)
At 30 June 2021	28,296	3,775	15,334	9,836	57,271	5,977	120,489
Accumulated depreciation:							
At 1 January 2021	11,750	–	11,489	6,132	6,729	4,813	40,913
Depreciation for the period	645	–	1,037	456	1,771	267	4,176
Reclassification and transfers	–	–	3	–	–	(3)	–
Disposals	(2)	–	(244)	(24)	(139)	(472)	(881)
Exchange difference	(21)	–	(11)	(3)	(83)	–	(118)
At 30 June 2021	12,372	–	12,274	6,561	8,278	4,605	44,090
Impairment loss:							
At 1 January 2021	–	–	–	–	236	–	236
Additions for the period	–	–	–	–	–	–	–
At 30 June 2021	–	–	–	–	236	–	236
Net book value:							
At 30 June 2021	15,924	3,775	3,060	3,275	48,757	1,372	76,163
At 1 January 2021	16,529	3,107	3,660	3,529	41,159	1,486	69,470

21. Property and equipment *(continued)*

	Leasehold land and buildings	Construction in progress	Computer equipment	Leasehold improvements	Aircrafts, vessels and professional equipment	Motor vehicles and others	Total
Cost:							
At 1 January 2020	27,356	2,964	13,750	8,510	43,309	6,351	102,240
Additions	290	1,003	2,078	1,081	10,475	777	15,704
Reclassification and transfers	841	(860)	25	172	–	(5)	173
Disposals	(33)	–	(641)	(12)	(2,613)	(821)	(4,120)
Exchange difference	(175)	–	(63)	(90)	(3,047)	(3)	(3,378)
At 31 December 2020	28,279	3,107	15,149	9,661	48,124	6,299	110,619
Accumulated depreciation:							
At 1 January 2020	10,512	–	10,163	5,441	4,523	5,100	35,739
Depreciation for the year	1,270	–	1,948	779	3,109	443	7,549
Reclassification and transfers	72	–	23	–	–	(23)	72
Disposals	(13)	–	(609)	(5)	(479)	(704)	(1,810)
Exchange difference	(91)	–	(36)	(83)	(424)	(3)	(637)
At 31 December 2020	11,750	–	11,489	6,132	6,729	4,813	40,913
Impairment loss:							
At 1 January 2020	–	–	–	–	93	–	93
Additions for the year	–	–	–	–	153	–	153
Exchange difference	–	–	–	–	(10)	–	(10)
At 31 December 2020	–	–	–	–	236	–	236
Net book value:							
At 31 December 2020	16,529	3,107	3,660	3,529	41,159	1,486	69,470
At 1 January 2020	16,844	2,964	3,587	3,069	38,693	1,251	66,408

(a) As at 30 June 2021, the Group had no significant unused property and equipment (31 December 2020: nil).

(b) The Group's total future minimum leases receivable under non-cancellable operating leases relating to its assets under operating leases are as follows:

	30 June 2021	31 December 2020
Within 1 year (inclusive)	**7,029**	5,851
1 year to 2 years (inclusive)	**6,564**	5,316
2 years to 3 years (inclusive)	**5,602**	4,883
3 years to 4 years (inclusive)	**4,711**	4,303
4 years to 5 years (inclusive)	**4,199**	3,916
Over 5 years	**12,857**	13,550
Total	**40,962**	37,819

22. Right-of-use assets

	Land use rights	Buildings	Computer equipment	Motor vehicles and others	Total
Cost:					
At 1 January 2021	5,957	21,122	4	16	27,099
Additions for the period	–	1,562	4	–	1,566
Disposals for the period	(2)	(931)	(1)	–	(934)
At 30 June 2021	5,955	21,753	7	16	27,731
Accumulated depreciation:					
At 1 January 2021	1,009	6,978	2	6	7,995
Depreciation for the period (note 7)	92	2,067	1	2	2,162
Disposals for the period	–	(736)	(1)	–	(737)
At 30 June 2021	1,101	8,309	2	8	9,420
Net carrying amount:					
At 30 June 2021	4,854	13,444	5	8	18,311
At 1 January 2021	4,948	14,144	2	10	19,104

	Land use rights	Buildings	Computer equipment	Motor vehicles and others	Total
Cost:					
At 1 January 2020	5,968	18,602	3	18	24,591
Additions for the year	–	3,888	4	2	3,894
Disposals for the year	(11)	(1,368)	(3)	(4)	(1,386)
At 31 December 2020	5,957	21,122	4	16	27,099
Accumulated depreciation:					
At 1 January 2020	830	3,755	1	5	4,591
Depreciation for the year	183	4,228	2	3	4,416
Disposals for the year	(4)	(1,005)	(1)	(2)	(1,012)
At 31 December 2020	1,009	6,978	2	6	7,995
Net carrying amount:					
At 31 December 2020	4,948	14,144	2	10	19,104
At 1 January 2020	5,138	14,847	2	13	20,000

23. Intangible assets

	Software and others	Core deposits	Total
Cost:			
At 1 January 2021	9,576	1,118	10,694
Additions for the period	118	–	118
Exchange difference	(4)	(15)	(19)
At 30 June 2021	9,690	1,103	10,793
Amortisation:			
At 1 January 2021	5,442	489	5,931
Additions for the period (note 7)	563	19	582
Exchange difference	(2)	(7)	(9)
At 30 June 2021	6,003	501	6,504
Net book value:			
At 30 June 2021	3,687	602	4,289
At 1 January 2021	4,134	629	4,763

	Software and others	Core deposits	Total
Cost:			
At 1 January 2020	8,161	1,186	9,347
Additions for the year	1,419	–	1,419
Exchange difference	(4)	(68)	(72)
At 31 December 2020	9,576	1,118	10,694
Amortisation:			
At 1 January 2020	4,294	478	4,772
Additions for the year	1,148	40	1,188
Exchange difference	–	(29)	(29)
At 31 December 2020	5,442	489	5,931
Net book value:			
At 31 December 2020	4,134	629	4,763
At 1 January 2020	3,867	708	4,575

24. Goodwill

	As at 1 January 2021	Addition in the period	Release in the period	As at 30 June 2021	Impairment loss at 1 January 2021 and 30 June 2021	Net value at 1 January 2021 and 30 June 2021
CMB WLB (note (i))	10,177	–	–	10,177	(579)	9,598
CMFM (note (ii))	355	–	–	355	–	355
Zhaoyin Internet (note (iii))	1	–	–	1	–	1
Total	10,533	–	–	10,533	(579)	9,954

Notes:

(i) On 30 September 2008, the Bank acquired a 53.12% equity interests in CMB WLB. On the acquisition date, the fair value of CMB WLB's identifiable net assets was RMB12,898 million, of which the Bank accounted for RMB6,851 million. A sum of RMB10,177 million, being the excess of acquisition cost over the fair value of the identifiable net assets, was recognised as goodwill.

(ii) On 28 November 2013, the Bank acquired a 55.00% equity interests in CMFM. On the acquisition date, the fair value of CMFM's identifiable net assets was RMB752 million, of which the Bank accounted for RMB414 million. A sum of RMB355 million, being the excess of acquisition cost over the fair value of the identifiable net assets, was recognised as goodwill.

(iii) On 1 April 2015, CMBICHC acquired the 100% equity interests in Zhaoyin Internet Technology (Shenzhen) Corporation Limited ("Zhaoyin Internet"). On the acquisition date, the fair value of Zhaoyin Internet's identifiable net assets was RMB3 million. A sum of RMB1 million, being the excess of acquisition cost over the fair value of the identifiable net assets, was recognised as goodwill.

25. Deferred tax assets and liabilities

	30 June 2021	31 December 2020
Deferred tax assets	**79,866**	72,893
Deferred tax liabilities	**(1,228)**	(1,073)
Net amount	**78,638**	71,820

(a) Analysed by nature of deferred tax assets and liabilities

The components of deferred tax assets/liabilities are as follows:

	30 June 2021		31 December 2020	
	Deductible/ (taxable) temporary difference	**Deferred tax**	Deductible/ (taxable) temporary difference	Deferred tax
Deferred tax assets				
Impairment loss/allowances on loans and advances to customers at amortised cost and other assets	**277,789**	**69,264**	245,221	61,340
Financial assets at FVTOCI	**(7,279)**	**(1,823)**	(6,673)	(1,406)
Financial instruments at FVTPL	**2,219**	**556**	6,309	1,577
Salaries and welfare payable	**40,493**	**10,088**	37,592	9,363
Others	**7,137**	**1,781**	8,665	2,019
Total	**320,359**	**79,866**	291,114	72,893
Deferred tax liabilities				
Impairment loss/allowances on loans and advances to customers at amortised cost and other assets	**369**	**61**	–	–
Financial assets at FVTOCI	**(77)**	**(12)**	10	2
Financial instruments at FVTPL	**(133)**	**(24)**	8	2
Others	**(7,546)**	**(1,253)**	(6,677)	(1,077)
Total	**(7,387)**	**(1,228)**	(6,659)	(1,073)

25. Deferred tax assets and liabilities *(continued)*

(b) Movements of deferred tax are as follows:

	Impairment loss/allowances on loans and advances to customers at amortised cost and other assets	Financial assets at FVTOCI	Financial instruments at FVTPL	Salaries and welfare payable	Others	Total
At 1 January 2021	61,340	(1,404)	1,579	9,363	942	71,820
Recognised in profit or loss	8,018	1,152	(1,047)	725	(448)	8,400
Recognised in other comprehensive income	–	(1,591)	–	–	4	(1,587)
Exchange difference	(33)	8	–	–	30	5
At 30 June 2021	69,325	(1,835)	532	10,088	528	78,638

	Impairment loss/allowances on loans and advances to customers at amortised cost and other assets	Financial assets at FVTOCI	Financial instruments at FVTPL	Salaries and welfare payable	Others	Total
At 1 January 2020	59,232	(2,244)	(313)	6,621	899	64,195
Recognised in profit or loss	2,160	336	1,899	2,742	28	7,165
Recognised in other comprehensive income	–	507	–	–	(3)	504
Exchange difference	(52)	(3)	(7)	–	18	(44)
At 31 December 2020	61,340	(1,404)	1,579	9,363	942	71,820

Note: No deferred tax liability has been recognised in respect of temporary differences associated with investments in subsidiaries because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

26. Deposits from banks and other financial institutions

	30 June 2021	31 December 2020
Principal (a)	**764,090**	719,764
Interest payable	**2,902**	3,638
Total	**766,992**	723,402

(a) Analysed by nature of counterparties

	30 June 2021	31 December 2020
In Mainland China		
– Banks	**145,530**	143,846
– Other financial institutions	**603,877**	568,557
Subtotal	**749,407**	712,403
Outside Mainland China		
– Banks	**13,242**	6,964
– Other financial institutions	**1,441**	397
Subtotal	**14,683**	7,361
Total	**764,090**	719,764

27. Placements from banks and other financial institutions

	30 June 2021	31 December 2020
Principal (a)	**168,687**	143,117
Interest payable	**437**	400
Total	**169,124**	143,517

(a) Analysed by nature of counterparties

	30 June 2021	31 December 2020
In Mainland China		
– Banks	**92,313**	75,768
– Other financial institutions	**26,111**	21,142
Subtotal	**118,424**	96,910
Outside Mainland China		
– Banks	**49,786**	46,011
– Other financial institutions	**477**	196
Subtotal	**50,263**	46,207
Total	**168,687**	143,117

28. Financial liabilities at fair value through profit or loss

	30 June 2021	31 December 2020
Financial liabilities held for trading (a)	**18,193**	20,990
Financial liabilities designated at FVTPL (b)	**54,480**	39,361
Total	**72,673**	60,351

(a) Financial liabilities held for trading

	30 June 2021	31 December 2020
Financial liabilities related to precious metal	**17,216**	20,361
Short position on bonds	**977**	629
Total	**18,193**	20,990

(b) Financial liabilities designated at FVTPL

	30 June 2021	31 December 2020
In Mainland China		
– Placements of precious metal from financial institutions	**10,200**	1,589
– Others	**29,997**	20,773
Outside Mainland China		
– Certificates of deposit issued	**593**	605
– Debt securities issued	**10,575**	13,914
– Others	**3,115**	2,480
Total	**54,480**	39,361

As at 30 June 2021 and 31 December 2020, the difference between the fair values of the Group's financial liabilities designated at FVTPL and the contractual amount payable at maturity is not material. The amounts of changes in the fair value that are attributable to changes in credit risk of these liabilities are not significant during the six months ended 30 June 2021 and the year ended 31 December 2020 and as at 30 June 2021 and 31 December 2020.

29. Amounts sold under repurchase agreements

	30 June 2021	31 December 2020
Principal (a)(b)	**122,081**	142,881
Interest payable	**62**	46
Total	**122,143**	142,927

(a) Analysed by nature of counterparties

	30 June 2021	31 December 2020
In Mainland China		
– Banks	**117,631**	136,248
– Other financial institutions	**2,007**	980
Subtotal	**119,638**	137,228
Outside Mainland China		
– Banks	**1,244**	4,868
– Other financial institutions	**1,199**	785
Subtotal	**2,443**	5,653
Total	**122,081**	142,881

(b) Analysed by asset types

	30 June 2021	31 December 2020
Bonds		
– Government bonds	**49,448**	45,684
– Bonds issued by policy banks	**24,708**	53,445
– Bonds issued by commercial banks and other financial institutions	**2,099**	4,872
– Others	**4,530**	4,351
Subtotal	**80,785**	108,352
Discounted bills	**41,296**	34,529
Total	**122,081**	142,881

30. Deposits from customers

	30 June 2021	31 December 2020
Principal (a)	**5,980,165**	5,628,336
Interest payable	**38,780**	35,799
Total	**6,018,945**	5,664,135

(a) Analysed by category

	30 June 2021	31 December 2020
Corporate customers		
– Demand deposits	**2,453,136**	2,306,134
– Time deposits	**1,382,437**	1,289,556
Subtotal	**3,835,573**	3,595,690
Retail customers		
– Demand deposits	**1,517,728**	1,400,520
– Time deposits	**626,864**	632,126
Subtotal	**2,144,592**	2,032,646
Total	**5,980,165**	5,628,336

31. Provision

	30 June 2021	31 December 2020
Expected credit loss provision	**20,894**	7,236
Others	**993**	993
Total	**21,887**	8,229

Expected credit loss provisions for loan commitments and financial guarantee contracts are as follows:

	30 June 2021			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit impaired)	Total
Expected credit loss provision	**17,403**	**2,901**	**590**	**20,894**

	31 December 2020			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit impaired)	Total
Expected credit loss provision	5,560	1,073	603	7,236

32. Debt securities issued

	Notes	30 June 2021	31 December 2020
Subordinated bonds issued	(a)	**34,264**	34,302
Long-term debt securities issued	(b)	**181,942**	146,559
Negotiable interbank certificates of deposit issued		**192,797**	144,816
Certificates of deposit issued		**15,117**	18,479
Interest payable		**4,598**	1,985
Total		**428,718**	346,141

(a) Subordinated bonds issued

At the end of the reporting period, subordinated bonds issued by the Bank were as follows:

Debt type	Term to maturity	Date of issuance	Annual coupon rate (%)	Nominal value (in million)	Beginning balance (in RMB million)	Discount or premium amortisation (in RMB million)	Repayment during the period (in RMB million)	Ending balance (in RMB million)
Fixed rate bond	180 months	28 Dec 2012	5.20	RMB11,700	11,694	(4)	–	11,690
Fixed rate bond	120 months	15 Nov 2018	4.65	RMB20,000	19,995	(3)	–	19,992
Total					31,689	(7)	–	31,682

At the end of the reporting period, subordinated note issued by CMB WLB was as follows:

Debt type	Term to maturity	Date of issuance	Annual coupon rate (%)	Nominal value (in million)	Beginning balance (in RMB million)	Discount or premium amortisation (in RMB million)	Exchange difference (in RMB million)	Ending balance (in RMB million)
Fixed to floating rate notes	120 months	22 Nov 2017	3.75 (for the first 5 years); T*+1.75% (from the 6th year onwards, if the notes are not called by CMBWLB)	USD400	2,613	–	(31)	2,582
Total					2,613	–	(31)	2,582

* T represents 5-year US Treasury bond yield.

32. Debt securities issued *(continued)*

(b) Long-term debt securities issued

At the end of reporting period, long-term debt securities issued by the Bank were as follows:

Debt type	Term to maturity	Date of issuance	Annual coupon rate (%)	Nominal value (in million)	Beginning balance (in RMB million)	Issuance during the period (in RMB million)	Discount or premium amortisation (in RMB million)	Exchange difference (in RMB million)	Repayment during the period (in RMB million)	Ending balance (in RMB million)
Fixed rate bond	36 months	17 Aug 2018	3.95	RMB30,000	29,983	–	6	–	–	29,989
Medium term note (i)	36 months	12 Jun 2019	0.25	EUR300	2,411	–	(2)	(107)	–	2,302
Medium term note	36 months	19 Jun 2019	3M Libor+0.74	USD600	3,920	–	(1)	(45)	–	3,874
Fixed rate bond	36 months	5 Jul 2019	3.45	RMB30,000	29,991	–	4	–	–	29,995
Medium term note	33 months	4 Sep 2019	3M Libor+0.74	USD60	392	–	(1)	(4)	–	387
Fixed rate bond	36 months	24 Sep 2019	3.33	RMB20,000	19,996	–	1	–	–	19,997
Medium term note (ii)	36 months	25 Sep 2020	1.10	USD400	2,610	–	(1)	(29)	–	2,580
Medium term note (iii)	36 months	25 Sep 2020	0.25	USD300	1,955	–	(2)	(21)	–	1,932
Fixed rate bond	36 months	6 Nov 2020	3.48	RMB10,000	9,998	–	(1)	–	–	9,997
Fixed rate bond	36 months	11 Mar 2021	3.40	RMB10,000	–	9,999	(2)	–	–	9,997
Fixed rate bond	36 months	3 Jun 2021	3.18	RMB20,000	–	19,997	–	–	–	19,997
Total					101,256	29,996	1	(206)	–	131,047

(i) Financial bonds issued by the Bank that were held by CMB WLB amounted to EUR37 million as of 30 June 2021, equivalent to RMB280 million (31 December 2020: EUR37 million, equivalent to RMB293 million).

(ii) Financial bonds issued by the Bank that were held by CMB WLB amounted to USD30 million as of 30 June 2021, equivalent to RMB194 million (31 December 2020: USD30 million, equivalent to RMB196 million).

(iii) Financial bonds issued by the Bank that were held by CMB WLB amounted to USD30 million as of 30 June 2021, equivalent to RMB194 million (31 December 2020: USD30 million, equivalent to RMB196 million).

32. Debt securities issued *(continued)*

(b) Long-term debt securities issued *(continued)*

At the end of the reporting period, long-term debt securities issued by CMBFLC were as follows:

Debt type	Term to maturity	Date of issuance	Annual coupon rate (%)	Nominal value (in million)	Beginning balance (in RMB million)	Issuance during the period (in RMB million)	Discount or premium amortisation (in RMB million)	Exchange difference (in RMB million)	Repayment during the period (in RMB million)	Ending balance (in RMB million)
Fixed rate bond	60 months	29 Nov 2016	3.25	USD900	5,873	–	3	(65)	–	5,811
Fixed rate bond (i)	36 months	14 Mar 2018	5.24	RMB4,000	3,999	–	1	–	(4,000)	–
Fixed rate bond (ii)	36 months	9 May 2018	4.80	RMB4,000	3,999	–	1	–	(4,000)	–
Fixed rate bond	36 months	16 Jul 2018	4.50	RMB4,000	3,998	–	2	–	–	4,000
Fixed rate bond	36 months	14 Mar 2019	3.50	RMB1,500	1,498	–	1	–	–	1,499
Fixed rate bond	60 months	14 Mar 2019	4.00	RMB500	499	–	–	–	–	499
Fixed rate bond	36 months	28 May 2019	3.68	RMB3,000	2,996	–	1	–	–	2,997
Fixed rate bond (iii)	60 months	25 Jun 2019	3.12	USD900	5,843	–	5	(65)	–	5,783
Fixed rate bond (iv)	120 months	25 Jun 2019	3.69	USD100	648	–	–	(7)	–	641
Fixed rate bond	36 months	17 Jul 2019	3.60	RMB3,000	2,995	–	2	–	–	2,997
Fixed rate bond (v)	12 months	17 Apr 2020	1.73	USD40	261	–	–	–	(261)	–
Fixed rate bond	120 months	14 Jul 2020	4.25	RMB2,000	1,992	–	–	–	–	1,992
Fixed rate bond (vi)	60 months	12 Aug 2020	1.88	USD800	5,204	–	2	(58)	–	5,148
Fixed rate bond (vii)	120 months	12 Aug 2020	2.75	USD400	2,588	–	1	(27)	–	2,562
Fixed rate bond (viii)	36 months	17 Nov 2020	3.85	RMB4,000	3,989	–	2	–	–	3,991
Fixed rate bond	12 months	28 Dec 2020	1.50	USD20	131	–	–	(2)	–	129
Fixed rate bond (ix)	36 months	28 Jan 2021	3.60	RMB4,000	–	4,000	(10)	–	–	3,990
Fixed rate bond (x)	60 months	4 Feb 2021	2.00	USD400	–	2,584	1	(12)	–	2,573
Fixed rate bond (xi)	60 months	5 Feb 2021	2.88	USD400	–	2,588	1	(36)	–	2,553
Fixed rate bond	18 months	19 Mar 2021	1.16	USD50	–	326	–	(3)	–	323
Fixed rate bond (xii)	36 months	24 Mar 2021	3.58	RMB2,000	–	2,000	(5)	–	–	1,995
Fixed rate bond	60 months	24 Mar 2021	2.00	USD20	–	130	–	(2)	–	128
Total					46,513	11,628	8	(277)	(8,261)	49,611

Notes:

(i) Fixed rate bonds issued by CMBFLC that were held by the Bank amounted to nil as of 30 June 2021 (31 December 2020: RMB260 million).

(ii) Fixed rate bonds issued by CMBFLC that were held by the Bank amounted to nil as of 30 June 2021 (31 December 2020: RMB140 million).

(iii) Fixed rate bonds issued by China Merchant Bank International Leasing Management Limited (CMBILM), a wholly-owned subsidiary of CMBFLC that were held by the Bank amounted to USD152 million, equivalent to RMB982 million as of 30 June 2021 (31 December 2020: USD98 million, equivalent to RMB639 million).

Fixed rate bonds issued by CMBILM that were held by CMB WLB amounted to USD30 million, equivalent to RMB194 million as of 30 June 2021 (31 December 2020: USD30 million, equivalent to RMB196 million).

(iv) Fixed rate bonds issued by CMBILM that were held by the Bank amounted to USD43 million, equivalent to RMB278 million as of 30 June 2021 (31 December 2020: USD43 million, equivalent to RMB282 million).

(v) Fixed rate bonds issued by CMBILM that were held by CMB WLB amounted to nil as of 30 June 2021 (31 December 2020: USD40 million, equivalent to RMB261 million).

(vi) Fixed rate bonds issued by CMBILM that were held by the Bank amounted to USD21 million, equivalent to RMB135 million as of 30 June 2021 (31 December 2020: nil).

Fixed rate bonds issued by CMBILM that were held by CMB WLB amounted to USD32 million, equivalent to RMB207 million as of 30 June 2021 (31 December 2020: USD32 million, equivalent to RMB209 million).

(vii) Fixed rate bonds issued by CMBFLC that were held by the Bank amounted to USD5 million, equivalent to RMB31 million as of 30 June 2021 (31 December 2020: nil).

(viii) Fixed rate bonds issued by CMBFLC that were held by the Bank, amounted to RMB500 million as of 30 June 2021 (31 December 2020: RMB500 million).

(ix) Fixed rate bonds issued by CMBFLC that were held by the Bank amounted to RMB800 million as of 30 June 2021 (31 December 2020: nil).

(x) Fixed rate bonds issued by CMBFLC that were held by the Bank amounted to USD24 million, equivalent to RMB156 million as of 30 June 2021 (31 December 2020: nil).

(xi) Fixed rate bonds issued by CMBFLC that were held by the Bank amounted to USD48 million, equivalent to RMB307 million as of 30 June 2021 (31 December 2020: nil).

(xii) Fixed rate bonds issued by CMBFLC that were held by the Bank amounted to RMB70 million as of 30 June 2021 (31 December 2020: nil).

32. Debt securities issued *(continued)*

(b) Long-term debt securities issued *(continued)*

As at the end of the reporting period, long-term debt securities issued by CMBICHC were as follows:

Debt type	Term to maturity	Date of issuance	Annual coupon rate (%)	Nominal value (in million)	Beginning balance (in RMB million)	Issuance during the period (in RMB million)	Discount or premium amortisation (in RMB million)	Exchange difference (in RMB million)	Ending balance (in RMB million)
Fixed rate bond	36 months	9 Jul 2018	3.72	USD300	1,962	–	–	(24)	1,938
Fixed rate bond (i)	36 months	2 Jun 2021	1.38	USD600	–	3,900	(6)	(23)	3,871
Total					1,962	3,900	(6)	(47)	5,809

Note:

(i) Fixed rate bonds issued by CMBICHC that were held by CMB WLB amounted to USD31 million, equivalent to RMB197 million as of 30 June 2021 (31 December 2020: nil).

33. Share capital

By type of shares:

	30 June 2021	31 December 2020
Listed shares		
– A-Shares	**20,629**	20,629
– H-Shares	**4,591**	4,591
Total	**25,220**	25,220

All H-Shares are ordinary shares and rank pari passu with the A-Shares. There is no restriction condition on these shares.

	Share Capital	
	No. of shares (in million)	Amount
At 1 January 2021 and at 30 June 2021	**25,220**	**25,220**

34. Other equity instruments

(a) Preference Shares

	30 June 2021		31 December 2020	
	No. (millions of shares)	Amount (in RMB million)	No. (millions of shares)	Amount (in RMB million)
Issued Offshore Preference Shares (note (i))	**50**	**6,597**	50	6,597
Issued Domestic Preference Shares (note (ii))	**275**	**27,468**	275	27,468
Total	**325**	**34,065**	325	34,065

Notes:

(i) Pursuant to the approvals by the relevant regulatory authorities in China, the Bank issued US Dollar traded and settled non-cumulative Offshore Preference Shares in the aggregate nominal value of USD1,000 million on 25 October 2017. Each Offshore Preference Share has a nominal value of USD20 and 50 million Offshore Preference Shares were issued in total. The dividend rate is initially at 4.40% and subject to reset per agreement subsequently, but not exceeds 16.68%.

(ii) Pursuant to the approvals by the relevant regulatory authorities in China, the Bank issued non-cumulative Domestic Preference Shares in the aggregate par value of RMB27,500 million on 18 December 2017. Each Domestic Preference Share has a nominal value of RMB100 and 275 million Domestic Preference Shares were issued in total. The dividend rate is initially at 4.81% and subject to reset per agreement subsequently, but not exceeds 16.68%.

(iii) Dividends on the Offshore and Domestic Preference Shares shall be paid in cash, in which Domestic Preference Share divided shall be declared and distributed in RMB and Offshore Preference Share divided shall be declared and distributed in USD. Save for such dividend at the agreed dividend pay-out ratio, the holders of the above Preference Shares are not entitled to share the remaining profits of the Bank with the ordinary shareholders. Dividend is non-cumulative. The Bank has the right to cancel any dividend on Preference Shares, and such cancellation shall not be deemed as a default. After the cancellation of all or part of the dividend to preference shareholders, the Bank shall not make any ordinary shares distribution, until the Preference Shares dividend is resumed in full. As the dividends on the Offshore and Domestic Preference Shares are non-cumulative, the Bank will not distribute the dividends that were cancelled in prior years to Preference Shares holders.

The Offshore and Domestic Preference Shares have no maturity date. However, after the fifth anniversary of the issuance date, subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Offshore and Domestic Preference Shares may be redeemed at the discretion of the Bank, but the Bank does not have the obligation to redeem preference shares. The holders of Preference Shares do not have the right to demand the Bank to redeem the Preference Shares and shall not expect that Preference Shares will be redeemed.

Both Domestic and Offshore Preference Shares have clauses that state certain events would trigger mandatory conversion, those clauses are as follows:

(1) Upon the occurrence of any additional Tier-1 Capital Instrument Trigger Event, that is, the Core Tier-1 Capital Adequacy Ratio drops to 5.125% or below, the Bank shall have the right to convert, without the consent of the holders of Preference Shares, part or all of the Preference Shares then issued and outstanding into Ordinary A Shares (Domestic Preference Shares) or Ordinary H Shares (Offshore Preference Shares) based on the total nominal value of the Preference Shares in order to restore the Core Tier-1 Capital Adequacy Ratio of the Bank to above 5.125%. In the case of partial conversion, the Preference Shares shall be converted on a pro rata basis and on identical conditions.

(2) Upon the occurrence of a Tier-2 Capital Trigger Event, the Bank shall have the right to convert, without the consent of the holders of Preference Shares, all of the Preference Shares then issued and outstanding into Ordinary A Shares (Domestic Preference Shares) or Ordinary H Shares (Offshore Preference Shares) based on the total nominal value of the Preference Shares. A Tier-2 Capital Trigger Event means the earlier of the following events: 1) CBIRC having concluded that without a conversion or write-off, the Bank would become non-viable, and 2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

Upon the occurrence of the above mandatory conversion events, the Bank shall report to the CBIRC for review and determination. The Bank shall fulfil the relevant information disclosure requirements of the Securities Law, the CSRC and Hong Kong's relevant laws and regulations such as making provisional reports or announcements in accordance with relevant regulatory requirements.

34. Other equity instruments *(continued)*

(b) Perpetual Bonds

	30 June 2021		31 December 2020	
	No. (millions of shares)	Amount (in RMB million)	No. (millions of shares)	Amount (in RMB million)
Issued Perpetual Bonds (note (i))	**500**	**49,989**	500	49,989
Total	**500**	**49,989**	500	49,989

Note:

(i) With the approval of the relevant regulatory authorities in China, the Bank issued RMB50,000 million of *2020 China Merchants Bank Co., Ltd. Undated Additional Tier-1 Capital Bonds (Series 1)* (the "Perpetual Bonds") in the national inter-bank bond market on 9 July 2020. The unit face value is RMB100. The initial coupon rate is 3.95%, and the adjusted period is every 5 years from the issuance of the Perpetual Bonds. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed coupon rate. The Perpetual Bonds will continue to be outstanding so long as the Bank continues to operate. With the approval of the competent authorities, the net proceeds from the issuance of the Perpetual Bonds, after deducting offering related expenses, will be used to replenish the Additional Tier 1 Capital of the Bank.

The coupon rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of 5 trading days prior to the announcement date of the subscription agreement or benchmark rate reset date, as indicated by the yield curve of applicable 5-year China Treasury Notes (rounded to 0.01%) published on the China Bond website (or other websites approved by the China Central Depository & Clearing Co., Ltd.). The fixed spread is the difference between the coupon rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

From the fifth anniversary since the issuance of the Perpetual Bonds, the Bank has the right to redeem in whole or part of the Perpetual Bonds on the annual interest payment date (including the interest payment date of the fifth year since the issuance date) subject to the approval of the CBIRC and the satisfaction of the redemption preconditions. If, after the issuance, the Perpetual Bonds no longer qualify as additional Tier 1 capital as a result of an unforeseeable change to relevant provisions of supervisory regulation, the Bank has the right to redeem the whole but not part of the Perpetual Bonds. The investors do not have the right to sell back the Perpetual Bonds to the Bank.

The claims in respect of the Perpetual Bonds will be subordinated to the claims of depositors, general creditors, and subordinated debts that rank senior to the Perpetual Bonds, and will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional Tier-1 capital instruments of the Bank that rank pari passu with the Perpetual Bonds.

The coupon rate will be reset on each benchmark rate reset date (i.e., the date of every five years from the payment settlement date on 9 July 2020). The adjusted coupon rate will be determined based on the benchmark interest rate at adjustment date plus the fixed spread as determined at the time of issuance. The Perpetual Bonds do not contain interest rate step-up mechanism or any other redemption incentives. The Bank has the right to cancel, in whole or in part, distributions on the Perpetual Bonds and any such cancellation will not constitute an event of default. The Bank will fully consider the interests of bondholders when exercising this right. The Bank can use the cancelled bond interest for the current period at its discretion to repay other due debts. The bond interests are non-cumulative. Cancellation of any distributions to the Perpetual Bonds, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares.

35. Investment revaluation reserve

	30 June 2021	31 December 2020
Debt instruments measured at FVTOCI	**7,548**	4,281
Fair value gain on equity instruments designated at FVTOCI	**2,753**	3,064
Remeasurement of defined benefit liability	**99**	73
Share of other comprehensive income from equity-accounted investees	**647**	789
Total	**11,047**	8,207

36. Profit appropriations

(a) Dividends declared/distributed by shareholders

	Six months ended 30 June 2021	Year ended 31 December 2020
Dividends in 2020, approved and declared (RMB1.253 per share)	**31,601**	–
Dividends in 2019, approved and distributed (RMB1.20 per share)	**–**	30,264

(b) Proposed profit appropriations

	Six months ended 30 June 2021	Year ended 31 December 2020
Statutory surplus reserve	**–**	8,867
Regulatory general reserve	**370**	7,931
Dividends		
– cash dividend: nil (2020: RMB1.253 per share)	**–**	31,601
Total	**370**	48,399

The profit appropriation for the year ended 31 December 2020 was proposed in accordance with the resolution passed at the meeting of the board of directors held on 19 March 2021 and approved by the 2020 annual general meeting held on 25 June 2021.

37. Notes to unaudited consolidated statement of cash flows

(a) Analysis of the balances of cash and cash equivalents (with original maturity within 3 months):

	30 June 2021	30 June 2020
Cash and balances with central banks	**50,119**	40,037
Balances with banks and other financial institutions	**119,637**	73,165
Placements with banks and other financial institutions	**82,838**	118,304
Amounts held under resale agreements	**333,164**	225,683
Debt securities investments and discounted bills	**8,007**	33,860
Total	**593,765**	491,049

(b) Significant non-cash transactions

There were no significant non-cash transactions during the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

38. Operating segments

The Group's principal business is the provision of deposit and loan business, treasury business, asset management and other financial services for retail and wholesale customers.

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geographies. The reportable segments information is as follows:

– Wholesale finance business

The financial services for the corporate clients, government agencies and financial institutions include: loan and deposit service, settlement and cash management service, trade finance and offshore business, investment banking business, inter-bank business on lending and repo, asset custody business, financial market business, and other services.

– Retail finance business

The financial services to retail customers include lending and deposit taking activities, bank card business, wealth management services, private banking and other services.

– Other business

Other business covers investment properties, investments in subsidiaries (except for CMB WLB), associates and joint ventures, and other relevant businesses. None of these segments meets any of the quantitative thresholds so far for determining reportable segments.

For the purpose of operating segment analysis, external net interest income/expense represents the net interest income earned or expense incurred on banking services provided to external parties. Internal net interest income/expense represents the assumed profit or loss by the internal funds transfer pricing mechanism which has taken into account the structure and market returns of the assets and liabilities portfolio. Cost allocation is based on direct costs attributable to each reporting segment and allocation of the remaining amount.

The accounting policies of the operating segments are the same as the Group's accounting policies. Operating segment income represents income generated from external customers. Inter-segment transactions are eliminated. No customer contributed 10% or more to the Group's revenue for the six months ended 30 June 2021 and 2020. Internal transactions are conducted on fair value basis.

38. Operating segments *(continued)*

(a) Segment results, assets and liabilities

	Wholesale finance business		Retail finance business		Other business		Total	
	Six months ended 30 June							
	2021	2020	2021	2020	2021	2020	2021	2020
External net interest income	9,989	8,761	66,112	61,183	23,240	20,929	99,341	90,873
Internal net interest income/(expense)	32,973	30,124	(8,905)	(8,654)	(24,068)	(21,470)	–	–
Net interest income/(expense)	42,962	38,885	57,207	52,529	(828)	(541)	99,341	90,873
Net fee and commission income	16,350	13,577	31,828	25,536	4,076	3,156	52,254	42,269
Other net income	10,595	10,247	1,180	700	3,275	2,892	15,050	13,839
Operating income	69,907	62,709	90,215	78,765	6,523	5,507	166,645	146,981
Operating expenses								
– Property, equipment and investment properties depreciation	(947)	(877)	(1,415)	(1,273)	(1,891)	(1,587)	(4,253)	(3,737)
– Right-of-use assets depreciation	(850)	(895)	(1,201)	(1,216)	(111)	(97)	(2,162)	(2,208)
– Others	(17,016)	(15,496)	(24,262)	(21,418)	(2,919)	(2,023)	(44,197)	(38,937)
Subtotal	(18,813)	(17,268)	(26,878)	(23,907)	(4,921)	(3,707)	(50,612)	(44,882)
Reportable segment profit before expected credit losses	51,094	45,441	63,337	54,858	1,602	1,800	116,033	102,099
Expected credit losses and impairment for other assets	(19,115)	(19,173)	(22,757)	(20,980)	(23)	(290)	(41,895)	(40,443)
Impairment for other assets								
Share of profit of associates and joint ventures	–	–	–	–	2,185	1,182	2,185	1,182
Reportable segment profit before tax	31,979	26,268	40,580	33,878	3,764	2,692	76,323	62,838
Capital expenditure (note)	663	738	971	1,005	10,078	5,083	11,712	6,826

Note: Capital expenditure represents the amount incurred for acquiring segment assets which are expected to be used for more than one year.

	Wholesale finance business		Retail finance business		Other business		Total	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Reportable segment assets	4,746,285	4,489,868	2,790,542	2,617,109	1,243,646	1,163,007	8,780,473	8,269,984
Reportable segment liabilities	5,021,713	4,477,918	2,188,960	2,075,680	791,367	994,548	8,002,040	7,548,146
Interests in associates and joint ventures	–	–	–	–	21,896	14,922	21,896	14,922

38. Operating segments *(continued)*

(b) Reconciliations of reportable segments operating income, profit or loss, assets, liabilities and other material items

	Six months ended 30 June	
	2021	2020
Total operating income for reportable segments	**166,645**	146,981
Total profit before taxation for reportable segments	**76,323**	62,838

	30 June 2021	31 December 2020
Assets		
Total assets for reportable segments	**8,780,473**	8,269,984
Goodwill	**9,954**	9,954
Intangible assets	**602**	629
Deferred tax assets	**79,866**	72,893
Other unallocated assets	**14,991**	7,988
Consolidated total assets	**8,885,886**	8,361,448
Liabilities		
Total liabilities for reportable segments	**8,002,040**	7,548,146
Tax payable	**22,160**	18,648
Deferred tax liabilities	**1,228**	1,073
Other unallocated liabilities	**98,890**	63,227
Consolidated total liabilities	**8,124,318**	7,631,094

38. Operating segments *(continued)*

(c) Geographical segments

The Group operates principally in Mainland China with branches located in major provinces, autonomous regions and municipalities directly under the central government. The Group also has branches operating Hong Kong, New York, Singapore, Luxembourg, London and Sydney, subsidiaries operating in Hong Kong, Shanghai, Shenzhen, Luxembourg and Beijing, and representative offices in Beijing, New York and Taipei.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the revenue. Segment assets and non-current assets are allocated based on the geographical location of the underlying assets.

To support the Bank's operations and management's assessments, the geographical segments are defined as follows:

– "Headquarters" refers to the Group headquarters and credit card centres;

– "Yangtze River Delta" region refers to branches in Shanghai municipality, Zhejiang province and Jiangsu province;

– "Bohai Rim region" refers to branches and representative offices in Beijing municipality, Tianjin municipality, Shandong province and Hebei province;

– "Pearl River Delta and West side of Taiwan Strait region" refers to branches in Guangdong province and Fujian province;

– "Northeast region" refers to branches in Liaoning province, Heilongjiang province and Jilin province;

– "Central region" refers to branches in Henan province, Anhui province, Hunan province, Hubei province, Jiangxi province, Shanxi province and Hainan province;

– "Western region" refers to branches in Sichuan province, Chongqing municipality, Guizhou province, Yunnan province, Shaanxi province, Gansu province, Ningxia Hui Autonomous region, Xinjiang Uyghur autonomous region, Guangxi Zhuang autonomous region, Inner Mongolia autonomous region, Qinghai province and Tibet autonomous region;

– "Overseas" refers to overseas branches in Hong Kong, New York, Singapore, Luxembourg, London, Sydney and representative offices in New York, and Taipei; and

– "Subsidiaries" refers to subsidiaries wholly owned or controlled by the Group, including CMB WLB, CMBICHC, CMBFLC, CMFM, CMBWM, CMB Europe S.A., and CIGNA & CMAM etc.

	Total assets		Total liabilities		Non-current assets		Operating income		Profit before tax	
Geographical information	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020	Six months ended 30 June 2021	Six months ended 30 June 2020	Six months ended 30 June 2021	Six months ended 30 June 2020
Headquarter	**3,972,998**	3,779,914	**3,376,591**	3,249,998	**45,309**	40,757	**73,701**	62,164	**19,135**	3,575
Yangtze River Delta region	**1,163,018**	1,045,508	**1,152,164**	1,026,332	**5,995**	6,149	**21,249**	18,090	**13,429**	13,407
Bohai Rim region	**697,380**	640,583	**689,433**	625,403	**4,418**	4,525	**15,998**	14,924	**9,718**	11,377
Pearl River Delta and West side of Taiwan Strait region	**955,803**	896,144	**938,847**	871,249	**4,188**	4,263	**18,654**	16,843	**11,929**	12,292
Northeast region	**180,517**	165,961	**179,435**	164,666	**1,643**	1,790	**3,083**	3,042	**1,406**	966
Central region	**546,152**	513,998	**542,059**	504,742	**3,983**	4,132	**10,211**	9,332	**5,268**	6,162
Western region	**569,423**	517,523	**564,268**	508,471	**3,990**	4,150	**10,276**	9,265	**6,620**	6,380
Overseas	**170,868**	220,214	**169,730**	215,032	**954**	1,053	**1,354**	1,708	**844**	1,067
Subsidiaries	**629,727**	581,603	**511,791**	465,201	**61,670**	53,017	**12,119**	11,613	**7,974**	7,612
Total	**8,885,886**	8,361,448	**8,124,318**	7,631,094	**132,150**	119,836	**166,645**	146,981	**76,323**	62,838

Note: Non-current assets include interests in joint ventures, interests in associates, property and equipment, investment properties, intangible assets, right-of-use assets, goodwill and etc.

39. Contingent liabilities and commitments

(a) Credit commitments

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

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Bills of acceptance represent undertakings by the Group to pay bills of exchange drawn by customers. The Group expects most bills of acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of loan commitments and financial guarantees by category are set out in the following tables. The amounts reflected in the tables for commitments assume that amounts are fully advanced. The amounts reflected in the tables for guarantees and letters of credit represent the maximum potential loss that would be recognised at the end of the reporting period if counterparties default.

	30 June 2021			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit impaired)	Total
Contractual amount				
Irrevocable guarantees	**210,645**	**1,414**	**257**	**212,316**
Of which: Financial guarantees	**74,679**	**514**	**3**	**75,196**
Non-financial guarantees	**135,966**	**900**	**254**	**137,120**
Irrevocable letters of credit	**133,892**	**1,494**	**–**	**135,386**
Bills of acceptances	**320,009**	**7,348**	**570**	**327,927**
Irrevocable loan commitments	**122,589**	**3,924**	**2**	**126,515**
– with an original maturity within 1 year (inclusive)	**23,760**	**–**	**2**	**23,762**
– with an original maturity over 1 year	**98,829**	**3,924**	**–**	**102,753**
Credit card commitments	**1,205,447**	**9,315**	**107**	**1,214,869**
Others	**119,868**	**328**	**–**	**120,196**
Total	**2,112,450**	**23,823**	**936**	**2,137,209**

	31 December 2020			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit impaired)	Total
Irrevocable guarantees	212,580	508	265	213,353
Of which: Financial guarantees	95,914	399	3	96,316
Non-financial guarantees	116,666	109	262	117,037
Irrevocable letters of credit	120,748	241	3	120,992
Bills of acceptances	265,213	1,671	292	267,176
Irrevocable loan commitments	206,524	3,132	45	209,701
– with an original maturity within 1 year (inclusive)	117,712	198	45	117,955
– with an original maturity over 1 year	88,812	2,934	–	91,746
Credit card commitments	1,128,152	6,468	113	1,134,733
Others	100,419	–	–	100,419
Total	2,033,636	12,020	718	2,046,374

39. Contingent liabilities and commitments *(continued)*

(a) Credit commitments *(continued)*

As at 30 June 2021, the Group's irrevocable letters of credit includes sight letters of credit of RMB15,576 million (31 December 2020: RMB12,965 million), usance letters of credit of RMB9,116 million (31 December 2020: RMB6,516 million), and other commitments of RMB110,694 million (31 December 2020: RMB101,511 million).

Irrevocable loan commitments include credit limits granted to offshore customers by overseas branches and subsidiaries, and onshore and offshore syndicated loans etc.

These loan commitments and financial guarantees have off-balance sheet credit risk. Before the commitments are fulfilled or expired, management assesses and makes allowances for contingent credit losses accordingly. As the facilities may expire without being drawn upon, the total contractual amounts is not representative of the expected future cash outflows.

Apart from the irrevocable loan commitments, the Group had loan commitments of RMB3,815,644 million at 30 June 2021 (31 December 2020: RMB3,606,998 million) which are unconditionally cancellable by the Group or automatically cancellable due to deterioration in the creditworthiness of the borrower as stipulated in respective lending agreements. The Group does not assume any risks on the unused credit limits for these loan commitments. As a result, such balances are not included in the loan commitments and financial guarantees disclosed above.

	30 June 2021	31 December 2020
Credit risk weighted amounts of loan commitments and financial guarantees	**545,921**	470,782

The Group calculated the credit risk weighted amount of its contingent liabilities and commitments in accordance with the requirements of the Administrative Measures on Capital of Commercial Banks (Provisional) issued by the CBIRC. The amount within the scope approved by the CBIRC in April 2014 is calculated using the Internal Ratings-Based Approach, and the Weighted Approach are used to cover those amounts not eligible for the Internal Ratings-Based Approach.

(b) Capital commitments

Authorised capital commitments were as follows:

	30 June 2021	31 December 2020
Contracted for	**13,033**	12,851
Authorised but not contracted for	**213**	294
Total	**13,246**	13,145

(c) Outstanding litigations

At 30 June 2021, the Bank and/or its subsidiaries were a defendant in certain outstanding litigations with gross claims of RMB880 million (31 December 2020: RMB573 million) arising from their operating activities. The board of directors considers that no material losses would be incurred by the Group as a result of these outstanding litigations and therefore no provision has been made in the interim consolidated financial statements.

39. Contingent liabilities and commitments *(continued)*

(d) Redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back bonds underwritten by itself if the bond holders decide to redeem the bonds before maturity. The redemption prices for the bonds at any time before their maturity date are based on the face value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules issued by the Ministry of Finance and the PBOC. The redemption prices may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at the end of the reporting period:

	30 June 2021	31 December 2020
Redemption obligations	**28,479**	27,095

The Group expects that the amount of redemption before the maturity date of these government bonds through the Group will not be significant.

40. Transactions on behalf of customers

(a) Entrusted lending business

The Group's entrusted lending business refers to activities where principals such as government departments, business entities and individuals provide capital, and instruct the Group to lend it to the specified targets on their behalf in accordance with specific terms and conditions, and the Group is contracted to disburse the loan, monitor its usage and seek loan recovery. The entrusted lending business does not expose the Group to any credit risk. As instructed by these principals, the Group holds and manages underlying assets and liabilities only in the capacity of an agent, and charges handling fees for related services.

Entrusted loans are not assets of the Group and therefore not recognised in the unaudited consolidated statement of financial position. Income received and receivable for providing these services are recognised in the unaudited consolidated statement of profit or loss as fee and commission income.

At the end of the reporting period, the entrusted assets and liabilities were as follows:

	30 June 2021	31 December 2020
Entrusted loans	**270,631**	264,107
Entrusted funds	**(270,631)**	(264,107)

(b) Wealth management services

The Group's wealth management services to customers mainly represent sales of wealth management products to corporate and personal banking customers, and the funds received are invested in Treasury bonds, policy bank bonds, commercial papers, trust loans and etc. The Group initiates those wealth management products, but the investment risks associated with the underlying assets are borne by the holders of the wealth management products. The Group does not consolidate these wealth management products. The Group earns fee and commission for the provision of custody, sales and management services.

The wealth management products and funds obtained are not assets and liabilities of the Group and therefore not recognised in the unaudited consolidated statement of financial position. The funds obtained from wealth management services that have not yet been invested are recorded under other liabilities.

At the end of the reporting period, funds received from customers under unconsolidated non-principal-guaranteed wealth management services were as follows:

	30 June 2021	31 December 2020
Funds received from customers under wealth management services	**2,568,577**	2,386,085

41. Risk management

(a) Credit risk

Credit risk represents the potential losses that may arise from the failure of a counterparty or a debtor to meet its obligation or commitment to the Group. Credit risk increases when all counterparties are concentrated in a single industry or a geographical region, as different counterparties in the same region or industry may be affected by the same economic factors, which may eventually affect their repayment abilities.

The Group designs its organisation framework, credit policies and processes with an objective to identify, evaluate and manage its credit risk effectively. The Risk and Capital Management Committee, set up and appointed by the board of directors is responsible for supervising and evaluating the set-up, organisational structure, work process and effectiveness of various risk management functions.

With respect to daily operations, the Risk Management Department, as directed by the Risk and Capital Management Committee, participates in, coordinates and monitors the work of other risk management functions, including each business unit and the Legal and Compliance Department. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring.

With respect to the credit risk management of corporate financial business, the Group formulates credit policy guidelines, enhances the standards on credit acceptance and management requirements for corporate, interbank and institutional clients, and implements limits in key risk areas to improve the quality of credit exposure.

With respect to credit risk management of retail financial business, the Group mainly relies on the credit assessment of applicants as the basis for loan approval, which takes into consideration the income level, credit history, and repayment ability of the applicant. The Group monitors post-lending conditions by focusing on borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the collection process according to standard retail loans collection procedures.

To mitigate risks, the Group requests customers to provide collateral and guarantees when necessary. Certain guidelines have been set for the acceptability of specific types of collateral or risks migrating measures. Collateral portfolio and legal covenants are reviewed regularly to ensure that they remain sufficient for the given risks and be consistent with market practices.

In respect of loan classification, the Group adopts a risk based loan classification methodology. Currently, the Group categorises its loans on a ten-grade loan classification basis in order to refine internal risk classification management (normal (grades 1-5), special-mention (grades 1-2), substandard, doubtful and loss).

The risks involved in contingent liabilities and commitments are essentially the same as the credit risk involved in loans and advances to customers. These transactions are, therefore, subject to the same credit application, post-lending monitoring and collateral requirements as for customers applying for loans.

Concentration of credit risk: when certain number of customers carry out the same business activities, locate in the same geographical region or their industries share similar economic characteristics, their ability to meet their obligations may be affected by the same economic factors. The level of concentration of credit risk reflects the sensitivity of the Group's operating result to a specific industry or geographical region. To prevent concentration of credit risk, the Group has formulated a limit management policy to monitor and analyse its loan portfolio.

Analysis of loans and advances by industry and loan portfolio are presented in Note 16.

41. Risk management *(continued)*

(a) Credit risk *(continued)*

(i) Internal credit risk rating

The Group classifies credit risk based on probability of default. Credit risk is classified into 25 grades. The internal credit risk rating is based on the forecasted default risk, taking into consideration qualitative and quantitative factors. For customers of wholesale business, such factors include net profit growth rate, sales growth rate, industry, etc. For customers of retail business, such factors include maturity, ageing, collateral ratio, etc.

(ii) Significant increase in credit risk

The Group recognises lifetime ECL if there are significant increases in credit risk.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument and other items at the reporting date with that at the date of initial recognition. In making this assessment, the Group considers an actual or expected significant deterioration in the financial instrument's internal credit risk rating (Note 41(a)(i)), as well as internal early warning signal, the result of 5-tier loan classification and overdue information. The Group regularly reviews whether the evaluation criteria are applicable to the current situation. During the reporting period, the Group further deepened the application of the early warning signal and improved the ability of the model to distinguish risks.

For wholesale business, credit risk is considered as significantly increased if any of the following conditions is met: the 5-tier loan classification is special-mention; more than 30 days (inclusive) overdue; the internal credit risk rating of the customer has been downgraded to certain level; the early warning signal of the customer has reached a certain level; or the customer has other significant risk signals identified by the Group.

For retail and credit card business, credit risk is considered as significantly increased if any of the following conditions is met: the 5-tier loan classification is special-mention; more than 30 days (inclusive) overdue; the customer or the debt has credit risk early warning signal; or the customer has other significant risk signals identified by the Group.

The Group has made deferred repayment and interest payment arrangements for some debtors affected by the COVID-19. However, the deferred repayment and interest payment arrangements will not directly lead to the conclusion that the debtors' credit risk has increased significantly. Instead, the Group will make a comprehensive judgment based on the risk indicators.

A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capability to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may not necessarily reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For loan commitment and financial guarantee, the date when the commitment becomes irrevocable is considered as the initial recognition date.

The Group considers that a debt instrument is impaired when its 5-tier loan classification is substandard, doubtful or loss (debt instruments with more than 90 days overdue are included in these 3 categories).

(iii) Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default (PD): is an estimate of the likelihood of default over 12 months or lifetime horizon;
- loss given default (LGD): is the proportion of the loss arising on default to the exposure at default;
- exposure at default (EAD): is the risk exposure on a debt.

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect forward-looking information.

41. Risk management *(continued)*

(a) Credit risk *(continued)*

(iv) Incorporation of forward-looking information

The Group divides financial assets into different asset groups based on their different risk characteristics. According to the risk characteristics of the asset group, the Group collects external data released by external authoritative institutions and internal risk data without undue cost or effort to construct the models. During the reporting period, in addition to the common economic indicators such as Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), Producer Price Index ("PPI") and Broad Money Supply ("M2"), the Group expands its macroeconomic index database by including various categories of indicators such as industry, interest and exchange rate, and survey index. Based on statistical analysis and expert judgments, the Group sets up multiple forward-looking scenarios to predict macroeconomic indicators and risk parameters. The Group will firstly refer to the forecasts issued by external authoritative institutions as the forecasts of economic indicators under baseline scenario. If there is no external forecasts, the Group will refer to the forecasts issued by the professionals of the Group and the outputs of the models. For the forecasts of economic indicators under the remaining scenarios, the Group will refer to the actual historical data for analysis and forecast. Taking GDP and CPI as an example, detailed forecasts are as follows:

Indicators	Forecasts of baseline scenario used in the models
GDP (year-on-year)	8.8%
CPI (month-on-month)	2.1%

Combined with quantitative measurement and expert judgment, the Group sets the weighting of multiple scenarios based on the principle of taking the baseline scenario as the main and the other scenarios as supplement. The weight of the baseline scenario of the Group as at 30 June 2021 is the highest. According to the sensitivity test results of the Group, when the weighting of the optimistic scenario increases by 10% and the weighting of the baseline scenario decreases by 10%, the ECL amount will decrease by approximately 3% compared to the current result. When the weighting of the pessimistic scenario increases by 10% and the weighting of the baseline scenario decreases by 10%, the ECL amount will increases by approximately 1% compared to the current result.

The Group periodically forecasts macroeconomic indicators, and calculates the ECL based on a weighted 12-month expected credit loss (stage 1) or a weighted lifetime expected credit loss (stage 2 and stage 3).

As the COVID-19 is still evolving, the Group's expected credit loss model as at 30 June 2021 fully reflected the impact of the COVID-19 on the macroeconomic environment through continuous updating of internal and external data, model optimisation and other measures.

(v) Groupings based on shared risk characteristics

The Group divides the primary business into wholesale business, retail business and credit card business. The models are divided based on shared risk characteristics, and the reference indicators include the 5-tier classification, business type and collateral type.

(vi) Maximum exposure

The Group's maximum exposure to credit risk without taking into account of any collateral held or other credit enhancements is the carrying amount of the relevant financial assets (including derivatives) as disclosed in the unaudited consolidated statement of financial position and the contract amount of the off balance sheet items disclosed in Note 39(a). At 30 June 2021, the amount of the Group's maximum credit risk exposure was RMB10,794,599 million (31 December 2020: RMB10,192,927 million).

(vii) Renegotiated loans and advances to customers

The carrying amount of loans and advances that were credit impaired and the terms had been renegotiated was RMB20,797 million as at 30 June 2021 (31 December 2020: RMB24,878 million).

41. Risk management *(continued)*

(a) Credit risk *(continued)*

(viii) Credit quality of financial instruments

The staging analysis for loans and advances to customers and debt investments at amortised cost are disclosed in note 16 and note 17(b) respectively. The staging analysis for other financial instruments is as follows:

	30 June 2021							
	Principal				Expected credit loss			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit impaired)	Total	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL not credit-impaired)	–Stage 3 (Lifetime ECL-credit impaired)	Total
Balances with central banks	558,207	–	–	558,207	–	–	–	–
Balances with banks and other financial institutions	124,014	–	11	124,025	(621)	–	(11)	(632)
Placements with banks and other financial institutions	252,949	1,284	–	254,233	(2,359)	(77)	–	(2,436)
Amounts held under resale agreements	336,741	–	140	336,881	(2,603)	–	(140)	(2,743)
Debt investments at FVTOCI	556,342	2,005	203	558,550	(5,875)	(809)	(1,061)	(7,745)

	31 December 2020							
	Principal				Expected credit loss			
	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit impaired)	Total	–Stage 1 (12-month ECL)	–Stage 2 (Lifetime ECL-not credit-impaired)	–Stage 3 (Lifetime ECL-credit impaired)	Total
Balances with central banks	525,118	–	–	525,118	–	–	–	–
Balances with banks and other financial institutions	103,437	–	11	103,448	(266)	–	(11)	(277)
Placements with banks and other financial institutions	225,411	1,105	–	226,516	(345)	(31)	–	(376)
Amounts held under resale agreements	286,739	–	140	286,879	(603)	–	(140)	(743)
Debt investments at FVTOCI	510,011	14	282	510,307	(2,915)	–	(1,099)	(4,014)

Note: The balances disclosed above do not include interest receivable.

41. Risk management *(continued)*

(b) Market risk

Market risk refers to the risk of loss due to changes in observable market factors such as interest rates, exchange rates, commodity prices and stock prices, resulting in changes in the fair value or future cash flows of the Group's financial instruments. Interest rate and foreign exchange rate are the two major market risk factors relevant to the Group. The Group is exposed to market risk through the financial instruments under the trading book and banking book. The financial instruments and positions under the trading book are held for trading purposes or for the purposes of hedging the risks arising from the trading book position, and these financial instruments can be traded without any restriction. The financial instruments under the banking book are assets and liabilities held by the Group for determinable return with relative stable market value or for the purposes of hedging the risks, which include both the Group's on-balance sheet and off-balance sheet exposure.

(i) Interest rate risk

Interest rate risk arises from unfavourable changes in interest rates and maturity profiles which may result in loss to the income and decline in market value of financial instruments and positions held by the Group.

(1) Trading book

According to the basic principles of risk management, the Group has built and continuously improved the market risk management system, and established the management process of market risk identification, measurement, monitoring, control and reporting, covering interest rate risk, exchange rate risk, commodity and other risks involved in the trading book business. Under the market risk preference formulated by the board of directors, the Group manages the trading book by clearly identifying, accurately measuring and effectively managing the trading book market risk, to ensure that the trading book risk exposure is within an acceptable range and achieve a reasonable balance of risk and return. The Group constantly improves the risk-adjusted return level to maximise the shareholders' value.

The trading book market risk governance organisation structure defines the responsibilities, division of labour and reporting lines of the board of directors, Risk and Capital Management Committee under the board of directors, senior management and relevant departments of the Bank, and safeguard the achievement of management objectives. The Market Risk Management Department is responsible for the Group's trading book market risk, and undertakes the task of risk policy formulation and management.

According to the business practices and market risk governance organisation structure, the Group establishes the trading book market risk limits management system. A top level limit is set based on the risk appetite determined by the board of directors, and is transmitted from top to bottom level by level. Within the scope of their authorisation, management departments at all levels allocate and set limits according to risk characteristics, product types and trading strategies, etc. The business departments carry out the business according to the authorisation and limits requirements, and the supervisory and administrative departments at all levels continuously monitor and report according to the limits management regulations.

The trading book market risk management adopts the scale index, stop loss index, sensitivity index, value at risk index, stress test index and other risk measurement indexes as the limits index, and sets the limit value by comprehensively considering the risk appetite, risk tolerance, business operation strategy, risk return, management conditions and other factors.

The Group uses valuation, sensitivity analysis, value-at-risk analysis, stress test and other measurement methods to identify and quantify risk factors in the interest rate market. The Group applies the market risk measurement model in its daily risk management and takes market risk measurement as the basis for business planning, resource allocation, financial market business operation and risk management.

41. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk *(continued)*

(2) Banking book

The Group has established the governance and management framework according to the interest rate risk management policy for the banking book, which specifies the roles, responsibilities and reporting lines of the board of directors, senior management, designated committees and relevant departments to ensure the effectiveness of interest rate risk management. Interest rate risk of the banking book is centrally managed by the Asset and Liability Management Department. Internal Audit Department is responsible for auditing.

The Group has mainly adopted scenario simulation analysis, re-pricing exposure analysis, duration analysis and stress testing for the measurement and analysis of interest rate risk under the banking book. Stress test is a form of scenario simulation used to assess the changes in net interest income at risk and economic value of equity indicators when there is an extreme fluctuation in interest rates. The Group conducts stress test on interest rate risk of banking book on a monthly basis. The results of stress test for the six months ended 30 June 2021 showed that the interest rate risk of banking book of the Bank was generally stable with various indicators staying within the set limits.

The preference of the Group in respect of the interest rate risk in the banking book is neutrally prudent. Based on the risk measurement and monitoring results, the Group will propose the corresponding risk management policy at the regular meetings and through the reporting mechanism of the Assets and Liabilities Management Committee. Assets and Liabilities Management Department is responsible for its implementation. The key measures for risk management include the adjustment in business volume, duration structure and interest rate structure of on-balance sheet asset and liability business and the utilisation of off-balance sheet derivative to offset risk exposure.

The Group measures and monitors interest rate risk of banking book through the asset and liability management system. Major models and parameter assumptions used in the measurement are verified independently by the Risk Management Department before official use and reviewed and verified regularly after official use.

Major developed economies are actively promoting benchmark interest rate reforms, mainly including the use of risk-free rates generated by real transactions to completely replace IBOR. The Group is paying close attention to the reform of new benchmark interest rate and the developments of its peers, and actively carries out preparations work.

41. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk *(continued)*

(3) The following tables indicate the expected next repricing dates (or maturity dates whichever are earlier) for assets and liabilities at the end of the reporting period.

	30 June 2021					
	Total	3 months or less (include overdue)	Over 3 months to 1 year	Over1 year to 5 years	Over 5 years	Non-interest bearing
Assets						
Cash and balances with central banks	570,059	558,207	–	–	–	11,852
Amounts due from banks and other financial institutions	709,328	625,668	80,910	2,411	339	–
Loans and advances to customers (note (i))	5,144,739	1,744,662	2,943,384	385,079	71,614	–
Investments (including derivatives)	2,142,025	332,687	291,793	838,338	622,013	57,194
Other assets (note (ii))	319,735	–	–	–	–	319,735
Total assets	8,885,886	3,261,224	3,316,087	1,225,828	693,966	388,781
Liabilities						
Amounts due to central bank, banks and other financial institutions	1,354,718	987,550	359,599	5,279	2,290	–
Deposits from customers	5,980,165	4,617,813	707,750	650,778	380	3,444
Financial liabilities at FVTPL (including derivatives)	109,988	519	4,629	8,349	131	96,360
Lease liabilities	13,748	1,111	2,851	8,189	1,597	–
Debt securities issued	424,120	66,273	203,753	144,116	9,978	–
Other liabilities (note (ii))	241,579	319	–	–	2	241,258
Total liabilities	8,124,318	5,673,585	1,278,582	816,711	14,378	341,062
Asset-liability gap	761,568	(2,412,361)	2,037,505	409,117	679,588	47,719

	31 December 2020					
	Total	3 months or less (include overdue)	Over 3 months to 1 year	Over1 year to 5 years	Over 5 years	Non-interest bearing
Assets						
Cash and balances with central banks	538,206	525,118	–	–	–	13,088
Amounts due from banks and other financial institutions	615,447	524,010	87,213	3,840	384	–
Loans and advances to customers (note (i))	4,794,929	1,861,076	2,496,358	365,524	71,971	–
Investments (including derivatives)	2,094,710	351,146	369,495	781,707	524,737	67,625
Other assets (note (ii))	318,156	–	–	–	–	318,156
Total assets	8,361,448	3,261,350	2,953,066	1,151,071	597,092	398,869
Liabilities						
Amounts due to central bank, banks and other financial institutions	1,335,373	952,312	351,961	14,152	3,619	13,329
Deposits from customers	5,628,336	4,387,216	599,077	638,419	292	3,332
Financial liabilities at FVTPL (including derivatives)	110,412	460	6,336	8,367	130	95,119
Lease liabilities	14,242	1,015	2,805	8,577	1,845	–
Debt securities issued	344,156	110,389	105,553	120,655	7,559	–
Other liabilities (note (ii))	198,575	763	15	–	4	197,793
Total liabilities	7,631,094	5,452,155	1,065,747	790,170	13,449	309,573
Asset-liability gap	730,354	(2,190,805)	1,887,319	360,901	583,643	89,296

41. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk *(continued)*

(3) The following tables indicate the expected next repricing dates (or maturity dates whichever are earlier) for assets and liabilities at the end of the reporting period. *(continued)*

Notes:

(i) For loans and advances to customers, the "3 months or less" category includes overdue amounts as at 30 June 2021 and 31 December 2020, net of allowances for impairment losses. Overdue amounts represent loans of which the whole or part of the principals or interests were overdue.

(ii) Interest receivable and interest payable of financial instruments are included in "other assets" and "other liabilities" respectively.

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income and equity. The following table sets forth the results of the Group's interest rate sensitivity analysis on the assets and liabilities as at 30 June 2021 and 31 December 2020.

	30 June 2021		31 December 2020	
Change in interest rates (in basis points)	**25**	**(25)**	25	(25)
(Decrease)/increase in annualised net interest income	**(3,573)**	**3,573**	(3,266)	3,266
(Decrease)/increase in equity	**(3,132)**	**3,463**	(3,671)	3,700

The above-mentioned interest rate sensitivity analysis shows the changes in net interest income and equity in the next 12 months under the assumption of changes in interest rates in the above table. As the actual situation and assumptions may be different, the actual changes in the Group's net interest income and equity caused by the increase or decrease in interest rates may be different from the results of this sensitivity analysis.

(ii) Foreign exchange risk

Foreign exchange risk arises from the holding of foreign currency assets, liabilities and equity items, and the foreign currency and foreign currency derivative positions, which expose the Group to potential losses in the event of unfavourable foreign exchange rate movement. The financial assets and liabilities of the Group are denominated in RMB, and the other currencies are mainly in USD and HKD. The Group operates the principle of segregation of policy setting, execution and supervision, and establishes a foreign currency risk management governance structure. This structure specifies the roles, responsibilities and reporting lines of the board of directors, the board of supervisors, senior management, designated committees and relevant departments of the Bank in the management of foreign exchange risk. The Group is prudent in its foreign exchange risk appetite, and would not voluntarily take foreign exchange risk, which suits the current development of the Group. The current foreign exchange risk management policies and procedures of the Group meet the regulatory requirements and the requirements of the Group.

(1) Trading book

The Group has established a market risk structure and system of the trading book, which covers exchange rate risk, to quantify the exchange rate risk of the trading book to facilitate centralised management. The structure, process and method of exchange rate risk of trading book are consistent with that of the interest rate risk of trading book.

The Group adopts quantitative indicators such as exposure indicator, market value at risk indicator (VaR, covers interest rate, foreign exchange rate, and commodity risk factors), exchange rate scenario stress test loss index, exchange rate sensitivity index, cumulative loss index in its management of foreign exchange risk. The management methods include delegation, setting limits, daily monitoring and continuous reporting, etc.

41. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Foreign exchange risk *(continued)*

(2) Banking book

The Group's foreign exchange risk under the banking book is centrally managed by the Head Office. The Asset and Liability Management Department, as the treasurer of the Bank is in charge of the banking book foreign exchange risk management. The Internal Audit Department is responsible for auditing this. The treasurer is responsible to manage the foreign exchange risk under the banking book with a prudent approach and compliance with the regulatory requirements, and manages the foreign exchange risk through approaches such as transaction limits and adjustment of plans.

The banking book foreign exchange risk of the Group arises from the mismatch of the non-RMB financial assets and liabilities. The Group stringently monitors its foreign exchange risk exposures to control it within an acceptable range.

The Group has adopted foreign exchange exposure analysis, scenario simulation analysis and stress testing for the measurement and analysis of foreign exchange risk. The Group regularly measures and analyses the foreign exchange risk exposure fluctuations, monitors and reports foreign exchange risk on a monthly basis under the limit control framework, and adjusts the foreign exchange exposures based on the trend of foreign exchange rate movements to mitigate the foreign exchange risk on its banking book.

The Group continues to strengthen banking book exchange rate risk monitoring and authorisation management of limits to ensure that risks are controlled within a reasonable range.

(c) Liquidity risk

Liquidity risk is the risk that the Group is not able to obtain sufficient funds at a reasonable cost and in a timely manner to deal with the appreciation of asset growth, to meet its maturity obligations, or to perform other payment obligations.

According to the liquidity risk management policy, the Group operates the principle of segregation of policy setting, execution and supervising, and puts in place a governance framework which defines the roles, responsibilities and reporting lines of the board of directors, the board of supervisors, senior management, designated committees and relevant departments to ensure the effectiveness of the liquidity risk management. The board of directors takes the ultimate responsibility for liquidity risk management, ensures the Group can effectively identify, measure, monitor and control liquidity risk and is responsible for determining liquidity risk level which the Group can tolerate. The Risk and Capital Management Committee under the board of directors discharges responsibilities in liquidity risk management on behalf of the board of directors. The board of supervisors is responsible for the supervision and evaluation of the performance of the board of directors and senior management in the liquidity risk management and reports to the general meeting of shareholders. The senior management is responsible for the liquidity risk management work and develops a timely understanding of changes in liquidity risks, and reports the same to the board of directors. Assets and Liabilities Committee (ALCO), under the authority of the senior management, exercises the corresponding liquidity risk management functions. The Assets and Liabilities Management Department of the Head Office is a day-to-day working body of ALCO, and is responsible for various concrete management work including formulating policies and procedures relating to liquidity risk management and conducting qualitative and quantitative analysis of liquidity risk. The Internal Audit Department of the Head Office conducts comprehensive audit on the Group's liquidity risk management.

The Group is prudent in managing its liquidity risk, which suits its current development stage. The Group's existing liquidity risk management policies and systems meet regulatory requirements and its own management needs.

The Group's liquidity risk management is coordinated by Head Office with branches acting in concert. The Asset and Liability Management Department acting as the treasurer of the Group is in charge of daily liquidity risk management. The treasurer is responsible for managing liquidity on a prudent basis under regulatory requirements, and conducting centralised liquidity management through limits management, budget control, initiative debt management as well as internal fund transfer pricing.

The Group measures, monitors and identifies liquidity risk by short-term reserves as well as duration structures and contingencies. It monitors the limit indicators closely at fixed intervals. Specifically, the Group uses information sourced from Wind, Refinitiv and other systems as its external liquidity indicators, and uses self-developed liquidity risk management system to measure its internal liquidity indicators and cash flow statements positions.

41. Risk management *(continued)*

(c) Liquidity risk *(continued)*

The Group regularly conducts stress testing to assess its liquidity demand under extreme circumstances. Except for the annual stress testing required by the regulatory authorities, the Group conducts monthly stress testing on the liquidity risk of local and foreign currencies. The Group sets up liquidity contingency plans and conducts liquidity contingency drills to strengthen its capability to handle any liquidity crisis.

Analysis of the Group's assets and liabilities by contractual remaining maturity is as follows:

	30 June 2021								
	Repayable on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	Over 5 years	Indefinite	Overdue	Total
Cash and balances with central banks (note (i))	50,119	–	–	–	–	–	519,940	–	570,059
Amounts due from banks and other financial institutions	89,510	486,653	48,939	81,665	2,222	339	–	–	709,328
Loans and advances to customers	–	509,999	329,062	1,343,894	1,375,211	1,573,558	318	12,697	5,144,739
Investments (note (ii))									
– Financial assets at FVTPL (including derivatives)	2,014	228,325	19,414	121,769	115,861	18,763	320	–	506,466
– Debt investments at amortised cost	–	5,021	25,663	114,604	444,915	479,618	–	157	1,069,978
– Debt investments at FVTOCI	–	12,607	17,283	69,363	330,920	128,377	–	–	558,550
– Equity investments designated at FVTOCI	–	–	–	–	–	–	7,031	–	7,031
Other assets (note (iv))	54,160	13,226	13,626	11,433	12,658	5,348	205,850	3,434	319,735
Total assets	195,803	1,255,831	453,987	1,742,728	2,281,787	2,206,003	733,459	16,288	8,885,886
Amounts due to central bank,banks and other financial institutions	605,355	203,685	167,659	361,994	12,838	3,187	–	–	1,354,718
Deposits from customers (note (iii))	4,052,844	267,824	290,490	712,119	655,844	1,044	–	–	5,980,165
Financial liabilities at FVTPL (including derivatives)	12,235	21,376	9,957	18,913	18,970	28,537	–	–	109,988
Lease liabilities	–	462	649	2,851	8,189	1,597	–	–	13,748
Debt securities issued	–	27,724	26,620	203,753	156,045	9,978	–	–	424,120
Other liabilities (note (iv))	152,772	31,458	17,428	29,077	8,988	1,856	–	–	241,579
Total liabilities	4,823,206	552,529	512,803	1,328,707	860,874	46,199	–	–	8,124,318
(Short)/long position	(4,627,403)	703,302	(58,816)	414,021	1,420,913	2,159,804	733,459	16,288	761,568

41. Risk management *(continued)*

(c) Liquidity risk *(continued)*

Analysis of the Group's assets and liabilities by contractual remaining maturity is as follows: *(continued)*

	31 December 2020								
	Repayable on demand	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	Over 5 years	Indefinite	Overdue	Total
Cash and balances with central banks (note (i))	37,496	–	–	–	–	–	500,710	–	538,206
Amounts due from banks and other financial institutions	91,085	369,355	62,201	88,213	4,169	384	–	40	615,447
Loans and advances to customers	–	488,169	311,334	1,201,347	1,298,866	1,469,890	12,178	13,145	4,794,929
Investments (note (ii))									
– Investments at FVTPL (including derivatives)	5,409	173,666	63,803	203,872	77,242	18,432	571	–	542,995
– Debt investments at amortised cost	–	2,270	31,937	110,511	467,217	420,686	–	1,648	1,034,269
– Debt investments at FVTOCI	–	7,103	39,717	68,911	297,986	96,590	–	–	510,307
– Equity investments designated at FVTOCI	–	–	–	–	–	–	7,139	–	7,139
Other assets (note (iv))	70,325	6,035	9,720	7,170	25,806	5,824	190,006	3,270	318,156
Total assets	204,315	1,046,598	518,712	1,680,024	2,171,286	2,011,806	710,604	18,103	8,361,448
Amounts due to central bank, banks and other financial institutions	542,955	251,299	171,884	351,464	14,152	3,619	–	–	1,335,373
Deposits from customers (note (iii))	3,704,751	326,452	354,084	600,093	642,047	909	–	–	5,628,336
Financial liabilities at FVTPL (including derivatives)	14,264	8,777	10,745	32,994	20,374	23,258	–	–	110,412
Lease liabilities	–	527	488	2,805	8,577	1,845	–	–	14,242
Debt securities issued	–	61,167	45,304	105,552	124,574	7,559	–	–	344,156
Other liabilities (note (iv))	99,351	48,613	15,632	25,081	8,895	632	371	–	198,575
Total liabilities	4,361,321	696,835	598,137	1,117,989	818,619	37,822	371	–	7,631,094
(Short)/long position	(4,157,006)	349,763	(79,425)	562,035	1,352,667	1,973,984	710,233	18,103	730,354

Notes:

(i) For cash and balances with central banks, the amounts with indefinite maturities represent statutory deposit reserves and fiscal deposit balances.

(ii) Investments at FVTPL included in investments do not represent the Group's intention to hold them to maturity.

(iii) Deposits from customers that are repayable on demand include matured time deposits which are pending for customers' instructions.

(iv) Interest receivable and interest payable of financial instruments are included in "other assets" and "other liabilities" respectively.

(d) Operational risk

Operational risk arises from the direct and indirect loss due to deficiency in internal procedures, staffing or IT structure, as well as external events which have effect on operation, including legal risk but not strategy risk and reputation risk.

During the reporting period, through stepping up the identification, evaluation and monitoring of operational risk in key areas, and by focusing on process, policy, employee system, and existing problems of critical control segments, the Group further improves the risk management framework and method, appraisal and assessment mechanism, and strengthens economic capital allocation mechanism with the goal of enhancing the ability and effectiveness of operational risk's management of the Group. All major indexes meet the requirements of the Group's risk preference.

In view of the challenges from internal and external operations and management, the Group will, based on its risk appetite, continue to upgrade its risk management capabilities and strengthen operational risk monitoring and controls, in order to prevent and reduce operational risk losses.

41. Risk management *(continued)*

(e) Capital management

The objectives of the Group's capital management are to:

- Keep capital adequacy ratios at reasonable levels, satisfy capital-specific regulatory provisions and policy requirements on an ongoing basis, and maintain a solid capital base to support its business expansion, social responsibility and strategic planning implementation to achieve a comprehensive,coordinated and sustainable growth;
- Comply with capital regulatory requirements, perform procedures to assess internal capital adequacy, openly disclose information related to capital management, fully cover all risks and ensure safe operation of the entire group;
- Put in place an economic capital-centred banking value management system by fully applying various risk-specific quantitative deliverables, enhance decision-making processes and management application regimes, strengthen capital restraint and capital incentive mechanisms, reinforce capabilities to facilitate customer pricing and decision-making, and increase capital deployment efficiency;
- Reasonably use all kinds of capital instruments, continue to upgrade capital strengths, improve capital structures, raise capital quality, lower capital costs, and create the best returns to shareholders.

The Group manages its capital structure and adjusts it based on the economic condition and the risk characteristics of its operations. To maintain or adjust its capital structure, the Group may modify its profit distribution policy, issue or repurchase shares, additional tier-1 capital instruments, eligible tier-2 capital instruments, and convertible debentures. The Group's management regularly monitors capital adequacy ratio under an approach stipulated by the CBIRC. The Group and the Bank submit required information to the CBIRC every quarter.

The Group's capital adequacy ratio calculation covers the Bank and its subsidiaries. The Bank's capital adequacy ratio calculation covers all branches of the Bank. As at 30 June 2021, the Group's subsidiaries that were within the scope in respect of capital adequacy ratio calculation included: CMB WLB, CMBICHC, CMBFLC, CMFM, CMBWM, CIGNA & CMAM and CMB Europe S.A.

Since 1 January 2013, the Group has calculated its capital adequacy ratio in accordance with the CBIRC's Administrative Measures on the Capital of Commercial Banks (Provisional) and other relevant regulations. On 18 April 2014, the CBIRC approved the Bank to adopt the Advanced Measurement Approach. Within the approved scope, the Bank could calculate corporation and financial institutions risk exposure using the Foundation Internal Ratings-Based Approach, retail risk exposure using the Advanced Internal Ratings-Based Approach, market risk using the Internal Model-Based Approach, and operational risk using the Standardised Measurement Approach. At the same time, the CBIRC implemented a transition period for approved commercial banks to use the Advanced Measurement Approach to calculate capital. During the transition period, commercial banks should use both the Advanced Measurement Approach and other approaches to calculate capital adequacy ratios, and comply with the floor capital requirements.

The Group's capital management focuses on the capital adequacy ratio management. The capital adequacy ratio reflects the Group's capability of sound operations and risk resistance. The Group's capital adequacy ratio management's objective is to carefully determine capital adequacy ratio, as legally required by regulators, according to actual risk profiles and with reference to capital adequacy ratio levels of globally leading market peers and the Group's operating conditions.

The Group adopts the scenario simulation and stress testing methods to forecast, plan and manage its capital adequacy ratio with considerations of factors such as strategic development planning, business expansion status, and risk movement trends.

(f) Use of derivatives

Derivatives include forwards, swaps and option transactions undertaken by the Group in the foreign exchange and interest rate markets.

The Group enters into interest rate, foreign currency and other financial derivative transactions for treasury business and its assets and liabilities management purpose. The Group's derivatives can be divided into financial instruments that are held for cash flow hedging purpose and that are designated at fair value through profit or loss.

The Group formulates appropriate hedging strategies and uses proper tools in light of the risk profile of interest rates or foreign exchange rates associated with its assets and liabilities, as well as its analysis and judgement regarding future movements of interest rates or foreign exchange rates.

41. Risk management *(continued)*

(f) Use of derivatives *(continued)*

The Group is exposed to foreign exchange risk when assets or liabilities are denominated in foreign currencies. Such risk can be offset through the use of foreign exchange forwards or foreign exchange options.

In cash flow hedges, the Group uses interest rate swaps as hedging instruments to hedge the interest rate risks arising from RMB loans and interbank assets portfolios.

The following tables provide an analysis of the notional amounts and the corresponding fair values of derivatives of the Group by remaining maturities at the end of the reporting period. The notional amounts of the derivatives indicate the transaction volume that has not been delivered at the end of the reporting period, and do not represent the amounts at risk.

	30 June 2021						
	Notional amounts with remaining life					Fair value	
	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Assets	Liabilities
Derivatives at fair value through profit or loss							
Interest rate derivatives							
Interest rate swaps	408,388	1,226,497	1,326,148	10,394	2,971,427	9,374	(9,156)
Bond futures	397	–	–	–	397	–	–
Bond options	2,477	6,151	–	–	8,628	1	(2)
Subtotal	411,262	1,232,648	1,326,148	10,394	2,980,452	9,375	(9,158)
Currency derivatives							
Forwards	64,057	15,147	1,925	899	82,028	1,385	(880)
Foreign exchange swaps	490,940	469,463	21,895	864	983,162	11,870	(12,524)
Futures	83	497	–	–	580	–	–
Options	142,274	164,934	10,425	369	318,002	5,775	(12,106)
Subtotal	697,354	650,041	34,245	2,132	1,383,772	19,030	(25,510)
Other derivatives							
Equity swaps	–	277	265	–	542	–	(277)
Equity options purchased	2,665	78,898	–	–	81,563	968	–
Equity options written	2,665	78,898	–	–	81,563	–	(925)
Commodity trading swaps	10,576	5,112	–	–	15,688	2,287	(1,399)
Credit default swaps	–	–	323	–	323	–	(10)
Subtotal	15,906	163,185	588	–	179,679	3,255	(2,611)
Cash flow hedge derivatives							
Interest rate derivatives							
Interest rate swaps	–	–	2,296	1,404	3,700	27	(8)
Derivatives managed in conjunction with financial instruments designated at FVTPL							
Interest rate derivatives							
Interest rate swaps	388	1,060	350	–	1,798	–	(28)
Currency derivatives							
Foreign exchange swaps	–	694	73	–	767	3	–
Subtotal	388	1,754	423	–	2,565	3	(28)
Total						31,690	(37,315)

41. Risk management *(continued)*

(f) Use of derivatives *(continued)*

	31 December 2020						
	Notional amounts with remaining life					Fair value	
	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Assets	Liabilities
Derivatives at fair value through profit or loss							
Interest rate derivatives							
Interest rate swaps	561,522	1,223,977	1,499,110	2,913	3,287,522	12,559	(12,318)
Bond forwards	–	–	65	–	65	6	(3)
Bond futures	89	9	–	–	98	–	–
Bond options	220	8,410	–	–	8,630	3	(6)
Subtotal	561,831	1,232,396	1,499,175	2,913	3,296,315	12,568	(12,327)
Currency derivatives							
Forwards	58,155	31,280	1,452	2,703	93,590	1,691	(1,461)
Foreign exchange swaps	440,943	477,298	12,789	867	931,897	20,063	(20,136)
Futures	17	706	–	–	723	–	–
Options	130,903	104,921	3,068	–	238,892	11,344	(14,623)
Subtotal	630,018	614,205	17,309	3,570	1,265,102	33,098	(36,220)
Other derivatives							
Equity options purchased	488	67,353	–	–	67,841	490	–
Equity options written	488	67,353	–	–	67,841	–	(464)
Commodity trading swaps	4,948	3,929	631	–	9,508	1,048	(987)
Subtotal	5,924	138,635	631	–	145,190	1,538	(1,451)
Cash flow hedge derivatives							
Interest rate derivatives							
Interest rate swaps	32	1,030	2,871	819	4,752	–	(15)
Derivatives managed in conjunction with financial instruments designated at FVTPL							
Interest rate derivatives							
Interest rate swaps	471	909	1,358	–	2,738	–	(47)
Currency derivatives							
Foreign exchange swaps	–	1,499	74	–	1,573	68	(1)
Subtotal	471	2,408	1,432	–	4,311	68	(48)
Total						47,272	(50,061)

There was no ineffective portion of cash flow hedges during the six months ended 30 June 2021 and 2020.

41. Risk management *(continued)*

(f) Use of derivatives *(continued)*

The credit risk weighted amounts in respect of these derivatives are as follows:

	30 June 2021	31 December 2020
Default risk weighted assets of counterparties		
Interest rate derivatives	**222**	266
Currency derivatives	**3,939**	5,574
Other derivatives	**4,717**	3,804
Credit valuation adjustment risk weighted assets	**4,409**	6,011
Total	**13,287**	15,655

Note: Since 2019, the Group has calculated the exposure of derivatives according to the Notice of the Measures on Default Risk Weighted Assets of Counterparties in Respect of Derivatives and the related requirements issued by the CBIRC. These amounts have taken the effects of bilateral netting arrangements into account. The risk weighted amounts in respect of derivatives are calculated in accordance with the Administrative Measures on Capital of Commercial Banks (Provisional) issued by the CBIRC. The amount within the scope approved by the CBIRC in April 2014 are calculated using the Internal Ratings-Based Approach, and the Weighted Approach is adopted to calculate those that are not eligible for the Internal Ratings-Based approach.

(g) Fair value information

(i) Methods of determining fair value of financial instruments

A number of the Group's accounting policies and disclosure requirements stipulate the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has established a control framework to govern the measurement of fair values. This includes a valuation team that takes the responsibility for overseeing all significant fair value measurements including the three levels of fair values, and reports directly to the person in charge of accounting affairs.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to determine fair value, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuation meets the requirements of IFRSs, including the classification of levels in the fair value hierarchy.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques.

The following table presents the fair value information and the fair value hierarchy, at the end of the current interim reporting period, of the Group's assets and liabilities which are measured at fair value on a recurring basis at each reporting date. The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level of input that is significant to the entire fair value measurement. The levels are defined as follows:

– Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

– Level 2 inputs: other than quoted prices included in level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities inputs;

– Level 3 inputs: inputs that are unobservable for assets or liabilities.

The Group recognises transfers among levels of the fair value hierarchy when they occur.

The Group's assets and liabilities measured at fair value are measured on a recurring basis. The Group does not have assets nor liabilities measured at fair value on a non-recurring basis.

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis

The tables below analyse financial instruments, measured at fair value at the end of the reporting period, by the levels in the fair value hierarchy:

	30 June 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Investments measured at FVTPL				
– Debt securities	22,803	123,013	366	146,182
– Long position in precious metal contracts	203	–	–	203
– Equity investments	938	71	3,125	4,134
– Investments in funds	149	155,674	589	156,412
– Wealth management products	–	2,125	–	2,125
– Non-standard assets – Bills	–	134,506	–	134,506
– Others	–	1,214	–	1,214
Subtotal	24,093	416,603	4,080	444,776
Investments designated at FVTPL				
– Debt securities	1,735	28,265	–	30,000
Derivative financial assets	–	31,690	–	31,690
Loans and advances to customers at FVTPL	–	–	6,954	6,954
Debt investments at FVTOCI	114,700	450,965	–	565,665
Loans and advances to customers at FVTOCI	–	426,180	42,244	468,424
Equity investments designated at FVTOCI	2,393	–	4,638	7,031
Total	142,921	1,353,703	57,916	1,554,540
Liabilities				
Financial liabilities held for trading				
– Financial liabilities related to precious metal	17,216	–	–	17,216
– Short position on bonds	131	846	–	977
Subtotal	17,347	846	–	18,193
Financial liabilities designated at FVTPL				
– Placement of precious metal from financial institutions	10,200	–	–	10,200
– Certificates of deposit issued	–	593	–	593
– Debt securities issued	10,575	–	–	10,575
– Others	–	26,035	7,077	33,112
Subtotal	20,775	26,628	7,077	54,480
Derivative financial liabilities	–	37,315	–	37,315
Total	38,122	64,789	7,077	109,988

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

The tables below analyse financial instruments, measured at fair value at the end of the reporting period, by the levels in the fair value hierarchy: *(continued)*

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Investments measured at FVTPL				
– Debt securities	24,267	121,780	456	146,503
– Long position in precious metal contracts	96	–	–	96
– Equity investments	836	836	1,738	3,410
– Investments in funds	84	136,229	519	136,832
– Wealth management products	–	1,259	–	1,259
– Non-standard assets – Bills	–	175,303	–	175,303
– Others	–	1,063	–	1,063
Subtotal	25,283	436,470	2,713	464,466
Investments designated at FVTPL				
– Debt securities	2,618	28,625	14	31,257
Derivative financial assets	–	47,272	–	47,272
Loans and advances to customers at FVTPL	–	–	6,856	6,856
Debt investments at FVTOCI	109,282	407,271	–	516,553
Loans and advances to customers at FVTOCI	–	331,070	44,289	375,359
Equity investments designated at FVTOCI	2,075	–	5,064	7,139
Total	139,258	1,250,708	58,936	1,448,902
Liabilities				
Financial liabilities held for trading				
– Financial liabilities related to precious metal	20,361	–	–	20,361
– Short position on bonds	130	499	–	629
Subtotal	20,491	499	–	20,990
Financial liabilities designated at FVTPL				
– Placement of precious metal from financial institutions	1,589	–	–	1,589
– Certificates of deposit issued	–	605	–	605
– Debt securities issued	13,914	–	–	13,914
– Others	–	17,604	5,649	23,253
Subtotal	15,503	18,209	5,649	39,361
Derivative financial liabilities	–	50,061	–	50,061
Total	35,994	68,769	5,649	110,412

During the period, there were no significant transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy.

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(1) Basis of determining the market prices for recurring fair value measurements categorised as Level 1

Bloomberg etc. are used for financial instruments with quoted prices in an active market.

(2) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurement categorised as Level 2

Fair value of RMB denominated bonds whose value is available on China Bond website on the valuation date is measured using the latest available valuation results.

Fair value of foreign currency bonds without quoted prices in an active market, is measured by using the comprehensive valuations issued by Bloomberg, etc.

Fair value of foreign exchange forwards contracts in derivative financial assets is measured by discounting the differences between the contract prices and market future prices of the foreign exchange forwards contracts. The discount rates used are the applicable RMB denominated swap yield curve as at the end of the reporting period.

Fair value of option contracts such as foreign exchange options, commodity options and equity options is measured by using the Black-Scholes model, using market data such as risk-free interest rate, underlying market prices and price volatility of foreign exchange, commodities, and equity contract. The above market data used are quoted price in an active market, provided by Bloomberg, Refinitiv, Wind and other market information providers.

Fair value of interest rate swaps, foreign exchange swaps, and non-option commodity contracts in derivative financial assets is measured by discounting the expected receivable or payable amounts under the assumption that these swaps had been terminated at the end of reporting date. The discount rates used are the related currency denominated swap yield curve as at the end of reporting period.

Observable quoted price in market is used as the basis of determining the value of investment funds.

The fair value of loans and advances to customers at FVTOCI in Mainland China is measured based on the rate of rediscounted bills announced by the Shanghai Commercial Bill Exchange. The Group uses 10-day average discounted rate as the basis for calculating the value of discounted bills. The fair value of loans and advances to customers at FVTOCI outside Mainland China is measured by discounted cash flow approach. The discount rates used are determined by factors such as credit rating of the loan customer provided by S&P, Moody's or Fitch, customer industry, term to maturity of the loan, loan currency and the issuer credit spread.

The fair value of non-standard bills at FVTPL in Mainland China is measured based on the rate of rediscounted bills announced by the Shanghai Commercial Bill Exchange. The Group uses 10-day average discounted rate as the basis for calculating the value of discounted bills.

The fair value of certificates of deposit issued is measured by using the comprehensive valuations on Bloomberg.

The fair value of others under financial liabilities designated at FVTPL is measured based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised as Level 3

	Fair value as at 30 June 2021	Valuation techniques	Unobservable inputs
Equity investments designated at FVTOCI	289	Market approach	Liquidity discount
Equity investments designated at FVTOCI	4,349	Net asset value approach	Net assets, liquidity discount
Loans and advances to customers at FVTPL	6,954	Discounted cash flow approach	Cash flow, risk-adjusted discount rate, actual trading conditions-adjusted discount rate
Loans and advances to customers at FVTOCI	42,244	Discounted cash flow approach	Cash flow, risk-adjusted discount rate, actual trading conditions-adjusted discount rate
Investments measured at FVTPL			
– Debt securities	366	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Equity investments	3,125	Market approach	Liquidity discount
– Investments in funds	589	Market approach	Liquidity discount
Financial liabilities designated at FVTPL	152	Market approach	Liquidity discount
Financial liabilities designated at FVTPL	6,925	Net fund value approach	Net assets, liquidity discount

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised as Level 3 (continued)

	Fair value as at 31 December 2020	Valuation techniques	Unobservable inputs
Equity investments designated at FVTOCI	1,200	Market approach	Liquidity discount
Equity investments designated at FVTOCI	3,864	Net asset value approach	Net assets, liquidity discount
Loans and advances to customers at FVTPL	6,856	Discounted cash flow approach	Cash flow, risk-adjusted discount rate, actual trading conditions-adjusted discount rate
Loans and advances to customers at FVTOCI	44,289	Discounted cash flow approach	Cash flow, risk-adjusted discount rate, actual trading conditions-adjusted discount rate
Investments measured at FVTPL			
– Debt securities	456	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Equity investments	1,738	Market approach	Liquidity discount
– Investments in funds	519	Market approach	Liquidity discount
Investments designated at FVTPL	14	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
Financial liabilities designated at FVTPL	206	Market approach	Liquidity discount
Financial liabilities designated at FVTPL	5,443	Net fund value approach	Net assets, liquidity discount

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised as Level 3 (continued)

1) Valuation of financial instruments with significant unobservable inputs

The following tables show the movements from the beginning balances to the ending balances for Level 3 financial instruments:

Assets	Investments at FVTPL	Loans and advances to customers at FVTPL	Loans and advances to customers at FVTOCI	Equity investments designated at FVTOCI	Total
At 1 January 2021	2,727	6,856	44,289	5,064	58,936
Profit or loss					
– In profit or loss	343	(31)	652	–	964
– In other comprehensive income	–	–	63	1,206	1,269
Addition for the period	1,250	143	54,985	685	57,063
Disposals or settlement on maturity	(169)	(13)	(57,745)	(2,217)	(60,144)
Exchange difference	(71)	(1)	–	(100)	(172)
At 30 June 2021	4,080	6,954	42,244	4,638	57,916
Total unrealised gains and losses included in the unaudited consolidated statement of profit or loss for assets held at the end of the reporting period	343	(31)	–	–	312

Assets	Investments at FVTPL	Loans and advances to customers at FVTPL	Loans and advances to customers at FVTOCI	Equity investments designated at FVTOCI	Total
At 1 January 2020	2,968	5,779	30,346	3,748	42,841
Profit or loss					
– In profit or loss	454	296	1,210	–	1,960
– In other comprehensive income	–	–	20	1,469	1,489
Addition for the year	539	796	86,003	82	87,420
Disposals or settlement on maturity	(1,106)	–	(73,290)	–	(74,396)
Exchange difference	(128)	(15)	–	(235)	(378)
At 31 December 2020	2,727	6,856	44,289	5,064	58,936
Total unrealised gains and losses included in the unaudited consolidated statement of profit or loss for assets held at the end of the reporting period	454	296	–	–	750

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised as Level 3 (continued)

1) Valuation of financial instruments with significant unobservable inputs (continued)

Financial liabilities at fair value through profit or loss	2021	2020
Balance as at 1 January	**5,649**	3,105
In profit or loss	**423**	402
Addition for the year	**1,169**	2,686
Disposals and settlement on maturity	**(77)**	(453)
Exchange difference	**(87)**	(91)
Balance as at 30 June 2021/31 December 2020	**7,077**	5,649
Total unrealised gains and losses included in the unaudited consolidated statement of profit or loss for liabilities held at the end of the reporting period	**423**	390

2) Transfers among different levels occurred during the reporting period, the reasons for theses transfers and the principle of determining the dates of transfers for financial instruments measured at fair value on recurring basis

During the six months ended 30 June 2021 and the 2020, there were no significant transfers among different levels for financial instruments which are measured at fair value on recurring basis.

3) Changes in valuation techniques and the reasons for the changes

During the six months ended 30 June 2021 and the 2020, the Group did not change the valuation techniques for the financial assets and liabilities disclosed above which are measured at fair value on recurring basis.

41. Risk management *(continued)*

(g) Fair value information *(continued)*

(iii) Financial assets and financial liabilities that are not measured at fair value

(1) Financial Assets

The Group's financial assets that are not measured at fair value mainly include balances with central banks, balances and placements with banks and other financial institutions, amounts held under resale agreements, loans and advances to customers at amortised cost and investments at amortised cost.

Except for loans and advances measured at amortised cost and debt instrument investments measured at amortised cost, most of the financial assets mature within 1 year, and their carrying values approximate to their fair values. Loans and advances are stated at amortised costs less allowances for impairment loss (Note 16). Loans and advances at amortised cost are mostly priced at floating rates with reference to the PBOC benchmark interest rate or Loan Prime Rates (LPRs) and repriced at least annually, and impairment allowances are made to reduce the carrying amounts of impaired loans to estimated recoverable amounts. Accordingly, the carrying value of loans and advances is close to their fair value.

Debt investments measured at amortised cost are carried at amortised cost less allowances for impairment losses. The fair value of the listed investments is disclosed in Note 17(b).

The carrying value, fair value and fair value hierarchy of debt investments at amortised cost not measured at fair value are listed as below：

The Level 1 fair value measurement is based on unadjusted quoted prices in active markets using Bloomberg etc. For Level 2, the latest valuation results released by China Bond website are used to measure fair value of bonds denominated in RMB. The Level 2 category also includes foreign currency bonds without active quoted price, which are measured using the published comprehensive valuation by Bloomberg. The Level 3 fair value is measured using discounted cash flow valuation technique.

	30 June 2021					31 December 2020				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Debt investments at amortised cost	1,069,978	1,092,788	4,289	969,086	119,413	1,034,269	1,049,374	3,387	914,025	131,962

(2) Financial Liabilities

Financial liabilities that are not measured at fair value mainly include deposits from customers, amounts due to banks and other financial institutions, amounts sold under repurchase agreements, and debts securities issued by the Group. The carrying value of financial liabilities approximate to their fair value at the end of the reporting period, except for the financial liabilities set out below:

	30 June 2021					31 December 2020				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Subordinated notes issued	34,264	35,208	–	35,208	–	34,302	35,243	–	35,243	–
Long-term debt securities issued	181,942	185,570	–	185,570	–	146,559	149,115	–	149,115	–
Total	216,206	220,778	–	220,778	–	180,861	184,358	–	184,358	–

42. Material related party transactions

(a) Material connected person information

Details of the Bank's major shareholders and their parent companies are as followed.

Company name	Registered location	Issued and fully paid capital	No. of shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
China Merchants Group (CMG)	Beijing	RMB16,900 million	7,559,427,375	29.97% (note (i)(viii))	–	Transportation, shipping agency, warehousing and storage, leasing, manufacturing building and facility, repair and contracting, sales operating management service, etc.	The largest shareholder's parent company	Limited liability	Miao Jianmin
China Merchants Steam Navigation Co., Ltd. (CMSNCL)	Beijing	RMB7,000 million	3,289,470,337	13.04% (note (ii))	–	Transportation, building and repair, procurement, supply chain management and distribution, shipping agency services, etc.	The largest shareholder	Limited liability	Miao Jianmin
Shenzhen Yan Qing Investment and Development Co., Ltd.	Shenzhen	RMB600 million	1,258,542,349	4.99%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Xu Xin
Shenzhen Chu Yuan Investment and Development Co., Ltd.	Shenzhen	RMB600 million	944,013,171	3.74%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Xu Xin
China Merchants Finance Investment Holdings Co., Ltd.	Shenzhen	RMB778 million	1,147,377,415	4.55%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Hong Xiaoyuan
Best Winner Investment Co., Ltd.	British Virgin Islands	USD0.05 million	386,924,063	1.53%	–	–	Shareholder	Joint stock limited company	–
China Merchants Union (BVI) Ltd.	British Virgin Islands	USD0.06 million	477,903,500	1.89%	–	–	Shareholder	Limited liability	–
China Merchants Industry Development (Shenzhen) Co., Ltd.	Shenzhen	USD10 million	55,196,540	0.22%	–	Invest and set up industries, enterprise management consulting and investment consulting, etc.	Shareholder	Limited liability	Wang Xiaoding

42. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

Details of the Bank's major shareholders and their parent companies are as followed. *(continued)*

Company name	Registered location	Issued and fully paid capital	No. of shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
China COSCO Shipping Corporation Limited.	Beijing	RMB11,000 million	2,515,193,034	9.97% (note(iii))	–	International shipping business, supporting services to international shipping, imports and exports of goods and technology, international freight forwarding agent, etc.	Shareholder's parent company	Limited liability	Xu Lirong
China Ocean Shipping Co., Ltd.	Beijing	RMB16,191 million	1,574,729,111	6.24%	–	Transportation business, leasing business, ship purchasing and marketing business, warehousing business, etc.	Shareholder	Limited liability	Xu Lirong
COSCO Shipping (Guangzhou) Co., Ltd.	Guangzhou	RMB3,191 million	696,450,214	2.76%	–	Shipping business	Shareholder	Limited liability	Shou Jian
Guangzhou Haining Maritime Technology Service Co., Ltd.	Guangzhou	RMB2 million	103,552,616	0.41%	–	Business services	Shareholder	Limited liability	Huang Biao
COSCO Shipping (Shanghai) Co., Ltd.	Shanghai	RMB1,399 million	75,617,340	0.30%	–	Shipping business, leasing business, ship repairing and building etc.	Shareholder	Limited liability	Zhao Bangtao
COSCO Shipping Investment Holdings Co., Ltd.	Hong Kong	HKD500 million	54,721,930	0.22%	–	Leasing business, financing business, insurance business etc.	Shareholder	Limited liability	Wang Daxiong
Guangzhou Tri-Dynas Oil & Shipping Co., Ltd.	Guangzhou	RMB299 million	10,121,823	0.04%	–	Ship purchasing and marketing business, shipping agency, leasing business, shipping business etc.	Shareholder	Limited liability	Ren Zhaoping
China Insurance Security Fund Co., Ltd	Beijing	RMB100 million	976,132,435	3.87% (note(iv))	–	Investing and establishing insurance companies, supervising and managing various domestic and international businesses of holding investment enterprises, and investment business permitted by national laws and regulations, etc.	Shareholder's parent company	Limited liability	Yu Hua
Dajia Life Insurance Co., Ltd	Beijing	RMB30,790 million	976,132,435	3.87%	–	Life insurance, health insurance, accident insurance, and other personal insurance services, etc.	Shareholder	Joint stock limited company	He Xiaofeng

42. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

Details of the Bank's major shareholders and their parent companies are as followed. *(continued)*

Company name	Registered location	Issued and fully paid capital	No. of shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
China Communications Construction Group Limited	Beijing	RMB7,274 million	422,770,418	1.68% (note(v))	–	General contraction for construction	Shareholder's parent company	Limited liability	Wang Tongzhou
China Communications Construction Company Limited	Beijing	RMB16,175 million	301,089,738	1.19%	–	General contraction for construction, leasing and repair, technical consulting service, imports and exports, investment and management business	Shareholder	Joint stock limited company	Wang Tongzhou
Shanghai Automotive Industry Corporation (Group)	Shanghai	RMB21,599 million	310,125,822	1.23% (note(vi))	–	Production and sale of vehicles, asset management business, domestic trade business, consulting service	Shareholder's parent company	Limited liability	Chen Hong
SAIC Motor Corporation Limited	Shanghai	RMB11,683 million	310,125,822	1.23%	–	Production and sale of vehicles, consulting service, imports and exports	Shareholder	Joint stock limited company	Chen Hong
Hebei Port Group Co., Ltd.	Qin Huangdao	RMB8,000 million	296,291,627	1.17% (note(vii))	–	Port construction and investment management, port leasing and maintenance business, handling and warehousing business etc.	Shareholder	Limited liability	Cao Ziyu

Notes:

(i) CMG holds 29.97% of the Bank (31 December 2020: 29.97%) through its subsidiaries.

(ii) As the largest direct shareholder, CMSNCL, a subsidiary of CMG, holds 13.04% of the Bank as at 30 June 2021 (31 December 2020: 13.14%).

(iii) China COSCO Shipping Corporation Ltd. holds 9.97% of the Bank (31 December 2020: 9.97%) through its subsidiaries.

(iv) China Insurance Security Fund Co., Ltd ("China Insurance Security Fund") holds 3.87% of the Bank (2020: 4.11%) through its 98.23% holding in Dajia Insurance Group Co., Ltd.

(v) China Communications Construction Group Limited ("China Communications Construction Group") holds 1.68% of the Bank through its subsidiaries (31 December 2020: 1.68%).

(vi) Shanghai Automotive Industry Corporation (Group) ("Shanghai Automotive Industry Group") holds 1.23% of the Bank through its subsidiaries (SAIC Motor Corporation Limited) (31 December 2020：1.23%).

(vii) Hebei Port Group Company Ltd. directly holds 1.17% of the Bank (31 December 2020: 1.17%).

(viii) The sum of the direct holding percentage of CMG's shareholdings in the Bank and the sum of the above-mentioned relevant percentages may differ slightly due to rounding.

42. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

The registered capital of the Group's related parties as at 30 June 2021 and 31 December 2020 are as follows:

Name of related party	30 June 2021		31 December 2020	
CMG	RMB	16,900,000,000	RMB	16,900,000,000
CMSNCL	RMB	7,000,000,000	RMB	7,000,000,000
Shenzhen Yan Qing Investment and Development Co., Ltd.	RMB	600,000,000	RMB	600,000,000
Shenzhen Chu Yuan Investment and Development Co., Ltd.	RMB	600,000,000	RMB	600,000,000
China Merchants Finance Investment Holdings Co., Ltd.	RMB	777,800,000	RMB	777,800,000
Best Winner Investment Co., Ltd.	USD	50,000	USD	50,000
China Merchants Union (BVI) Ltd.	USD	60,000	USD	60,000
China Merchants Industry Development (Shenzhen) Co., Ltd.	USD	10,000,000	USD	10,000,000
China Insurance Security Fund Co., Ltd	RMB	100,000,000	RMB	100,000,000
Dajia Life Insurance Co., Ltd	RMB	30,790,000,000	RMB	30,790,000,000
China COSCO Shipping Corporation Limited.	RMB	11,000,000,000	RMB	11,000,000,000
China Ocean Shipping Co., Ltd.	RMB	16,191,351,300	RMB	16,191,351,300
COSCO Shipping (Guangzhou) Co., Ltd.	RMB	3,191,200,000	RMB	3,191,200,000
Guangzhou Haining Maritime Technology Service Co., Ltd.	RMB	2,000,000	RMB	2,000,000
COSCO Shipping (Shanghai) Co., Ltd.	RMB	1,398,941,000	RMB	1,398,941,000
COSCO Shipping Investment Holdings Co., Ltd.	HKD	500,000,000	HKD	500,000,000
Guangzhou Tri-Dynas Oil & Shipping Co., Ltd.	RMB	299,020,000	RMB	299,020,000
China Communications Construction Group Limited	RMB	7,274,023,830	RMB	7,274,023,830
China Communications Construction Company Limited	RMB	16,174,735,425	RMB	16,174,735,425
Shanghai Automotive Industry Corporation (Group)	RMB	21,599,175,737	RMB	21,599,175,737
SAIC Motor Corporation Limited	RMB	11,683,461,365	RMB	11,683,461,365
Hebei Port Group Co., Ltd.	RMB	8,000,000,000	RMB	8,000,000,000

(b) Terms and conditions for related-party transactions

The Group enters into transactions with related parties in the ordinary course of its banking business including lending, investing, taking deposit, trading securities, providing agency and trust services, and off-balance sheet transactions. In the opinion of the directors, the Group enters into such material related-party transactions under normal commercial terms, and the transactions are priced at the market rates at the time of transactions.

The amount of loss provision for loans and advances to related parties is not material during the interim reporting period.

42. Material related party transactions *(continued)*

(c) Shareholders and their related companies

The Bank's largest shareholder CMSNCL and its related companies hold 29.97% (31 December 2020: 29.97%) of the Bank's shares as at 30 June 2021 (among them 13.04% of the shares are directly held by CMSNCL (31 December 2020: 13.04%)).

The Group's transactions and balances with CMSNCL and its related companies are disclosed as follows:

	30 June 2021	31 December 2020
On-balance sheet:		
– Loans and advances to customers	**43,539**	37,411
– Investments	**2,594**	2,717
– Deposits from customers	**87,773**	85,225
– Placements with banks and other financial institutions	**9,631**	4,500
– Placements from banks and other financial institutions	**500**	–
– Lease liabilities	**47**	57
Off-balance sheet:		
– Irrevocable guarantees	**3,846**	3,615
– Irrevocable letters of credit	**399**	380
– Bills of acceptances	**110**	292

	Six months ended 30 June	
	2021	2020
Interest income	**748**	607
Interest expense	**630**	620
Net fee and commission income	**472**	372
Operating expenses	**23**	16
Other net income/(expenses)	**2**	(23)

(d) Companies that share common directors, supervisors or senior management with the Bank (other than those disclosed in Note 42(c)) and they can control or exercise significant influence over the companies

	30 June 2021	31 December 2020
On-balance sheet:		
– Loans and advances to customers	**19,826**	34,467
– Investments	**965**	840
– Deposits from customers	**52,512**	49,106
Off-balance sheet:		
– Irrevocable guarantees	**141**	395
– Irrevocable letters of credit	**46**	22
– Bills of acceptances	**85**	56

	Six months ended 30 June	
	2021	2020
Interest income	**604**	319
Interest expense	**507**	124
Net fee and commission income	**161**	564
Operating expenses	**765**	661
Other net income	**–**	2

42. Material related party transactions *(continued)*

(e) Associates and joint ventures other than those disclosed in Note 42(c)

	30 June 2021	31 December 2020
On-balance sheet:		
– Loans and advances to customers	**4,258**	4,690
– Placements with banks and other financial institutions	**10,000**	14,500
– Investments	**90**	100
– Deposits from customers	**1,387**	1,354
Off-balance sheet:		
– Irrevocable guarantees	**8,700**	8,700

	Six months ended 30 June	
	2021	2020
Interest income	**8**	42
Interest expense	**9**	9
Net Fee and commission income	**1,014**	704
Operating expenses	**7**	6

(f) Other major shareholders holding more than 5% shares of the Bank and exercising significant influence over the Bank

	30 June 2021	31 December 2020
On-balance sheet:		
– Loans and advances to customers	**30,290**	38,862
– Investments	**2,182**	2,961
– Deposits from customers	**29,896**	45,529
– Lease liabilities	**6**	8
Off-balance sheet:		
– Irrevocable guarantees	**17,584**	32,577
– Irrevocable letters of credit	**640**	823
– Bills of acceptances	**7,082**	5,454

	Six months ended 30 June	
	2021	2020
Interest income	**428**	704
Interest expense	**968**	351
Net fee and commission income	**964**	1,676
Other net income	**1**	132

43. Non-controlling interests

Non-controlling interests represent the interests that the Group is not entitled to in the subsidiaries. As CMFM's net assets and net profit are not material to the Group, there is no subsidiary of the Group which has material non-controlling interests during the reporting period.

(a) Perpetual debt capital

Movements of perpetual debt capital which is issued by the Bank's subsidiary, CMB WLB, as follows:

	Principal	Distributions/Paid	Total
At 1 January 2021	3,753	–	3,753
Distributions in the period	–	114	114
Paid in the period	–	(114)	(114)
Exchange difference	(52)	–	(52)
At 30 June 2021	3,701	–	3,701

There is no maturity for the instruments and the payments of distribution can be cancelled at the discretion of the issuer. Cancelled interest is non-cumulative. There is no contractual obligation to deliver cash to other parties. During the six months ended 30 June 2021 and 2020, CMB WLB did not cancel the payment of distribution and the corresponding amount was paid to the perpetual debt holders accordingly.

44. Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose vehicles. In some cases, such transfers may give rise to full or partial derecognition of the financial assets concerned, and in other cases the transfers may not qualify for derecognition as the Group retains substantially all the risks and rewards of these transferred assets. As a result, the Group continues to recognise these transferred assets.

Securitisation of credit assets

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to special purpose trusts which in turn issue asset-backed securities to investors. The Group may acquire certain investments at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that are securitised and qualified for derecognition, the Group derecognises the transferred credit assets in their entirety. During the six months ended 30 June 2021, the Group has transferred loans amounted to RMB8,388 million (six months ended 30 June 2020: RMB22,295 million) in securitisation arrangements, as well as substantially all the risks and rewards associated with the loans. The full amount of such securitised loans were then derecognised.

In the cases that the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and for which the Group retains control, the Group recognises an asset in the unaudited consolidated statement of financial position to the extent of the Group's continuing involvement in the transferred assets. The extent of the Group's continuing involvement is the extent of the risks and rewards exposed by the Group to the value changes of the transferred assets. For the six months ended 30 June 2021, the carrying amount of the securitised credit transferred assets in which the Group retained the a continuing involvement was RMB9,980 million (for the six months ended 30 June 2020: nil). The carrying amount of the continuing involvement asset and the corresponding continuing involvement liability, are recognised in other assets and other liabilities in the unaudited consolidated statement of financial position, amounting to RMB4,648 million as at 30 June 2021 (31 December 2020: RMB3,128 million).

44. Transfers of financial assets *(continued)*

Transfers of credit assets to third parties

During the six months ended 30 June 2021, in addition to securitisation transactions, the Group transferred credit assets amounting to RMB727 million (six months ended 30 June 2020: RMB301 million) to independent third parties directly. The Group determined that these transferred assets qualified for full derecognition, since the Group has transferred substantially all the risks and rewards of the transferred assets to the counterparties.

Repurchase transactions and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities, discounted bills held by counterparties as collateral under repurchase agreements and securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities sold under agreements to repurchase in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group determines that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them. Instead, it recognises a financial liability for cash received as collateral.

45. Interests in unconsolidated structured entities

The scope of the Group's consolidated financial statements is determined on a control basis. Control means that the investor has the power over the investee, enjoys variable returns by participating in the relevant activities of the investee, and has the ability to use the power to affect the amount of its return.

The Group has the power over structured subjects, and the other investors have no substantive rights. In the meantime, the Group is entitled to variable returns, and will consolidate entities, in which the Group has the right to affect the amount of its return.

In addition to the above-mentioned structured entities that have been included in the Group's consolidated financial statements, the Group's equity information on structured entities which is not covered by the consolidated financial statements is as follows:

(a) Interests in the structured entities sponsored by third parties

The Group holds interests in some structured entities sponsored by third parties through investments in the units issued by these structured entities. Such interests include investments in wealth management products, asset management schemes, trust beneficiary rights, assets backed securities and investments in funds, and the Group does not consolidate these structured entities. The purpose of the Group holding these structured entities is to obtain investment income, capital appreciation or both.

The following tables set out an analysis of the carrying amounts of interests held by the Group as at 30 June 2021 and 31 December 2020 in the structured entities sponsored by third parties and an analysis of the line items in the unaudited consolidated statement of financial positions as at 30 June 2021 and 31 December 2020 in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

	30 June 2021				
	Carrying amount				
	Investments at FVTPL	Debt investments at amortised cost	Debt investments at FVTOCI	Total	Maximum exposure
Asset management schemes	85,101	94,282	–	179,383	179,383
Trust beneficiary rights	–	34,671	–	34,671	34,671
Asset backed securities	2,834	1,339	965	5,138	5,138
Investment in funds	155,923	–	–	155,923	155,923
Wealth management products	64	–	–	64	64
Total	243,922	130,292	965	375,179	375,179

	31 December 2020				
	Carrying amount				
	Investments at FVTPL	Debt investments at amortised cost	Debt investments at FVTOCI	Total	Maximum exposure
Asset management schemes	63,453	99,916	–	163,369	163,369
Trust beneficiary rights	–	37,663	–	37,663	37,663
Asset backed securities	3,096	2,691	1,442	7,229	7,229
Investment in funds	136,832	–	–	136,832	136,832
Wealth management products	34	–	–	34	34
Total	203,415	140,270	1,442	345,127	345,127

The maximum loss exposures held by the investments in funds, trust beneficiary rights, asset management schemes, wealth management products and asset backed securities are the carrying amount of those assets.

45. Interests in unconsolidated structured entities *(continued)*

(b) Interests in the unconsolidated structured entities sponsored by the Group

The unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products, funds and assets management schemes. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issuance of investment products to investors. Interest of the Group in these unconsolidated structured entities is limited to fees charged for management services provided.

As at 30 June 2021, the amount of the unconsolidated non-principal-guaranteed wealth management products sponsored by the Group was RMB2,643,892 million (31 December 2020: RMB2,445,644 million).

As at 30 June 2021, the amount of the unconsolidated mutual funds sponsored by the Group was RMB800,220 million (31 December 2020: RMB717,489 million).

As at 30 June 2021, the amount of the unconsolidated asset management schemes sponsored by the Group was RMB169,764 million (31 December 2020: RMB158,575 million).

As at 30 June 2021, amounts held under resale agreements of the Group with non-principal-guaranteed wealth management products sponsored by the Group were RMB20,154 million (31 December 2020: RMB48,898 million. The above transactions were conducted in accordance with normal business terms and conditions.

As at 30 June 2021, the amount of the unconsolidated non-principal-guaranteed wealth management products held by the Group was RMB2,061 million (31 December 2020: RMB1,225 million).

During the six months ended 30 June 2021, the amount of fee and commission income the Group received from such non-principal-guaranteed wealth management products was RMB5,876 million (six months ended 30 June of 2020: RMB6,234 million).

During the six months ended 30 June 2021, the amount of fee and commission income the Group received from such unconsolidated mutual funds was RMB1,434 million (six months ended 30 June 2020: RMB773 million).

During the six months ended 30 June 2021, the amount of fee and commission income the Group received from such unconsolidated asset management schemes was RMB423 million (six months ended 30 June of 2020: RMB350 million).

The total amount of non-principal-guaranteed wealth management products sponsored by the Group after 1 January 2021 with a maturity date before 30 June 2021 was RMB654,616 million (six months ended 30 June 2020: RMB613,670 million).

46. Comparative Figures

Certain comparative figures in the notes have been adjusted to conform to changes in disclosures in current period.

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi unless otherwise stated)

(A) Capital adequacy ratio

The Group's capital adequacy ratio was prepared solely in accordance with the *CBIRC's Administrative Measures on the Capital of Commercial Banks (Provisional)* issued in 2012 and effective on 1 January 2013. The bases used herein may differ from those adopted in Hong Kong or other countries and regions.

In accordance with the Advanced Measurement Approach approved by the CBIRC in April 2014, the Group calculates core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio as follows:

	30 June 2021	31 December 2020
Core tier-1 capital adequacy ratio	**11.89%**	12.29%
Tier-1 capital adequacy ratio	**13.47%**	13.98%
Capital adequacy ratio	**16.01%**	16.54%
Components of capital base		
Core tier-1 capital:		
Qualifying portion of share capital	**25,220**	25,220
Qualifying portion of capital reserve	**67,491**	67,491
Surplus reserves	**71,016**	71,057
Regulatory general reserve	**98,452**	98,082
Retained profits	**392,833**	365,168
Qualifying portion of non-controlling interests	–	282
Others (note (i))	**9,516**	7,361
Total core tier-1 capital	**664,528**	634,661
Regulatory deductions from core tier-1 capital	**28,129**	24,569
Net core tier-1 capital	**636,399**	610,092
Additional tier-1 capital (note (ii))	**84,054**	84,092
Net tier-1 capital	**720,453**	694,184
Tier-2 capital:		
Qualifying portion of tier-2 capital instruments and their premium	**24,170**	28,340
Surplus provision for loans impairment	**110,513**	97,119
Qualifying portion of non-controlling interests	**1,644**	1,647
Total tier-2 capital	**136,327**	127,106
Regulatory deductions from core tier-2 capital	–	–
Net tier-2 capital	**136,327**	127,106
Net capital	**856,780**	821,290
Total risk-weighted assets	**5,350,441**	4,964,542

Notes:

(i): Under CBIRC's Administrative Measures on the Capital of Commercial Banks (Provisional), others include exchange reserve in the unaudited consolidated financial statements, etc.

(ii): The Group's additional tier-1 capital includes preference shares, qualifying portion of non-controlling interests, etc.

As at 30 June 2021, the Group's core tier-1 capital adequacy ratio was 10.46%, tier-1 capital adequacy ratio was 11.84%, capital adequacy ratio was 13.38%, net capital was RMB814,179 million and total risk-weighted assets was RMB6,086,169 million, using the Weighted Approach for credit risk, Standardised Measurement Approach for market risk and Basic Indicator Approach for operational risk in the calculations.

(B) Leverage ratio

In accordance with the CBIRC's Administrative Measures on Leverage Ratio of Commercial Banks (Revision) issued in 2015 and effective on 1 April 2015, the Group's leverage ratio is as follows. The basis used herein may differ from those adopted in Hong Kong or other countries and regions.

The difference between regulatory items and accounting items:

	30 June 2021	31 December 2020
Total consolidated assets as per published financial statements	**8,885,886**	8,361,448
Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**(63,088)**	(48,399)
Adjustments for fiduciary assets	**–**	–
Adjustments for derivative financial instruments	**(5,742)**	(18,274)
Adjustment for securities financing transactions	**37,390**	45,094
Adjustment for off-balance sheet items	**1,250,236**	1,079,726
Other adjustments	**(28,129)**	(24,569)
Balance of adjusted on-balance sheet and off-balance sheet assets	**10,076,553**	9,395,026

Leverage ratio, net tier-1 capital, adjusted on-balance sheet and off-balance sheet assets and other information:

	30 June 2021	31 December 2020
On-balance sheet items (excluding derivatives and securities financing transactions (SFT))	**8,457,763**	7,983,402
Less: Asset amounts deducted in determining Basel III Tier 1 capital	**(28,129)**	(24,569)
Balance of adjusted on-balance sheet assets (excluding derivatives and SFTs)	**8,429,634**	7,958,833
Replacement cost associated with all derivatives transactions (net of eligible cash variation margin)	**10,359**	14,080
Add-on amounts for potential future exposure associated with all derivatives transactions	**15,589**	14,918
Gross-up for derivatives collateral provided where deducted from the balance sheet assets	**–**	–
Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	**–**	–
Less: Exempted central counterparty leg of client-cleared trade exposures	**–**	–
Effective notional amount of written credit derivatives	**–**	–
Less: Adjusted effective notional deductions for written credit derivatives	**–**	–
Total derivative exposures	**25,948**	28,998
Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	**333,345**	282,375
Less: Netted amounts of cash payables and cash receivables of gross SFT assets	**–**	–
Counterparty credit risk exposure for SFT assets	**37,390**	45,094
Agent transaction exposures	**–**	–
Total securities financing transaction exposures	**370,735**	327,469
Off-balance sheet exposure at gross notional amount	**2,566,799**	2,368,667
Less: Adjustments for conversion to credit equivalent amounts	**(1,316,563)**	(1,288,941)
Balance of adjusted off-balance sheet assets	**1,250,236**	1,079,726
Net tier-1 capital	**720,453**	694,184
Balance of adjusted on-balance sheet and off-balance sheet assets	**10,076,553**	9,395,026
Leverage ratio	**7.15%**	7.39%

(C) Liquidity coverage ratio

The Group prepares and discloses information on liquidity coverage ratio in accordance with the "Measures for the Disclosure of Information on Liquidity Coverage Ratio by Commercial Banks". The basis used herein may differ from those adopted in Hong Kong or other regions. The average liquidity coverage ratio of the Group was 138.24% in the second quarter of 2021, an increase of 11.51 percentage points over the previous quarter, which was mainly caused by the increase in cash inflows from financial institutions. The Group's liquidity coverage ratio at the end of the second quarter of 2021 was 144.06%, which was in line with the 2021 regulatory requirements of the CBIRC. The breakdown of the Group's average value of each item of liquidity coverage ratio in the second quarter of 2021 is set out below:

Serial No.		Unweighted amount (average value)	Weighted amount (average value)
Stock of high quality liquid assets			
1	**Total stock of high quality liquid assets**		**1,145,378**
2	Retail and small business customers deposits, of which:	2,291,462	203,930
3	Stable deposits	504,319	25,216
4	Less stable deposits	1,787,143	178,714
5	Unsecured wholesale funding, of which:	3,867,806	1,336,525
6	Operational deposits (excluding correspondent banks)	2,392,186	595,709
7	Non-operational deposits (including all counterparties)	1,449,241	714,437
8	Unsecured debt issuance	26,379	26,379
9	Secured funding		16,266
10	Additional requirements, of which:	1,638,873	394,842
11	Cash outflows arising from derivative contract and other transactions arising from related collateral requirements	321,123	321,123
12	Cash outflows arising from secured debt instruments funding	–	–
13	Undrawn committed credit and liquidity facilities	1,317,750	73,719
14	Other contractual obligations to extend funds	74,256	74,256
15	Other contingent funding obligations	7,081,601	105,722
16	**Total cash outflows**		**2,131,541**
17	Secured lending (including reverse repo and securities borrowing)	286,630	286,216
18	Contractual inflows from fully performing loans	1,066,428	685,468
19	Other cash inflows	338,301	331,301
20	**Total cash inflows**	**1,691,359**	**1,302,985**

		Adjusted value
21	Total stock of high quality liquid assets	1,145,378
22	Net cash outflows	828,556
23	Liquidity coverage ratio (%)	138.24%

Notes：

(i) Data from domestic operation is a simple arithmetic average of the 91-day value in the latest quarter and the monthly average in the latest quarter is used for the subsidiaries.

(ii) The high quality liquid assets in the above table comprise cash, central bank reserve available under stress conditions, as well as the bonds that meet the definition of Tier 1 and Tier 2 assets set out by the CBIRC on the "Measures for the Liquidity Risk Management of Commercial Banks".

(D) Net stable funding ratio

The Group prepares and discloses information on net stable funding ratio in accordance with the "Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks". The basis used herein may differ from those adopted in Hong Kong or other countries. The Group's net stable funding ratio at the end of the second quarter of 2021 was 120.68%, representing an increase of 0.77 percentage points as compared with the previous quarter. The breakdown of the Group's net stable fund ratio in the last two quarters is set out below:

30 June 2021

(Expressed in millions of Renminbi except percentage)

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 1 year	
Available stable funding (ASF) item						
1	Capital	752,791	–	–	20,000	772,791
2	Regulatory capital	741,091	–	–	20,000	761,091
3	Other capital instruments	11,700	–	–	–	11,700
4	Retail deposits and deposits from small business customers	1,824,662	598,634	30,513	3,471	2,239,291
5	Stable deposits	545,392	2,330	115	83	520,528
6	Less stable deposits	1,279,270	596,304	30,398	3,388	1,718,763
7	Wholesale funding	2,737,126	1,986,786	273,739	259,567	2,381,047
8	Operational deposits	2,446,813	–	–	–	1,223,406
9	Other wholesale funding	290,313	1,986,786	273,739	259,567	1,157,641
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	72,528	84,415	56,585	139,742	102,929
12	NSFR derivative liabilities				65,106	
13	All other liabilities and equity not included in the above categories	72,528	84,415	56,585	74,636	102,929
14	Total ASF					5,496,058
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					146,620
16	Deposits held at other financial institutions for operational purposes	67,582	4,898	–	–	36,240
17	Performing loans and securities	78,879	2,251,307	1,045,205	3,214,152	4,021,869
18	Performing loans to financial institutions secured by Level 1 HQLA	–	297,045	–	–	–
19	Performing loans to financial institutions secured by non-Level 1 HQLA or unsecured performing loans to financial institutions	259	739,894	228,954	23,029	293,086
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	1,086,457	767,364	1,750,178	2,377,976
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	135,385	96,244	182,928	234,717
22	Performing residential mortgages, of which:	–	36,010	29,291	1,270,500	1,110,798
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	78,620	91,901	19,596	170,445	240,009
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	13,338	65,861	22,714	94,964	151,391

(D) Net stable funding ratio *(continued)*

30 June 2021 *(continued)*

(Expressed in millions of Renminbi except percentage)

Serial No.		Unweighted amount No maturity	< 6 months	6 months to 12 months	≥ 1 year	Weighted amount
Required stable funding (RSF) item *(continued)*						
27	Physical traded commodities, including gold	3,600				3,060
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				146	124
29	NSFR derivative assets				57,841	–
30	NSFR derivative liabilities before deduction of variation margin posted				65,425	13,085
31	All other assets not included in the above categories	9,738	65,861	22,714	36,977	135,122
32	Off-balance sheet items				8,899,036	198,199
33	Total RSF					4,554,319
34	Net Stable Funding Ratio (%)					120.68%

31 March 2021

(Expressed in millions of Renminbi except percentage)

Serial No.		Unweighted amount No maturity	< 6 months	6 months to 12 months	≥ 1 year	Weighted amount
Available stable funding (ASF) item						
1	Capital	753,895	–	–	20,000	773,895
2	Regulatory capital	742,195	–	–	20,000	762,195
3	Other capital instruments	11,700	–	–	–	11,700
4	Retail deposits and deposits from small business customer	1,771,918	608,828	25,806	2,744	2,195,734
5	Stable deposits	539,680	2,087	108	74	514,855
6	Less stable deposits	1,232,238	606,741	25,698	2,670	1,680,879
7	Wholesale funding	2,585,761	1,781,549	503,285	273,778	2,388,020
8	Operational deposits	2,294,382	–	–	–	1,147,191
9	Other wholesale funding	291,379	1,781,549	503,285	273,778	1,240,829
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	37,944	49,368	25,903	194,613	132,618
12	NSFR derivative liabilities				74,947	
13	All other liabilities and equity not included in the above categories	37,944	49,368	25,903	119,666	132,618
14	Total ASF					5,490,267
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					208,103
16	Deposits held at other financial institutions for operational purposes	54,773	8,488	–	–	31,630
17	Performing loans and securities	118,900	2,042,314	1,145,412	3,158,495	4,017,738
18	Performing loans to financial institutions secured by Level 1 HQLA	–	165,672	–	–	–
19	Performing loans to financial institutions secured by non-Level 1 HQLA or unsecured performing loans to financial institutions	21,120	625,745	297,424	20,664	291,256
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	1,122,836	782,546	1,715,269	2,373,392

(D) Net stable funding ratio *(continued)*

31 March 2021 *(continued)*

Serial No.		Unweighted amount No maturity	Unweighted amount < 6 months	Unweighted amount 6 months to 12 months	Unweighted amount ≥ 1 year	Weighted amount
Required stable funding (RSF) item *(continued)*						
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	142,743	108,951	186,387	246,998
22	Performing residential mortgages, of which:	–	35,473	29,527	1,244,181	1,088,250
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	97,780	92,588	35,915	178,381	264,840
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	14,373	53,597	21,959	84,090	119,605
27	Physical traded commodities, including gold	4,448				3,781
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				171	145
29	NSFR derivative assets				68,448	–
30	NSFR derivative liabilities before deduction of variation margin posted				75,860	15,172
31	All other assets not included in the above categories	9,925	53,597	21,959	15,471	100,507
32	Off-balance sheet items				8,912,478	201,618
33	Total RSF					4,578,694
34	Net Stable Funding Ratio (%)					119.91%

Notes:

(i) The Group calculates net stable funding ratio in accordance with the "Measures for the Liquidity Risk Management of Commercial Banks" and relevant statistical regulations.

(ii) Items to be reported in the "no maturity" bucket include, but are not limited to, items such as capital with perpetual maturity, non-maturity deposits, short positions, open maturity positions, non-HQLA equities and physical traded commodities.

(iii) The item 26 "Other assets" unweighted amount in the above table does not include the item 30 "NSFR derivative liabilities before deduction of variation margin posted".

(E) International claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China and claims in foreign currencies on third parties within the Mainland China as international claims.

International claims include loans and advances, balances and placements with banks and other financial institutions, holdings of trade bills, certificates of deposit and securities investment.

International claims are disclosed by different countries or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk is transferred only when the claims are guaranteed by a party in country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	30 June 2021			
	Banks and other financial institutions	Public sector entities	Others	Total
Foreign currencies transactions in Mainland China	**58,990**	**8,428**	**127,532**	**194,950**
Asia Pacific excluding Mainland China	**75,957**	**30,651**	**168,993**	**275,601**
– of which attributed to Hong Kong	**60,033**	**29,148**	**149,082**	**238,263**
Europe	**12,616**	**2,299**	**18,156**	**33,071**
North and South America	**26,153**	**33,822**	**26,554**	**86,529**
Total	**173,716**	**75,200**	**341,235**	**590,151**

	31 December 2020			
	Banks and other financial institutions	Public sector entities	Others	Total
Foreign currencies transactions in Mainland China	71,342	6,050	111,106	188,498
Asia Pacific excluding Mainland China	65,102	35,237	150,158	250,497
– of which attributed to Hong Kong	37,344	33,862	135,236	206,442
Europe	7,936	1,175	19,162	28,273
North and South America	35,131	28,197	30,223	93,551
Total	179,511	70,659	310,649	560,819

(F) Loans and advances to customers overdue for more than 90 days

(i) By geographical segments

	30 June 2021	31 December 2020
Headquarters	**14,720**	15,328
Yangtze River Delta region	**3,785**	4,704
Bohai Rim region	**7,216**	6,370
Pearl River Delta and West side of Taiwan Strait	**5,573**	5,400
Northeast region	**2,757**	2,357
Central region	**4,110**	2,914
Western region	**2,099**	2,875
Outside Mainland China	**233**	342
Subsidiaries	**940**	694
Total	**41,433**	40,984

(ii) By overdue period

	30 June 2021	31 December 2020
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
– between 3 and 6 months (inclusive)	**10,972**	10,445
– between 6 and 12 months (inclusive)	**8,575**	9,667
– over 12 months	**21,886**	20,872
Total	**41,433**	40,984
As a percentage of total gross loans and advances:		
– between 3 and 6 months (inclusive)	**0.20%**	0.21%
– between 6 and 12 months (inclusive)	**0.16%**	0.19%
– over 12 months	**0.41%**	0.41%
Total	**0.77%**	0.81%

(F) Loans and advances to customers overdue for more than 90 days

(continued)

(iii) Collateral information

	30 June 2021	31 December 2020
Secured portion of overdue loans and advances	**16,312**	15,148
Unsecured portion of overdue loans and advances	**25,121**	25,315
Value of collateral held against overdue loans and advances	**39,876**	43,862

The amount of the Group's overdue loans and advances to financial institutions for more than 90 days as at 30 June 2021 was RMB1 million (31 December 2020: RMB150 million).

Note: The above analysis represents loans and advances overdue for more than 90 days as required and defined by the Hong Kong Monetary Authority (the "HKMA").

Loans and advances with a specific repayment date are classified as overdue when either the principal or interest is overdue.

For loans and advances repayable by regular instalments, if part of the instalments of a loan is overdue, the whole amount of the loan is classified as overdue.

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they are also considered as overdue.

The collateral of the Group includes cash deposit, shares, land use right, property, motor vehicles and other equipment, etc. The fair value of collateral is estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation.

Where collateral values are greater than gross advances, only the amount of collateral up to the gross advance had been included in the "secured portion of overdue loans and advances" as set out in the above tables.

(G) Rescheduled loans and advances to customers

	30 June 2021		31 December 2020	
	Amount	% of total loans and advances	Amount	% of total loans and advances
Rescheduled loans and advances to customers (Note)	**20,797**	**0.39%**	24,878	0.49%
Less:				
– rescheduled loans and advances overdue more than 90 days	**13,858**	**0.26%**	15,169	0.30%
Rescheduled loans and advances less than 90 days	**6,939**	**0.13%**	9,709	0.19%

Note: Represents the restructured non-performing loans.

The amount of the Group's rescheduled loans and advances to financial institutions as at 30 June 2021 was RMB1 million (31 December 2020: RMB1 million).

(H) Non-bank Mainland China exposures

The Bank is a commercial bank incorporated in the Mainland China with its banking business primarily conducted in the Mainland China. As of 30 June 2021 and 31 December 2020, most of the Bank's exposures arose from businesses with Mainland China non-bank institutions or individuals. Analyses of various types of exposure by counterparty have been disclosed in the notes to the interim consolidated financial statements.

(I) Currency concentrations other than RMB

	30 June 2021			
	USD	HKD	Others	Total
		(in millions of RMB)		
Non-structural position				
Spot assets	**480,413**	**40,280**	**59,436**	**580,129**
Spot liabilities	**481,597**	**17,180**	**75,881**	**574,658**
Forward purchased	**568,249**	**10,041**	**73,418**	**651,708**
Forward written	**575,447**	**20,152**	**58,043**	**653,642**
Net option position	**12,520**	**(1,532)**	**1,701**	**12,689**
Net long position	**4,138**	**11,457**	**631**	**16,226**
Net structural position	**15,250**	**34,761**	**1,007**	**51,018**

	31 December 2020			
	USD	HKD	Others	Total
		(in millions of RMB)		
Non-structural position				
Spot assets	514,789	42,491	76,940	634,220
Spot liabilities	498,529	27,393	70,538	596,460
Forward purchased	496,469	9,019	87,616	593,104
Forward written	512,955	14,274	89,931	617,160
Net option position	11,721	169	(2,754)	9,136
Net long position	11,495	10,012	1,333	22,840
Net structural position	9,537	31,120	1,005	41,662

The net option position is calculated using the delta equivalent approach required by the HKMA. The net structural position of the Group includes the structural positions of the Bank's branches substantially involved in foreign exchange. Structural assets and liabilities include:

– Investment properties, property and equipment, net of depreciation charges;

– Capital and statutory reserves of overseas branches; and

– Investments in subsidiaries.

APPENDIX II

REPRODUCTION OF THE PRESS RELEASE DATED 3 AUGUST 2021 CONTAINING THE GUARANTOR’S CONSOLIDATED FINANCIAL RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2021

The information set out below is a reproduction of the press release dated 3 August 2021 containing the Guarantor’s consolidated financial results for the second quarter ended 30 June 2021.

RESULTS AT JUNE 30TH 2021

Press release
Paris, August 3rd 2021

EXCELLENT PERFORMANCE IN ALL THE BUSINESSES IN Q2 21 AND H1 21

In Q2 21, revenues up +18.2% vs. Q2 20 (+20.5%*), with a strong quarter in Global Banking & Investor Solutions, substantial growth in Financial Services and a rebound in Retail Banking

Strong positive jaws effect in all the businesses

Underlying gross operating income of EUR 2 billion(1), up 55%(1) vs. Q2 20

Low cost of risk at 11 basis points in Q2 21; continued prudent approach in terms of provisioning

Underlying Group net income of EUR 1.35 billion(1), reported Group net income (including IFRIC 21 charges and exceptional items) of EUR 1.44 billion in Q2 21

Profitability (ROTE) at 10.4%(1) and 11.2% in Q2 21

In H1 21, underlying gross operating income of EUR 4.2 billion(1), up +83.4%(1) vs. H1 20

Revenues strongly up +19.5% (22.8%*) and costs contained up 1.7%(1) (3.6%(1)*)

Underlying Group net income of EUR 2.65 billion(1), up +13.5%(1) vs. H1 19, reported Group net income of EUR 2.25 billion

Profitability (ROTE) at 10.2%(1) and 8.6% in H1 21

IMPROVEMENT IN THE OUTLOOK FOR 2021

Expected increase in revenues in all the businesses
Increase of the positive jaws effect with continued disciplined management of costs
Downward revision, **between 20 and 25 basis points,** in the full-year forecast for the **net cost of risk**

STRONG CAPITAL POSITION

Solid CET 1 level at 13.4%(2) at end-June 2021, well above the target, due to **strong organic capital generation of 44 basis points** in H1 21 after dividend provision

Attractive shareholder return

- **Confirmation of the launch, in Q4, of a share buyback programme,** for an amount of around EUR 470m(3)
- **H1 21 dividend per share provision of EUR 1.2**, consistent with a payout ratio of 50% of underlying Group net income(4)

Frédéric Oudéa, the Group's Chief Executive Officer, commented:
"Once again, Societe Generale enjoyed an excellent quarter, with a solid commercial and financial performance by all its businesses. Q2 was marked by the strong revenue momentum, continued cost discipline and a very low cost of risk resulting from very few loan defaults. The results for H1 2021 are the best for 5 years, illustrating the strength of the business model and the Group's capacity to rebound. On these bases, the Group is raising its full-year forecasts for 2021. These results are the fruit of extensive work undertaken for several years to enhance the intrinsic quality of the franchises by effectively anticipating the needs of customers, improve the operational efficiency of the Group and maintain the excellent robustness of the loan portfolio and risk management. Thanks to the exceptional commitment of its teams and a very solid balance sheet, the Societe Generale Group will continue the far-reaching transformation of its businesses related to ESG issues and the growing use of the new digital technologies, in a constant effort to support its customers and provide them with added value."

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(1) *Underlying data (see methodology note No. 5 for the transition from accounting data to underlying data)*
(2) *Phased-in ratio; fully-loaded ratio of 13.2%*
(3) *It should be noted that, pursuant to Regulation (EU) 2019/876 (CRR2), share buyback is subject to the ECB approval*
(4) *After deducting interest on deeply subordinated notes and undated subordinated notes*
*The footnote * in this document corresponds to data adjusted for changes in Group Structure and at constant exchange rates*

1. GROUP CONSOLIDATED RESULTS

In EURm	Q2 21	Q2 20	Change		H1 21	H1 20	Change	
Net banking income	6,261	5,296	+18.2%	+20.5%*	12,506	10,466	+19.5%	+22.8%*
Operating expenses	(4,107)	(3,860)	+6.4%	+7.9%*	(8,855)	(8,538)	+3.7%	+5.6%*
Underlying operating expenses(1)	*(4,225)*	*(3,984)*	*+6.1%*	*+7.5%**	*(8,322)*	*(8,185)*	*+1.7%*	*+3.6%**
Gross operating income	2,154	1,436	+50.0%	+55.2%*	3,651	1,928	+89.4%	x 2.0*
Underlying gross operating income(1)	*2,036*	*1,312*	*+55.1%*	*+61.0%**	*4,184*	*2,281*	*+83.4%*	*+94.8%**
Net cost of risk	(142)	(1,279)	-88.9%	-88.6%*	(418)	(2,099)	-80.1%	-79.4%*
Operating income	2,012	157	x 12.8	x 13.6*	3,233	(171)	n/s	n/s
Underlying operating income(1)	*1,894*	*33*	*x 57.2*	*x 80.4**	*3,766*	*182*	*x 20.7*	*x 31.0**
Net profits or losses from other assets	5	4	+25.0%	+26.4%*	11	84	-86.9%	-86.9%*
Impairment losses on goodwill	0	(684)	n/s	n/s	0	(684)	n/s	n/s
Income tax	(404)	(658)	-38.6%	-38.3%*	(687)	(612)	+12.3%	+15.4%*
Net income	1,615	(1,180)	n/s	n/s	2,562	(1,378)	n/s	n/s
O.w. non-controlling interests	(176)	(84)	x 2.1	x 2.1*	(309)	(212)	+45.8%	+45.6%*
Reported Group net income	1,439	(1,264)	n/s	n/s	2,253	(1,590)	n/s	n/s
Underlying Group net income(1)	*1,349*	*8*	*x 163.1*	*n/s*	*2,647*	*0*	*n/s*	*n/s*
ROE	9.8%	-10.9%			7.5%	-7.2%		
ROTE	11.2%	-6.5%			8.6%	-5.3%		
Underlying ROTE(1)	*10.4%*	*-1.3%*			*10.2%*	*-1.3%*		

(1) Adjusted for exceptional items and linearisation of IFRIC 21

Societe Generale's Board of Directors, which met on August 2nd, 2021 under the chairmanship of Lorenzo Bini Smaghi, examined the Societe Generale Group's results for Q2 and H1 2021.

The various restatements enabling the transition from underlying data to published data are presented in the methodology notes (section 10.5).

Net banking income

The rebound in the Group's activity continued in Q2 21, with net banking income increasing by +18.2% (+20.5%*) vs. Q2 20 and all the businesses contributing to this strong momentum.

French Retail Banking experienced a significant improvement in Q2 21, with net banking income (excluding PEL/CEL provision) increasing by +8.0% vs. Q2 20 driven by the recovery in net interest income and commissions, which were considerably affected by lockdown measures in Q2 20.

International Retail Banking & Financial Services enjoyed strong revenue growth of +17%* vs. Q2 20, underpinned by the excellent momentum of Financial Services (+49%* vs. Q2 20) and Insurance (+13%* vs. Q2 20). International Retail Banking saw a rebound in activity of +7.9%* vs. Q2 20.

Global Banking & Investor Solutions also turned in an excellent performance, with revenues up +28%* vs. Q2 20, driven by Global Markets and Financing & Advisory.

In H1, the Group posted strong growth of +19.5% (+22.8%*) vs. H1 20, with a positive contribution from all the businesses, and returned to a revenue level close to that of H1 19 (EUR 12.5 billion).

In 2021, the Group is aiming for positive revenue growth in all the businesses.

Operating expenses

In Q2 21, operating expenses totalled EUR 4,107 million on a reported basis and EUR 4,225 million on an underlying basis (restated for the linearisation of IFRIC 21 and transformation costs), representing an increase of +6.1% vs. Q2 20.

The Group therefore generated a very positive jaws effect in all its businesses, resulting in an increase in underlying gross operating income of +55% to EUR 2,036 million and an improvement in the underlying cost to income ratio of nearly 8 points (67% vs. 75% in Q2 20).

In H1, costs amounted to EUR 8,855 million on a reported basis and EUR 8,322 million on an underlying basis, up +1.7% vs. H1 20. This limited growth can be explained primarily by the rise in variable costs linked to the growth in revenues and the increase in the IFRIC 21 charge (EUR +44 million).

Thanks to this good performance in H1, the **Group plans to increase its positive jaws effect** in 2021 while maintaining disciplined cost management.

Cost of risk

In Q2 21, the commercial cost of risk stood at a low level of 11 basis points (EUR 142 million), lower than in Q1 21 (21 basis points) and Q2 20 (97 basis points). It breaks down into a provision on non-performing loans of EUR 164 million, a decline compared to recent quarters, and a provision write-back on performing loans of EUR 22 million.

The Group's provisions on performing loans currently amount to EUR 3,548 million.

As part of the support provided to its customers during the crisis, the Group granted repayment moratoriums and State Guaranteed Loans. At June 30th 2021, the residual amount of repayment moratoriums still in force represented around EUR 0.5 billion and State Guaranteed Loans, around EUR 18 billion. In France, the total amount of State Guaranteed Loans ("PGE") is around EUR 16 billion and net exposure amounts to around EUR 2 billion.

The gross doubtful outstandings ratio amounted to 3.1%[(2)] at June 30th 2021, an improvement vs. end-March 2021 (3.3%[(2)]). The Group's gross coverage ratio for doubtful outstandings stood at 52%[(3)] at June 30th 2021 (51% at March 31st 2021).

With a commercial cost of risk of 16 basis points in H1, **the Group has revised its full-year forecast downwards** and therefore anticipates a cost of risk of between 20 and 25 basis points in 2021 (vs. 30 to 35 basis points initially).

(2) NPL ratio calculated according to the EBA methodology published on July 16th, 2019
(3) Ratio between the amount of provisions on doubtful outstandings and the amount of these same outstandings

Group net income

In EURm	Q2 21	Q2 20	H1 21	H1 20
Reported Group net income	1,439	(1,264)	2,253	(1,590)
Underlying Group net income(1)	1,349	8	2,647	0

In %	Q2 21	Q2 20	H1 21	H1 20
Reported ROTE	11.2%	-6.5%	8.6%	-5.3%
Underlying ROTE(1)	10.4%	-1.3%	10.2%	-1.3%

Earnings per share amounts to EUR 2.29 in H1 21 (EUR -2.25 in H1 20). Underlying earnings per share amounts to EUR 2.40(2) over the same period (EUR -0.59(2) in H1 20).

(1) Adjusted for exceptional items and linearisation of IFRIC 21
(2) Underlying EPS calculated based on an underlying Group net income excluding IFRIC 21 linearisation. EUR 2.75 including IFRIC 21 linearisation in H1 21 and EUR -0.38 in H1 20.

2. THE GROUP'S FINANCIAL STRUCTURE

Group **shareholders' equity** totalled EUR 63.1 billion at June 30th, 2021 (EUR 61.7 billion at December 31st, 2020). Net asset value per share was EUR 63.6 and tangible net asset value per share was EUR 56.0.

The **consolidated balance sheet** totalled EUR 1,493 billion at June 30th, 2021 (EUR 1,462 billion at December 31st, 2020). The net amount of customer loan outstandings at June 30th, 2021, including lease financing, was EUR 455 billion (EUR 440 billion at December 31st, 2020) – excluding assets and securities purchased under resale agreements. At the same time, customer deposits amounted to EUR 470 billion, vs. EUR 451 billion at December 31st, 2020 (excluding assets and securities sold under repurchase agreements).

At July 16th, 2021, the parent company had issued EUR 26.1 billion of medium/long-term debt, having an average maturity of 5.5 years and an average spread of 42 basis points (vs. the 6-month midswap, excluding subordinated debt). The subsidiaries had issued EUR 1.4 billion. In total, the Group had issued EUR 27.5 billion of medium/long-term debt. Excluding structured issuances, the parent company had completed its annual financing programme.

The LCR (Liquidity Coverage Ratio) was well above regulatory requirements at 133% at end-June 2021, vs. 149% at end-December 2020, and at 136% on average in Q2 2021, vs. 153% on average in Q4 2020. At the same time, the NSFR (Net Stable Funding Ratio) was over 100% at end-June 2021.

The Group's **risk-weighted assets** (RWA) amounted to EUR 361.5 billion at June 30th, 2021 (vs. EUR 351.9 billion at end-December 2020) according to CRR2/CRD5 rules. Risk-weighted assets in respect of credit risk represent 82.5% of the total, at EUR 298.2 billion, up 3.8% vs. December 31st, 2020.

At June 30th, 2021, the Group's **Common Equity Tier 1** ratio stood at 13.4%, or around 430 basis points above the regulatory requirement. The CET1 ratio at June 30th, 2021 includes an effect of +20 basis points for phasing of the IFRS 9 impact. Excluding this effect, the fully-loaded ratio amounts to 13.2%. The Tier 1 ratio stood at 15.8% at end-June 2021 (16.0% at end-December 2020) and the total capital ratio amounted to 19.2% (19.2% at end-December 2020).

The **leverage ratio** stood at 4.6% at June 30th, 2021 (4.8% at end-December 2020).

With a level of 30.5% of RWA and 8.9% of leveraged exposure at end-June 2021, the Group's TLAC ratio is above the FSB's requirements for 2021. At June 30th, 2021, the Group was also above its 2022 MREL requirements of 25.2% of RWA and 5.91% of leveraged exposure.

The Group is rated by four rating agencies: (i) Fitch Ratings - long-term rating "A-", stable rating, senior preferred debt rating "A", short-term rating "F1" (ii) Moody's - long-term rating (senior preferred debt) "A1", stable outlook, short-term rating "P-1" (iii) R&I - long-term rating (senior preferred debt) "A", stable outlook; and (iv) S&P Global Ratings - long-term rating (senior preferred debt) "A", stable outlook, short-term rating "A-1".

3. FRENCH RETAIL BANKING

In EURm	Q2 21	Q2 20	Change	H1 21	H1 20	Change
Net banking income	1,906	1,754	+8.7%	3,753	3,634	+3.3%
Net banking income excl. PEL/CEL	*1,889*	*1,749*	*+8.0%*	*3,748*	*3,654*	*+2.6%*
Operating expenses	(1,297)	(1,233)	+5.2%	(2,750)	(2,683)	+2.5%
Gross operating income	609	521	+16.9%	1,003	951	+5.5%
Gross operating income excl. PEL/CEL	*592*	*516*	*+14.7%*	*998*	*971*	*+2.8%*
Net cost of risk	(6)	(442)	-98.6%	(129)	(691)	-81.3%
Operating income	603	79	x 7.6	874	260	x 3,4
Reported Group net income	438	60	x 7.3	641	279	x 2,3
Underlying Group net income (1)	*398*	*40*	*x 9.9*	*693*	*339*	*x 2*
RONE	15.6%	2.1%		11.4%	4.9%	
Underlying RONE(1)	*14.2%*	*1.4%*		*12.3%*	*6.0%*	

(1) Adjusted for the linearisation of IFRIC 21 and PEL/CEL provision

Societe Generale and Crédit du Nord networks:

Average loan outstandings rose +1% vs. Q2 20 to EUR 208 billion. Average medium/long-term outstanding loans to corporate and professional customers climbed 8%, bolstered by the 20% growth in loan production excluding State Guaranteed Loans vs. Q2 20. Home loan production was up +34% vs. Q2 20.

Average outstanding balance sheet deposits[(2)] increased by +9% vs. Q2 20 to EUR 234 billion, still driven by sight deposits, whose rate of growth decelerated.

As a result, the average loan/deposit ratio stood at 89% in Q2 21 vs. 96% in Q2 20.

Insurance assets under management totalled EUR 92 billion at end-June 2021. Gross life insurance inflow amounted to EUR 2.2 billion in Q2 21, with the unit-linked share accounting for 38%.

Private Banking's assets under management totalled EUR 75 billion at end-June 2021. Net inflow remained buoyant at EUR 1.3 billion in Q2 21.

The number of protection policies was up +4%, while property and casualty premiums were 3% higher than in Q2 20.

Boursorama:

The bank consolidated its position as the leading online bank in France, with more than 2.9 million clients at end-June 2021, thanks to the onboarding of 168,000 new clients in Q2 21 (+40% vs. Q2 20).

This quarter, the bank distinguished itself by being classified No. 1 in France in the "World's best Banks 2021" rankings established by Forbes & Statista. Boursorama was also classified No. 1 bank in France in terms of customer recognition by Isoskèle in 2021. The bank was classified No. 1 in the rankings for best banking application in France (Selectra 2021). Finally, Boursorama was classified No. 1 in the 2021 rankings of cheapest banks according to the Capital-Panorabanques study.

[(2)] *Including BMTN (negotiable medium-term notes)*

Outstanding loans rose +24% vs. Q2 20 to EUR 12 billion. Home loan and consumer loan production reached a record level of EUR 1.4 billion. Home loan outstandings were up +26% vs. Q2 20.

Outstanding savings including deposits and financial savings were 30% higher than in Q2 20 at EUR 33 billion, while outstanding deposits were up +29% vs. Q2 20. The number of stock market orders increased by +7% vs. H1 20 and x3.3 vs. H1 19.

Net banking income excluding PEL/CEL

Q2 21: revenues (excluding PEL/CEL) totalled EUR 1,889 million, up +8% vs. Q2 20. Net interest income (excluding PEL/CEL) was up +1.6% vs. Q2 20, still impacted by the increase in deposits in a low interest rate environment. Commissions were 9.7% higher than in Q2 20 owing particularly to an increase in financial commissions against the backdrop of an exit from the lockdown.

H1 21: revenues (excluding PEL/CEL) totalled EUR 3,748 million, up +2.6% vs. H1 20. Net interest income (excluding PEL/CEL) was down -2.1% vs. H1 20. Commissions were 5.1% higher than in H1 20, benefiting from the strong increase in financial commissions.

Operating expenses

Q2 21: operating expenses totalled EUR 1,297 million (+5.2% vs. Q2 20). The cost to income ratio (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 70.7%, an improvement of 1.2 points vs. Q2 20.

H1 21: operating expenses totalled EUR 2,750 million (+2.5% vs. H1 20). The cost to income ratio (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 71.3%, an improvement of 0.3 points vs. H1 20.

Cost of risk

Q2 21: the commercial cost of risk amounted to EUR 6 million or 1 basis point, substantially lower than in Q2 20 (85 basis points), impacted by the crisis, and Q1 21 (23 basis points).

H1 21: the commercial cost of risk amounted to EUR 129 million or 12 basis points, a substantial decline compared to H1 20 (68 basis points).

Contribution to Group net income

Q2 21: the contribution to Group net income was EUR 438 million vs. EUR 60 million in Q2 20. RONE (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 14.2% in Q2 21 (1.4% in Q2 20) and 15.1% excluding Boursorama.

H1 21: the contribution to Group net income was EUR 641 million (x2.3 vs. H1 20). RONE (after linearisation of the IFRIC 21 charge and restated for the PEL/CEL provision) stood at 12.3% in H1 21 (6.0% in H1 20).

4. INTERNATIONAL RETAIL BANKING & FINANCIAL SERVICES

In EURm	Q2 21	Q2 20	Change		H1 21	H1 20	Change	
Net banking income	1,989	1,750	+13.7%	*+17.0%**	3,851	3,714	+3.7%	*+8.2%**
Operating expenses	(1,011)	(979)	*+3.3%*	*+6.0%**	(2,100)	(2,125)	*-1.2%*	*+2.8%**
Gross operating income	978	771	*+26.8%*	*+30.9%**	1,751	1,589	*+10.2%*	*+15.4%**
Net cost of risk	(121)	(418)	*-71.1%*	*-69.6%**	(263)	(647)	*-59.4%*	*-57.1%**
Operating income	857	353	*x 2.4*	*x 2.5**	1,488	942	*+58.0%*	*+64.6%**
Reported Group net income	522	226	*x 2.3*	*x 2.4**	914	591	*+54.7%*	*+63.4%**
Underlying Group net income (1)	*508*	*213*	*x 2.4*	*x 2.4**	*942*	*619*	*+52.1%*	*+60.3%**
RONE	20.6%	8.4%			18.2%	11.0%		
Underlying RONE(1)	*20.0%*	*7.9%*			*18.7%*	*11.6%*		

(1) Adjusted for the linearisation of IFRIC 21

International Retail Banking's outstanding loans totalled EUR 89.3 billion. They rose +3.8%* vs. end-June 2020 when adjusted for changes in Group structure and at constant exchange rates, illustrating the healthy commercial momentum in all the regions. Outstanding deposits were 8.6%* higher than in June 2020, at EUR 87.5 billion.

For the Europe scope, outstanding loans were up +4.3%* vs. June 2020 at EUR 57.1 billion, driven by all the regions: +3.5%* in Western Europe, +4.0%* in the Czech Republic and +8.6%* in Romania. Outstanding deposits were substantially higher (+10.8%*), with a healthy momentum in the Czech Republic (+10.7%*) and Romania (+11.0%*).

In Russia, outstanding loans rose +2.7%* at constant exchange rates, with a robust performance in car and home loans, up +11%* and +19%* respectively vs. Q2 20. Outstanding deposits increased by +1.6%*.

In Africa, Mediterranean Basin and French Overseas Territories, activity was buoyant, both in the individual and corporate customers segments. Outstanding loans were 2.8%* higher than in June 2020. Outstanding deposits, up +7.4%*, also enjoyed a healthy momentum.

In the Insurance business, the life insurance savings business posted a very good performance, with outstandings increasing +7%* vs. June 2020. The share of unit-linked products in outstandings was 35% at end-June 2021, an increase of 5 points vs. June 2020. Protection insurance rose +8%* vs. Q2 20, with an increase in property/casualty premiums (+11%*) and personal protection premiums (+7%*).

Financial Services to Corporates enjoyed a healthy momentum. Operational Vehicle Leasing and Fleet Management's vehicle fleet was stable vs. end-June 2020, with 1.8 million vehicles. Equipment Finance's new leasing business was up +24% vs. Q2 20, while outstanding loans were stable* vs. end-June 2020, at EUR 14.3 billion (excluding factoring).

Net banking income

Net banking income amounted to EUR 1,989 million in Q2 21, up +17.0%* vs. Q2 20. Revenues amounted to EUR 3,851 million in H1 21, up +8.2%* vs. H1 20.

International Retail Banking's net banking income totalled EUR 1,231 million, an increase of +7.9%* vs. Q2 20. Net banking income totalled EUR 2,418 million in H1 21, an increase of +1.9%* vs. H1 20.

Thanks to a healthy commercial momentum and an increase in commissions (+15%* vs. Q2 20), revenues in Europe were 3.3%* higher, despite net interest income pressure in an environment of lower interest rates than in Q2 20 (the effects of recent rate increases in the Czech Republic and Russia not yet being fully reflected in the revenues). Specialised consumer finance benefited from a strong momentum

(+5.0%* vs. Q2 20). Revenues were also higher (+4.0%*) for the SG Russia[1] scope, benefiting from robust activity in the individual customers segment (car and home loans). The Africa, Mediterranean Basin and French Overseas Territories scope posted revenues up +16.5%* vs. Q2 20, benefiting from a healthy commercial momentum in all regions and a rebound in the Mediterranean Basin. When restated for the impact of repayment moratoriums in Tunisia, revenue growth for the Africa, Mediterranean Basin and French Overseas Territories scope was 8.2%*.

The **Insurance** business posted net banking income of EUR 238 million, up +12.8%* vs. Q2 20. Net banking income was 8.0%* higher in H1 21 than in H1 20 at EUR 474 million.

Financial Services to Corporates' net banking income was higher (+49.1%*) and amounted to EUR 520 million, driven in particular by ALD which posted an increase in leasing margins (+17%*[2] vs. Q2 20) and the used car sale result (EUR 740 per unit in H1). Financial Services to Corporates' net banking income was EUR 959 million in H1 21, up +28.5%*.

Operating expenses

Operating expenses totalled EUR 1,011 million, an increase of +6.0%* on a reported basis and +6.1%* on an underlying basis vs. Q2 20, in conjunction with the recovery in activity. As a result, the quarter generated a significant positive jaws effect. The cost to income ratio stood at 50.8% in Q2 21. H1 reflected the good cost discipline. At EUR 2,100 million, costs were 2.8%* higher than in H1 20.

In **International Retail Banking**, operating expenses were up +4.0%* vs. Q2 20 and up +1.4%* vs. H1 20.

In the **Insurance** business, operating expenses were in line with the commercial expansion ambitions and rose +6.5%* vs. Q2 20 and +4.2%* vs. H1 20.

In **Financial Services to Corporates**, operating expenses increased by +7.7%* vs. Q2 20 and increased by +5.1%* vs. H1 20.

Cost of risk

Q2 21: the cost of risk amounted to 37 basis points vs. 125 basis points in Q2 20.
H1 21: the cost of risk amounted to 40 basis points vs. 96 basis points in H1 20.

Contribution to Group net income

The contribution to Group net income totalled EUR 522 million (x2.4* vs. Q2 20), and EUR 914 million in H1 21 (+63.4%* vs. H1 20).

Underlying RONE stood at 20.0% in Q2 21, vs. 7.9% in Q2 20, and 18.7% in H1 21 vs. 11.6% in H1 20.
In International Retail Banking and in Insurance and Financial Services to Corporates, underlying RONE stood at 16.8% and 24.1% respectively in Q2 21.

[1] SG Russia encompasses the entities Rosbank, Rusfinance Bank, Societe Generale Insurance, ALD Automotive and their consolidated subsidiaries
[2] Based on ALD local data

5. GLOBAL BANKING & INVESTOR SOLUTIONS

In EURm	Q2 21	Q2 20	Change		H1 21	H1 20	Change	
Net banking income	2,340	1,880	+24.5%	+27.7%*	4,849	3,507	+38.3%	+42.8%*
Operating expenses	(1,648)	(1,570)	+5.0%	+6.9%*	(3,699)	(3,547)	+4.3%	+6.3%*
Gross operating income	692	310	x 2.2	x 2.4*	1,150	(40)	n/s	n/s
Net cost of risk	(17)	(419)	-95.9%	-95.8%*	(26)	(761)	-96.6%	-96.4%*
Operating income	675	(109)	n/s	n/s	1,124	(801)	n/s	n/s
Group net income	522	(67)	n/s	n/s	878	(604)	n/s	n/s
Underlying Group net income (1)	*424*	*(120)*	*n/s*	*n/s*	*1,070*	*(433)*	*n/s*	*n/s*
RONE	14.4%	-1.9%			12.2%	-8.6%		
Underlying RONE(1)	*11.7%*	*-3.3%*			*14.9%*	*-6.2%*		

(1) Adjusted for the linearisation of IFRIC 21

Net banking income

In Q2 21, **Global Banking & Investor Solutions** posted a very good performance, with revenues of EUR 2,340 million, substantially higher (+24.5%) than in Q2 20 (+27.7%* when adjusted for changes in Group structure and at constant exchange rates), with a strong momentum in the Equity businesses and in Financing & Advisory activities.

In H1 21, revenues rose +38.3% vs. H1 20 (EUR 4,849 million vs. EUR 3,507 million, +42.8%*), to a higher level than in H1 19.

In **Global Markets & Investor Services,** net banking income totalled EUR 1,388 million, +40.1% vs. a Q2 20 impacted by the health crisis (+44.3%*). It amounted to EUR 3,039 million in H1 21, +72.8% vs. H1 20 (+80.7%*).

Market conditions in the Equity businesses remain favourable, in an environment in a normalisation phase versus Q1 21. Accordingly, the business posted revenues of EUR 758 million in Q2 21, up +21% vs. the average level in 2019. This good performance is reflected in each of the regions. Commercial activity was very buoyant, especially in Investment Solutions products (and more particularly in listed products) and in the retail and large corporates segments. Structured products also performed well.
Revenues were higher at EUR 1,609 million in H1 21.

Fixed Income & Currency activities posted a performance down -33% vs. a strong Q2 20, driven by very dynamic fixed income markets. At EUR 470 million, these Q2 revenues were 6% lower than the average level in 2019. Commercial activity was buoyant in Rate activities and average in Credit and Currency activities.
Revenues were 16% lower in H1 21 than in H1 20 and 10% higher than the average level in 2019.

Securities Services' revenues were also substantially higher (+7.4% vs. Q2 20), at EUR 160 million. They were up +12.0% in H1 21 vs. H1 20, at EUR 335 million.
Securities Services' assets under custody amounted to EUR 4,446 billion at end-June 2021, an increase of +2.4% vs. end-March 2021. Over the same period, assets under administration were up +3.4% at EUR 661 billion.

Financing & Advisory revenues totalled EUR 720 million in Q2 21, up +12.9%* vs. Q2 20 (+9.6% at current structure and exchange rates). They amounted to EUR 1,353 million in H1 21, significantly higher (+7.9%*) than in H1 20.

Asset and Natural Resources and Infrastructure Financing activities enjoyed a good quarter, benefiting from a healthy commercial momentum. The expansion of the Asset-Backed Products platform continued in Q2, with in particular an acceleration in Asia.

Investment Banking revenues were lower compared to the very high level in Q2 20 due to a record level of issues last year. While debt capital markets are returning to normal, equity capital markets and Leveraged Buyout markets are more active.

Global Transaction and Payment Services continued to deliver strong growth, up +25%* vs. Q2 20.

Asset and Wealth Management's net banking income totalled EUR 232 million in Q2 21, stable* vs. Q2 20. It was down -0.9%* (-1.1% at current change and perimeter) in H1 21.

Private Banking posted a performance down -8.8%* vs. Q2 20 (at EUR 171 million) and up +8%* when Q2 20 is restated for an exceptional impact of EUR +29 million related to an insurance payout. The business benefited from strong commercial activity combined with net inflow amounting to EUR +2.1 billion. Assets under management were up +4.2% vs. end-March 2021, at EUR 126 billion.
Private Banking posted net inflow of EUR 4.5 billion in H1 21, positive in all the regions. Net banking income amounted to EUR 344 million, down -5.1%* vs. H1 20.

Lyxor's net banking income amounted to EUR 57 million, an increase of EUR 17 million vs. Q2 20. Lyxor's assets under management were higher (+7.1%) than at end-March 2021, at EUR 165 billion. Net inflow was EUR +5.3 billion in Q2 21.
Revenues were up +16.1%* in H1 21 vs. H1 20, with net inflow of EUR +11.5 billion.

Operating expenses

Q2 21: operating expenses totalled EUR 1,648 million and EUR 1,777 million on an underlying basis. Higher underlying costs (+10.5%* vs. Q2 20) can be explained by the rise in variable costs related to the increase in revenues and the IFRIC 21 charge, generating a very positive jaws effect. There was an improvement in the cost to income ratio of 13 points (70.4% vs. 83.5% in Q2 20).
H1 21: operating expenses were up +6.3%* on a reported basis and +5.7%* on an underlying basis.

Net cost of risk

Q2 21: the commercial cost of risk amounted to 4 basis points (or EUR 17 million), well below the level of 95 basis points in Q2 20, which was adversely affected by the health crisis.
H1 21: it was at a low level of 3 basis points.

Contribution to Group net income

The contribution to Group net income was EUR 522 million on a reported basis and EUR 424 million on an underlying basis (after linearisation of IFRIC 21) in Q2 21 and EUR 878 million and EUR 1,070 million respectively in H1 21.

Global Banking & Investor Solutions posted a significant underlying RONE of 11.7% in Q2 21 and 14.9% in H1 21.

6. CORPORATE CENTRE

In EURm	Q2 21	Q2 20	H1 21	H1 20
Net banking income	26	(88)	53	(389)
Operating expenses	(151)	(78)	(306)	(183)
Underlying operating expenses (1)	*(78)*	*(90)*	*(149)*	*(158)*
Gross operating income	(125)	(166)	(253)	(572)
Underlying gross operating income (1)	*(52)*	*(178)*	*(96)*	*(547)*
Net cost of risk	2	-	-	-
Impairment losses on goodwill	-	(684)	-	(684)
Income tax	124	(598)	160	(450)
Reported Group net income	(43)	(1,483)	(180)	(1,856)
Underlying Group net income (1)	*7*	*(129)*	*(62)*	*(510)*

(1) Adjusted for the linearisation of IFRIC 21

The Corporate Centre includes:

- the property management of the Group's head office,
- the Group's equity portfolio,
- the Treasury function for the Group,
- certain costs related to cross-functional projects as well as certain costs incurred by the Group and not re-invoiced to the businesses.

The Corporate Centre's net banking income totalled EUR +26 million in Q2 21 vs. EUR -88 million in Q2 20 and EUR +53 million in H1 21 vs. EUR -389 million in H1 20.

Operating expenses totalled EUR 151 million in Q2 21 vs. EUR 78 million in Q2 20. They include the Group's transformation costs for a total amount of EUR 85 million relating to the activities of French Retail Banking (EUR 38 million), Global Banking & Investor Solutions (EUR 26 million) and the Corporate Centre (EUR 21 million). Underlying costs came to EUR 78 million in Q2 21 compared to EUR 90 million in Q2 20.
Operating expenses totalled EUR 306 million in H1 21 vs. EUR 183 million in H1 20. Transformation costs totalled EUR 135 million (EUR 60 million related to the activities of French Retail Banking, EUR 43 million related to Global Banking & Investor Solutions and EUR 32 million related to the Corporate Centre). Underlying costs came to EUR 149 million in H1 21 compared to EUR 158 million in H1 20.

Gross operating income totalled EUR -125 million in Q2 21 vs. EUR -166 million in Q2 20 and EUR -253 million in H1 21 vs. EUR -572 million in H1 20. Underlying gross operating income came to EUR 96 million in H1 21.

In Q2 20, the review of the financial trajectory of Global Markets & Investor Services led to the impairment of the associated goodwill for EUR -684 million and deferred tax assets for EUR -650 million.

The Corporate Centre's contribution to Group net income was EUR -43 million in Q2 21 vs. EUR -1,483 million in Q2 20 and EUR -180 million in H1 21 vs. EUR -1,856 million in H1 20.

7. CONCLUSION

The Group enjoyed an excellent H1 2021, combining a very good performance by all the businesses with a significant improvement in their cost to income ratio, while maintaining disciplined management of its costs, risk policy and capital position.

On the strength of H1, the Group has improved its full-year targets, now anticipating an increase in revenues in all its businesses and a cost of risk revised downwards in a still uncertain environment but with an improving economic outlook.

The Group also remains fully committed to the execution of its strategic initiatives, the integration of the CSR dimension in all its regions and businesses and the expansion of its growth drivers.

8. 2021 FINANCIAL CALENDAR

2021 Financial communication calendar

November 4th, 2021	Third quarter and nine-month 2021 results
February 10th, 2022	Fourth quarter and FY 2021 results
May 5th, 2022	First quarter 2022 results
August 3rd, 2022	Second quarter and first half 2022 results
November 4th, 2022	Third quarter and nine-month 2022 results

The Alternative Performance Measures, notably the notions of net banking income for the pillars, operating expenses, IFRIC 21 adjustment, (commercial) cost of risk in basis points, ROE, ROTE, RONE, net assets, tangible net assets, and the amounts serving as a basis for the different restatements carried out (in particular the transition from published data to underlying data) are presented in the methodology notes, as are the principles for the presentation of prudential ratios.

9. APPENDIX 1: FINANCIAL DATA

GROUP NET INCOME BY CORE BUSINESS

In EURm	Q2 21	Q2 20	Change	H1 21	H1 20	Change
French Retail Banking	438	60	x 7.3	641	279	x 2.3
International Retail Banking and Financial Services	522	226	x 2.3	914	591	54.7%
Global Banking and Investor Solutions	522	(67)	n/s	878	(604)	n/s
Core Businesses	1,482	219	x 6.8	2,433	266	x 9.1
Corporate Centre	(43)	(1,483)	n/s	(180)	(1,856)	n/s
Group	1,439	(1,264)	n/s	2,253	(1,590)	n/s

CONSOLIDATED BALANCE SHEET

	30.06.2021	31.12.2020
Cash, due from central banks	160,801	168,179
Financial assets at fair value through profit or loss	440,774	429,458
Hedging derivatives	15,306	20,667
Financial assets measured at fair value through other comprehensive income	49,068	52,060
Securities at amortised cost	18,922	15,635
Due from banks at amortised cost	61,733	53,380
Customer loans at amortised cost	464,622	448,761
Revaluation differences on portfolios hedged against interest rate risk	222	378
Investment of insurance activities	172,016	166,854
Tax assets	4,601	5,001
Other assets	69,473	67,341
Non-current assets held for sale	368	6
Investments accounted for using the equity method	96	100
Tangible and intangible assets	30,786	30,088
Goodwill	3,821	4,044
Total	**1,492,609**	**1,461,952**

	30.06.2021	31.12.2020
Central banks	5,515	1,489
Financial liabilities at fair value through profit or loss	376,762	390,247
Hedging derivatives	10,170	12,461
Debt securities issued	137,938	138,957
Due to banks	147,938	135,571
Customer deposits	478,774	456,059
Revaluation differences on portfolios hedged against interest rate risk	5,214	7,696
Tax liabilities	1,365	1,223
Other liabilities	87,805	84,937
Non-current liabilities held for sale	104	-
Liabilities related to insurance activities contracts	151,119	146,126
Provisions	4,595	4,775
Subordinated debts	16,673	15,432
Total liabilities	**1,423,972**	**1,394,973**
SHAREHOLDERS' EQUITY		
Shareholders' equity, Group share		
Issued common stocks and capital reserves	22,354	22,333
Other equity instruments	8,930	9,295
Retained earnings	30,962	32,076
Net income	2,253	(258)
Sub-total	**64,499**	**63,446**
Unrealised or deferred capital gains and losses	(1,363)	(1,762)
Sub-total equity, Group share	**63,136**	**61,684**
Non-controlling interests	5,501	5,295
Total equity	**68,637**	**66,979**
Total	**1,492,609**	**1,461,952**

10. APPENDIX 2: METHODOLOGY

1 – The financial information presented in respect of Q2 and H1 2021 was examined by the Board of Directors on August 2nd, 2021 and has been prepared in accordance with IFRS as adopted in the European Union and applicable at that date. The limited review procedures carried out by the Statutory Auditors are in progress on the condensed interim consolidated financial statements as at June 30th, 2021.

2 – Net banking income

The pillars' net banking income is defined on page 41 of Societe Generale's 2021 Universal Registration Document. The terms "Revenues" or "Net Banking Income" are used interchangeably. They provide a normalised measure of each pillar's net banking income taking into account the normative capital mobilised for its activity.

3 – Operating expenses

Operating expenses correspond to the "Operating Expenses" as presented in note 8.1 to the Group's consolidated financial statements as at December 31st, 2020 (pages 466 et seq. of Societe Generale's 2021 Universal Registration Document). The term "costs" is also used to refer to Operating Expenses. The Cost/Income Ratio is defined on page 41 of Societe Generale's 2021 Universal Registration Document.

4 - IFRIC 21 adjustment

The IFRIC 21 adjustment corrects the result of the charges recognised in the accounts in their entirety when they are due (generating event) so as to recognise only the portion relating to the current quarter, i.e. a quarter of the total. It consists in smoothing the charge recognised accordingly over the financial year in order to provide a more economic idea of the costs actually attributable to the activity over the period analysed.

5 – Exceptional items – Transition from accounting data to underlying data

It may be necessary for the Group to present underlying indicators in order to facilitate the understanding of its actual performance. The transition from published data to underlying data is obtained by restating published data for exceptional items and the IFRIC 21 adjustment.

Moreover, the Group restates the revenues and earnings of the French Retail Banking pillar for PEL/CEL provision allocations or write-backs. This adjustment makes it easier to identify the revenues and earnings relating to the pillar's activity, by excluding the volatile component related to commitments specific to regulated savings.

The reconciliation enabling the transition from published accounting data to underlying data is set out in the table below:

Q2 21 (in EURm)	Operating Expenses	Net profit or losses from other assets	Impairment losses on goodwill	Income tax	Group net income	Business
Reported	(4,107)	5	0	(404)	1,439	
(+) IFRIC 21 linearisation	*(203)*			*49*	*(151)*	
*(+) Transformation charges**	*85*			*(24)*	*61*	*Corporate Center (1)*
Underlying	(4,225)	5	0	(379)	1,349	

Q2 20 (in EURm)	Operating Expenses	Net profit or losses from other assets	Impairment losses on goodwill	Income tax	Group net income	Business
Reported	(3,860)	4	(684)	(658)	(1,264)	
(+) IFRIC 21 linearisation	*(124)*			*58*	*(62)*	
*(-) Goodwill impairment**			*(684)*		*(684)*	*Corporate center*
*(-) DTA impairment **				*(650)*	*(650)*	*Corporate center*
Underlying	(3,984)	4	0	50	8	

(1) Transformation and/or restructuring charges in Q2 21 related to RBDF (EUR 38m), GBIS (EUR 26m) and Corporate Center (EUR 21m)
**exceptionals items*

H1 21 (in EURm)	Operating Expenses	Net profit or losses from other assets	Impairment losses on goodwill	Income tax	Group net income	Business
Reported	(8,855)	11	0	(687)	2,253	
(+) IFRIC 21 linearisation	*398*			*(92)*	*297*	
*(+) Transformation charges**	*135*			*(38)*	*97*	*Corporate Center (2)*
Underlying	(8,322)	11	0	(817)	2,647	

H1 20 (in EURm)	Operating Expenses	Net profit or losses from other assets	Impairment losses on goodwill	Income tax	Group net income	Business
Reported	(8,538)	84	(684)	(612)	(1,590)	
(+) IFRIC 21 linearisation	*353*			*(166)*	*179*	
(-) Group refocusing plan		*(77)*		*0*	*(77)*	*Corporate center*
*(-) Goodwill impairment**			*(684)*		*(684)*	*Corporate center*
*(-) DTA impairment **				*(650)*	*(650)*	*Corporate center*
Underlying	(8,185)	161	0	(128)	0	

(2) Transformation and/or restructuring charges in H1 21 related to RBDF (EUR 60m), GBIS (EUR 43m) and Corporate Center (EUR 32m)
**exceptionals items*

6 - Cost of risk in basis points, coverage ratio for doubtful outstandings

The cost of risk or commercial cost of risk is defined on pages 43 and 635 of Societe Generale's 2021 Universal Registration Document. This indicator makes it possible to assess the level of risk of each of the pillars as a percentage of balance sheet loan commitments, including operating leases.

	(In EUR m)	Q2 21	Q2 20	H1 21	H1 20
French Retail Banking	Net Cost Of Risk	6	442	129	691
	Gross loans Outstanding	217,710	207,517	217,658	204,328
	Cost of Risk in bp	1	85	12	68
International Retail Banking and Financial Services	Net Cost Of Risk	121	418	263	647
	Gross loans Outstanding	131,344	133,475	130,770	134,941
	Cost of Risk in bp	37	125	40	96
Global Banking and Investor Solutions	Net Cost Of Risk	17	419	26	761
	Gross loans Outstanding	162,235	175,673	158,443	166,868
	Cost of Risk in bp	4	95	3	91
Corporate Centre	Net Cost Of Risk	(2)	0	0	0
	Gross loans Outstanding	13,561	10,292	13,262	10,001
	Cost of Risk in bp	(4)	3	0	3
Societe Generale Group	Net Cost Of Risk	142	1,279	418	2,099
	Gross loans Outstanding	524,849	526,958	520,133	516,138
	Cost of Risk in bp	11	97	16	81

The **gross coverage ratio for doubtful outstandings** is calculated as the ratio of provisions recognised in respect of the credit risk to gross outstandings identified as in default within the meaning of the regulations, without taking account of any guarantees provided. This coverage ratio measures the maximum residual risk associated with outstandings in default ("doubtful").

7 - ROE, ROTE, RONE

The notions of ROE (Return on Equity) and ROTE (Return on Tangible Equity), as well as their calculation methodology, are specified on page 43 and 44 of Societe Generale's 2021 Universal Registration Document. This measure makes it possible to assess Societe Generale's return on equity and return on tangible equity.

RONE (Return on Normative Equity) determines the return on average normative equity allocated to the Group's businesses, according to the principles presented on page 44 of Societe Generale's 2021 Universal Registration Document.

Group net income used for the ratio numerator is book Group net income adjusted for "interest net of tax payable on deeply subordinated notes and undated subordinated notes, interest paid to holders of deeply subordinated notes and undated subordinated notes, issue premium amortisations" and "unrealised gains/losses booked under shareholders' equity, excluding conversion reserves" (see methodology note No. 9). For ROTE, income is also restated for goodwill impairment.

Details of the corrections made to book equity in order to calculate ROE and ROTE for the period are given in the table below:

ROTE calculation: calculation methodology

End of period	Q2 21	Q2 20	H1 21	H1 20
Shareholders' equity Group share	63,136	60,659	63,136	60,659
Deeply subordinated notes	(8,905)	(8,159)	(8,905)	(8,159)
Undated subordinated notes	(62)	(283)	(62)	(283)
Interest net of tax payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations	(1)	20	(1)	20
OCI excluding conversion reserves	(699)	(834)	(699)	(834)
Dividend provision	(1,021)		(1,021)	
ROE equity end-of-period	52,448	51,403	52,448	51,403
Average ROE equity	52,161	52,388	51,849	52,830
Average Goodwill	(3,927)	(4,270)	(3,928)	(4,416)
Average Intangible Assets	(2,542)	(2,417)	(2,524)	(2,393)
Average ROTE equity	45,692	45,701	45,397	46,021
Group net Income (a)	1,439	(1,264)	2,253	(1,590)
Underlying Group net income (b)	1,349	8	2,647	
Interest on deeply subordinated notes and undated subordinated notes (c)	(165)	(161)	(309)	(321)
Cancellation of goodwill impairment (d)		684		684
Ajusted Group net Income (e) = (a)+ (c)+(d)	1,274	(741)	1,944	(1,227)
Ajusted Underlying Group net Income (f)=(b)+(c)	1,184	(153)	2,338	(321)
Average ROTE equity (g)	45,692	45,701	45,397	46,021
ROTE [quarter: (4*e/g), 6M: (2*e/g)]	11.2%	-6.5%	8.6%	-5.3%
Underlying ROTE	45,602	46,973	45,791	47,611
Underlying ROTE [quarter: (4*f/h), 6M: (2*f/h)]	10.4%	-1.3%	10.2%	-1.3%

RONE calculation: Average capital allocated to Core Businesses (in EURm)

In EURm	Q2 21	Q2 20	Change	H1 21	H1 20	Change
French Retail Banking	11,237	11,460	-1.9%	11,289	11,321	-0.3%
International Retail Banking and Financial Services	10,158	10,820	-6.1%	10,058	10,708	-6.1%
Global Banking and Investor Solutions	14,462	14,453	0.1%	14,366	14,024	2.4%
Core Businesses	35,857	36,733	-2.4%	35,713	36,053	-0.9%
Corporate Center	16,304	15,655	4.1%	16,136	16,777	-3.8%
Group	52,161	52,388	-0.4%	51,849	52,830	-1.9%

8 - Net assets and tangible net assets

Net assets and tangible net assets are defined in the methodology, page 46 of the Group's 2021 Universal Registration Document. The items used to calculate them are presented below:

End of period	H1 21	Q1 21	2020
Shareholders' equity Group share	63,136	62,920	61,684
Deeply subordinated notes	(8,905)	(9,179)	(8,830)
Undated subordinated notes	(62)	(273)	(264)
Interest, net of tax, payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations	(1)	(51)	19
Bookvalue of own shares in trading portfolio	(46)	(25)	301
Net Asset Value	54,122	53,391	52,910
Goodwill	(3,927)	(3,927)	(3,928)
Intangible Assets	(2,556)	(2,527)	(2,484)
Net Tangible Asset Value	47,639	46,937	46,498
Number of shares used to calculate NAPS**	850,429	850,427	848,859
Net Asset Value per Share	63.6	62.8	62.3
Net Tangible Asset Value per Share	56.0	55.2	54.8

*** The number of shares considered is the number of ordinary shares outstanding as at June 30th, 2021, excluding treasury shares and buybacks, but including the trading shares held by the Group.*
In accordance with IAS 33, historical data per share prior to the date of detachment of a preferential subscription right are restated by the adjustment coefficient for the transaction.

9 - Calculation of Earnings Per Share (EPS)

The EPS published by Societe Generale is calculated according to the rules defined by the IAS 33 standard (see page 45 of Societe Generale's 2021 Universal Registration Document). The corrections made to Group net income in order to calculate EPS correspond to the restatements carried out for the calculation of ROE and ROTE. As specified on page 45 of Societe Generale's 2021 Universal Registration Document, the Group also publishes EPS adjusted for the impact of non-economic and exceptional items presented in methodology note No. 5 (underlying EPS).

The calculation of Earnings Per Share is described in the following table:

Average number of shares (thousands)	H1 21	Q1 21	2020
Existing shares	853,371	853,371	853,371
Deductions			
Shares allocated to cover stock option plans and free shares awarded to staff	3,466	3,728	2,987
Other own shares and treasury shares			
Number of shares used to calculate EPS**	849,905	849,643	850,385
Group net Income	2,253	814	(258)
Interest on deeply subordinated notes and undated subordinated notes	(309)	(144)	(611)
Adjusted Group net income	1,944	670	(869)
EPS (in EUR)	2.29	0.79	(1.02)
Underlying EPS* (in EUR)	2.40	0.83	0.97

(*) Calculated on the basis of underlying Group net income excluding linearisation of IFRIC 21. Or EUR 2.75 taking into account the linearisation of IFRIC 21 in H1 21.
(**) The number of shares considered is the number of ordinary shares outstanding as at June 30th, 2021, excluding treasury shares and buybacks, but including the trading shares held by the Group.

10 – The Societe Generale Group's Common Equity Tier 1 capital is calculated in accordance with applicable CRR2/CRD5 rules. The fully-loaded solvency ratios are presented pro forma for current earnings, net of dividends, for the current financial year, unless specified otherwise. When there is reference to phased-in ratios, these do not include the earnings for the current financial year, unless specified otherwise. The leverage ratio is also calculated according to applicable CRR2/CRD5 rules including the phased-in follows the same rationale as solvency ratios.

NB (1) The sum of values contained in the tables and analyses may differ slightly from the total reported due to rounding rules.

(2) All the information on the results for the period (notably: press release, downloadable data, presentation slides and supplement) is available on Societe Generale's website www.societegenerale.com in the "Investor" section.

Societe Generale

Societe Generale is one of the leading European financial services groups. Based on a diversified and integrated banking model, the Group combines financial strength and proven expertise in innovation with a strategy of sustainable growth, aiming to be the trusted partner for its clients, committed to the positive transformations of society and the economy.

Active in the real economy for over 150 years, with a solid position in Europe and connected to the rest of the world, Societe Generale has over 133,000 members of staff in 61 countries and supports on a daily basis 30 million individual clients, businesses and institutional investors around the world by offering a wide range of advisory services and tailored financial solutions. The Group is built on three complementary core businesses:

- **French Retail Banking** which encompasses the Societe Generale, Crédit du Nord and Boursorama brands. Each offers a full range of financial services with omnichannel products at the cutting edge of digital innovation;
- **International Retail Banking, Insurance and Financial Services to Corporates,** with networks in Africa, Russia, Central and Eastern Europe and specialised businesses that are leaders in their markets;
- **Global Banking and Investor Solutions**, which offers recognised expertise, key international locations and integrated solutions.

Societe Generale is included in the principal socially responsible investment indices: DJSI (World and Europe), FTSE4Good (Global and Europe), Bloomberg Gender-Equality Index, Refinitiv Diversity and Inclusion Index, Euronext Vigeo (Europe and Eurozone), STOXX Global ESG Leaders indexes and MSCI Low Carbon Leaders Index (World and Europe).

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REGISTERED OFFICE OF THE ISSUER

SG Issuer
16, Boulevard Royal
L-2449 Luxembourg
Luxembourg

REGISTERED OFFICE OF THE GUARANTOR

Société Générale
29, boulevard Haussmann
75009 Paris
France

ISSUER'S AUDITORS

Ernst & Young Société Anonyme
35E, avenue John F. Kennedy
L-1855 Luxembourg
Luxembourg

GUARANTOR'S AUDITORS

Ernst & Young et Autres
Tour First
TSA 14444
92037 Paris-La Défense Cedex
France

Deloitte & Associés
6, place de la Pyramide
92908 Paris-La Défense Cedex
France

WARRANT AGENT

THE CENTRAL DEPOSITORY (PTE) LIMITED
11 North Buona Vista Drive
#06-07 The Metropolis Tower 2
Singapore 138589

LEGAL ADVISERS TO THE ISSUER
(as to Singapore law)

ALLEN & GLEDHILL LLP
One Marina Boulevard #28-00
Singapore 018989