China Construction Bank Corporation

Capital Adequacy Ratio Report 2020

CONTENTS

IMPORTANT NOTICE

China Construction Bank Corporation ("the Bank" or "CCB" or "the Group") warrants the authenticity, accuracy and completeness of all contents contained and information disclosed herein.

In accordance with the *Capital Rules for Commercial Banks (Provisional)* issued by the former China Banking Regulatory Commission (the "CBRC"), the Group is required to disclose information relevant to capital adequacy ratios ("CAR") on a quarterly, semi-annual and annual basis; however, the disclosed contents might vary with disclosure frequencies. The Group is scheduled to release a detailed annual capital adequacy ratio report and quarterly highlights starting from March 2013. The *Capital Adequacy Ratio Report 2020 of China Construction Bank Corporation* (the "Report") is prepared in accordance with the definition and rules of the capital adequacy ratios promulgated by the CBRC other than Accounting Standards, thus part of the information disclosed herein cannot be directly compared with the financial information as disclosed in the *Annual Report 2020 of China Construction Bank Corporation*, especially for the disclosure of credit risk exposures.

China Construction Bank Corporation

March 2021

1 BACKGROUND

1.1 Profile

China Construction Bank Corporation, headquartered in Beijing, is a leading large-scale commercial bank in China. Its predecessor, China Construction Bank, was established in October 1954. It was listed on Hong Kong Stock Exchange in October 2005 (stock code: 939) and the Shanghai Stock Exchange in September 2007 (stock code: 601939). At the end of 2020, the Bank's market capitalisation reached US$191,889 million, ranking fourth among all listed banks in the world. The Group ranks second among global banks by Tier 1 capital.

The Bank provides customers with comprehensive financial services. With 14,741 banking outlets and 349,671 staff members, the Bank serves hundreds of millions of personal and corporate customers. The Bank has subsidiaries in various sectors, including fund management, financial leasing, trust, insurance, futures, pension and investment banking, and has more than 200 overseas entities covering 31 countries and regions.

1.2 Objectives

The Report is prepared in accordance with the *Capital Rules for Commercial Banks (Provisional)* issued by the CBRC, the *Circular of the China Banking Regulatory Commission on Printing and Distributing the Supporting Policy Documents for the Capital Regulation and Administration of Commercial Banks* and other relevant regulations. The Report provides relevant qualitative and quantitative information, such as the calculation scope of the capital adequacy ratios, composition of capital, risk management framework, measurement and management of credit risk, market risk, operational risk and other risks, and remuneration, helping the investors and the public fully understand the Group's capital, risk and remuneration management.

2 CAPITAL ADEQUACY RATIO

2.1 Consolidation Scope

The Group calculates the capital adequacy ratios in accordance with the *Capital Rules for Commercial Banks (Provisional)* promulgated by the CBRC in June 2012. The scope for calculating capital adequacy ratios includes both the Bank's domestic and overseas branches and sub-branches, and subsidiaries of the financial institution type (insurance company excluded).

2.1.1 Differences between the Regulatory and Accounting Scopes of Consolidation

According to the regulatory requirements, the Group does not include industrial and commercial subsidiaries or insurance subsidiaries in the consolidated calculation scope of the capital adequacy ratios, resulting in certain differences between the regulatory and financial consolidation scopes. As at 31 December 2020, the differences between the Group's regulatory and accounting consolidation scopes are outlined in the table below.

Table 1: Differences between the regulatory and accounting scopes of consolidation

No.	Company name	Type of business	Place of incorporation	Under the accounting scope of consolidation	Under the regulatory scope of consolidation
1	CCB Life Insurance Company Limited	Insurance	Shanghai, the PRC	Yes	No

1. Except the differences of consolidation resulting from the above subsidiaries, in accordance with the regulatory requirements, certain sub-subsidiaries of industrial and commercial types are also not within the regulatory scope of consolidation.

2.1.2 General Information of the Invested Institutions

According to the regulatory requirements, the Group treats various types of investees differently while calculating the consolidated capital adequacy ratios.

- With respect to the financial institution type of subsidiaries that are included in both the regulatory and accounting scopes of consolidation, the Group includes their capital and risk-weighted assets in the calculation scope of consolidated capital adequacy ratios.
- With respect to insurance subsidiaries that are outside the regulatory scope of consolidation but within the accounting scope of consolidation, the Group deducts the investment in such subsidiaries from the capital while calculating the consolidated capital adequacy ratios.
- With respect to subsidiaries of the industrial and commercial enterprise type that are outside the regulatory scope of consolidation but within the accounting scope of consolidation, the Group calculates the risk-weighted assets for the investment in such subsidiaries based on the regulatory risk weights while calculating the consolidated capital adequacy ratios.

- With respect to other financial institutions outside both the regulatory and accounting scopes of consolidation, the Group follows the threshold deduction method for the investments in these financial institutions. The portion of the investments exceeding the threshold is deducted from the capital. For the portion not deducted from the capital, the risk-weighted assets are calculated using the regulatory risk weights.
- With respect to other industrial and commercial enterprises outside both the regulatory and accounting scopes of consolidation, the Group calculates their risk-weighted assets based on the regulatory risk weights.

Table 2: Particulars of the top 10 invested institutions within the regulatory scope of consolidation

No.	Name of the invested institutions	Equity investment balance (in millions of RMB)	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	Place of registration
1	China Construction Bank (Asia) Corporation Limited	32,878	-	100%	Hong Kong, the PRC
2	CCB Wealth Management Corporation Limited	15,000	100%	-	Shenzhen, the PRC
3	CCB Financial Asset Investment Corporation Limited	12,000	100%	-	Beijing, the PRC
4	CCB Financial Leasing Corporation Limited	11,163	100%	-	Beijing, the PRC
5	CCB Brazil Financial Holding - Investimentose Participações Ltda.	9,542	99.99%	0.01%	São Paulo, Brasil
6	CCB Trust Corporation Limited	7,429	67%	-	Anhui, the PRC
7	China Construction Bank (Europe) S.A.	4,406	100%	-	Luxembourg
8	CCB International (Holdings) Limited	4,320	-	100%	Hong Kong, the PRC
9	China Construction Bank (London) Limited	2,861	100%	-	London, United Kingdom
10	PT Bank China Construction Bank Indonesia Tbk	2,215	60%	-	Jakarta, Indonesia
Total		**101,814**			

1. The table is listed by equity investment balance in descending order.

Table 3: Particulars of the top 10 invested institutions subject to deduction treatment

No.	Name of the invested institions	Equity investment balance (in millions of RMB)	% of ownership directly held by the Bank	Place of registration	Industry
1	CCB Life Insurance Company Limited[2]	6,962	51%	Shanghai, the PRC	Insurance
Total		**6,962**			

1. Invested institutions subject to deduction treatments refer to capital investment which shall be fully deducted or meet the threshold deductions while calculating the eligible capitals.
2. The insurance sub-subsidiaries of the Group's affiliates are also deducted.

2.2 Capital Adequacy Ratio

As at 31 December 2020, given the relevant rules for the parallel period, the Group's total capital ratio, Tier 1 ratio and Common Equity Tier 1 ratio, which were calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*, were 17.06%, 14.22% and 13.62% respectively, all in compliance with the regulatory requirements. The total capital ratio, Tier 1 ratio and Common Equity Tier 1 ratio decreased by 0.46, 0.46 and

0.26 percentage point respectively compared with those as at 31 December 2019.

Changes in the Group's capital adequacy ratios were mainly affected by the following factors: on the one hand, rapid growth of risk-weighted assets driven by year-on-year increase in loans and bond investments in order to support the stability in employment, financial operations, foreign trade, foreign investment, domestic investment and economic expectations, and the security in employment, people's livelihood, market participants, food and energy supply, supply chains and and the normal functioning of primary-level governments, and to support the prevention and control of COVID-19 and the recovery of the real economy; on the other hand, lower profitability in the wake of COVID-19, fully exposed risks, accelerated disposal, slower self-driven accumulation of capital and year-on-year slowdown in the growth of net capital.

Table 4: Capital adequacy ratios

(In millions of RMB, except percentages)	**As at 31 December 2020**		**As at 31 December 2019**	
	The Group	**The Bank**	**The Group**	**The Bank**
Common Equity Tier 1 capital after regulatory adjustments	2,261,449	2,105,934	2,089,976	1,938,236
Tier 1 capital after regulatory adjustments	2,361,517	2,191,258	2,209,692	2,046,546
Total capital after regulatory adjustments	2,832,681	2,649,639	2,637,588	2,468,041
Common Equity Tier 1 ratio	13.62%	13.63%	13.88%	13.88%
Tier 1 ratio	14.22%	14.18%	14.68%	14.65%
Capital adequacy ratios	17.06%	17.15%	17.52%	17.67%

2.3 Regulatory Capital Shortfall of Consolidated Subsidiaries

Financial institutions, of which the Bank holds majority of the equity or owns the control rights, had no regulatory capital shortfall in accordance with the *Capital Rules for Commercial Banks (Provisional)* and supporting policies issued by the CBRC or local regulatory requirements.

2.4 Restrictions on Intragroup Transfer of Capital

In 2020, none of the Group's overseas subsidiaries experienced significant restrictions on transfer of capital such as capital increase, mergers & acquisitions or payment of dividends.

3 CAPITAL MANAGEMENT

3.1 Approaches and Procedures of Internal Capital Adequacy Assessment

The Bank's internal capital adequacy assessment procedure includes governance framework, risk identification and assessment, stress testing, capital assessment, capital planning and emergency management. Based on the comprehensive consideration and evaluation of major risks faced by the Bank, the Bank leverages between capital and risk, establishes a management system considering both risk and capital and ensures that the capital level is adapted to the risk statues under various market environments. The Bank conducts internal capital adequacy assessment annually and continuously promotes the optimisation of methodology. At present, the Bank has established relatively standardised governance framework, thorough policy system, complete evaluation process, periodic monitoring and reporting mechanism and internal audit system, which promoted the adaption between capital and strategy, operating conditions and risk level, and the system can meet both the requirements of external supervision and the needs of internal management. Currently, the Bank maintains an adequate risk and capital governance structure, with clearly defined processes and procedures, enabling it to effectively manage various risks, properly align its capital capability with its operations, risk shifts and movements as well as long-term development strategy, and with all risk exposures well covered, to sustain its business development.

3.2 Capital Planning and Capital Adequacy Ratio Management Plan

In accordance with the *Capital Rules for Commercial Banks (Provisional)*, the Bank formulated the *China Construction Bank Capital Planning 2021-2023*, which was approved by the Board of Directors and the shareholders' general meeting. The Bank adheres to the new development philosophy, focuses on internal capital accumulation and external capital replenishment, and actively seizes opportunities to issue capital instruments to achieve high-quality development in terms of serving the real economy, lean management, intensive capital management, effective risk control, and regulatory compliance. The Bank gives priority to enhancing capital strength by improving profit retention, maintaining a reasonable asset growth rate, optimizing asset structure, and strengthening refined management, and constantly enhanced the inherent impetus and core competitiveness of development. The Bank uses market-based financing methods where appropriate, issued various types of capital instruments in multiple markets, and conduct appropriate external capital replenishment, to ensure adequate capital level and high capital quality.

Within its medium- and long-term capital planning framework, the Bank sets its annual CAR targets, develops annual CAR management plans and incorporates them into its overall annual operational plan, to ensure their alignment with various business plans and the Bank's capital adequacy remains higher than the internal CAR objectives. The Bank has adopted various measures, including dynamic CAR monitoring, analyses and reports, as well as maintaining a steady growth of assets, timely adjustment of its risk asset structure, continued improvement of refined management and technology application, and issuances of capital instruments when appropriate, to ensure that capital adequacy ratios of the Group and the Bank at all levels are in full compliance with regulatory requirements and met internal management needs.

3.3 Overview of Capital Composition

3.3.1 Composition of Capital

The following table shows the information related to the Group's composition of capital.

Table 5: Composition of capital

(In millions of RMB)	As at 31 December 2020	As at 31 December 2019
Common Equity Tier 1 capital		
Qualifying common share capital	250,011	250,011
Capital reserves	134,237	134,511
Surplus reserve	275,995	249,178
General reserve	350,647	314,152
Undistributed profits	1,241,127	1,116,273
Non-controlling interest given recognition in Common Equity Tier 1 capital	3,954	3,535
Others[1]	19,483	32,573
Regulatory adjustments for Common Equity Tier 1 capital		
Goodwill[2]	2,045	2,615
Other intangible assets (excluding land use right)[2]	4,623	3,971
Cash-flow hedge reserve from items that are not measured at fair value	367	(239)
Investments in common equity of financial institutions being controlled but outside the scope of consolidation	6,970	3,910
Additional Tier 1 Capital		
Directly issued qualifying additional Tier 1 instruments including related premium	99,968	119,627
Non-controlling interest given recognition in Additional Tier 1 capital	100	89
Tier 2 Capital		
Directly issued qualifying Tier 2 instruments including related premium	225,016	201,653
Provisions in Tier 2	245,989	226,102
Non-controlling interest given recognition in Tier 2 capital	159	141
Common Equity Tier 1 capital after regulatory adjustments[3]	**2,261,449**	**2,089,976**
Tier 1 capital after regulatory adjustments[3]	**2,361,517**	**2,209,692**
Total capital after regulatory adjustments[3]	**2,832,681**	**2,637,588**

1. "Others" include other comprehensive income at the end of the reporting period.
2. Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.
3. Common Equity Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the total capital.

3.3.2 Thresholds for Deduction and Caps on the Inclusion of Provisions

As at 31 December 2020, neither the Group's capital investments in financial institutions outside the regulatory scope of consolidation, nor other net deferred tax assets that rely on the Bank's future profitability exceeded the thresholds; therefore, both were not required to be deducted from the corresponding capital. The following table shows relevant information of thresholds for deduction.

Table 6: Thresholds for deduction

<table>
<tr><td>(In millions of RMB)</td><td colspan="4">As at 31 December 2020</td></tr>
<tr><td rowspan="2">Items applicable to threshold deduction approach</td><td rowspan="2">Amount</td><td colspan="2">Capital deduction threshold</td><td rowspan="2">Amount below thresholds for deduction</td></tr>
<tr><td>Item</td><td>Amount</td></tr>
<tr><td>Non-significant investments in the capitals of financial institutions outside the regulatory scope of consolidation</td><td>123,373</td><td rowspan="4">10% of Common Equity Tier 1[1] capital after regulatory adjustments</td><td rowspan="4">226,145</td><td rowspan="4">102,772</td></tr>
<tr><td>Common equity tier 1 capital</td><td>7,270</td></tr>
<tr><td>Additional Tier 1 Capital</td><td>-</td></tr>
<tr><td>Tier 2 Capital</td><td>116,103</td></tr>
<tr><td>Significant investments in the Common Equity Tier 1 capital of financial institutions outside the regulatory scope of consolidation</td><td>-</td><td rowspan="2">10% of Common Equity Tier 1[2] capital after regulatory adjustments</td><td>226,145</td><td>226,145</td></tr>
<tr><td>Other deferred tax assets that rely on the Bank's future profitability (net of related tax liability)</td><td>92,747</td><td>226,145</td><td>133,398</td></tr>
<tr><td>Amounts of significant investments in the Common Equity Tier 1 capital of financial institutions outside the regulatory scope of consolidation and other deferred tax assets that rely on the Bank's future profitability below the above thresholds for deduction</td><td>92,747</td><td>15% of Common Equity Tier 1[3] capital after regulatory adjustments</td><td>339,217</td><td>246,470</td></tr>
</table>

1. Common Equity Tier 1 capital after regulatory adjustments is calculated by netting off the full deduction items from the Common Equity Tier 1 capital.
2. Common Equity Tier 1 capital after regulatory adjustments is calculated by netting off the full deduction items and the amounts exceeding the 10% recognition cap of the non-significant investments in financial institutions outside the regulatory scope of consolidation in Common Equity Tier 1.
3. Common Equity Tier 1 capital after regulatory adjustments is calculated by netting off the full deduction items and the amounts exceeding the 10% recognition caps of the non-significant and significant investments in the common equity Tier 1 of financial institutions outside the regulatory scope of consolidation and other deferred tax assets relying on the Bank's future profitability.

Table 7: Caps on the inclusion of provisions in Tier 2 capital

<table>
<tr><td colspan="2">(In millions of RMB)</td><td>As at 31 December 2020</td></tr>
<tr><td>Measurement approach</td><td>Item</td><td>Balance</td></tr>
<tr><td rowspan="4">Uncovered by IRB approach</td><td>Excess of provisions</td><td>26,233</td></tr>
<tr><td>Caps on the inclusion of provisions in Tier 2 capital</td><td>57,615</td></tr>
<tr><td>Amount below the caps if not reach the caps</td><td>31,382</td></tr>
<tr><td>Provisions eligible for inclusion in Tier 2 capital</td><td>26,233</td></tr>
<tr><td rowspan="4">Covered by IRB approach</td><td>Excess of provisions</td><td>297,226</td></tr>
<tr><td>Caps on the inclusion of provisions in Tier 2 capital</td><td>219,756</td></tr>
<tr><td>Amount below the caps if not reach the caps</td><td>-</td></tr>
<tr><td>Provisions eligible for inclusion in Tier 2 capital</td><td>219,756</td></tr>
</table>

3.3.3 Changes in Qualifying Common Share Capital

During the reporting period, the Group experienced no change in qualifying common share capital, and separation or consolidation event.

3.3.4 Significant Capital Investments

In March 2020, the Beijing Bureau of China Banking and Insurance Regulatory Commission ("CBIRC") issued an approval for the Bank's capital injection of RMB3 billion to CCB Financial Leasing Co., Ltd. The payment was made on 20 April 2020. Please refer to the announcement published by the Bank on 22 April 2020 for details.

In September 2020, CCB Trust Co., Ltd. ("CCB Trust") completed procedures related to capital injection, with registered capital increasing from RMB2,467 million to RMB10,500 million. The Bank's ownership percentage in CCB Trust remained unchanged. Please refer to the announcement published by the Bank on 17 July 2020 for details.

In December 2020, the Board approved capital injections into CCB Financial Asset Investment Co., Ltd. ("CCB Investment") with a total quota of no more than RMB 30 billion. The capital injections to CCB Investment shall be carried out in installments, with the first installment amounting to RMB15 billion. After the completion of capital injection related procedures in March 2021, the registered capital increased from RMB12 billion to RMB27 billion. Please refer to the announcement published by the Bank on 2 December 2020 for details.

In December 2016, the Strategy Development Committee under the Board approved *Proposal on Capital Contribution to CCB Life Insurance Co., Ltd.* The Chairman of the Bank approved the RMB3,060 million capital injection in CCB Life Insurance Co., Ltd. ("CCB Life"), which was completed in March 2019. In July 2020, upon approval by the CBIRC, the registered capital of CCB Life was changed from RMB4,496 million to RMB7,120 million.

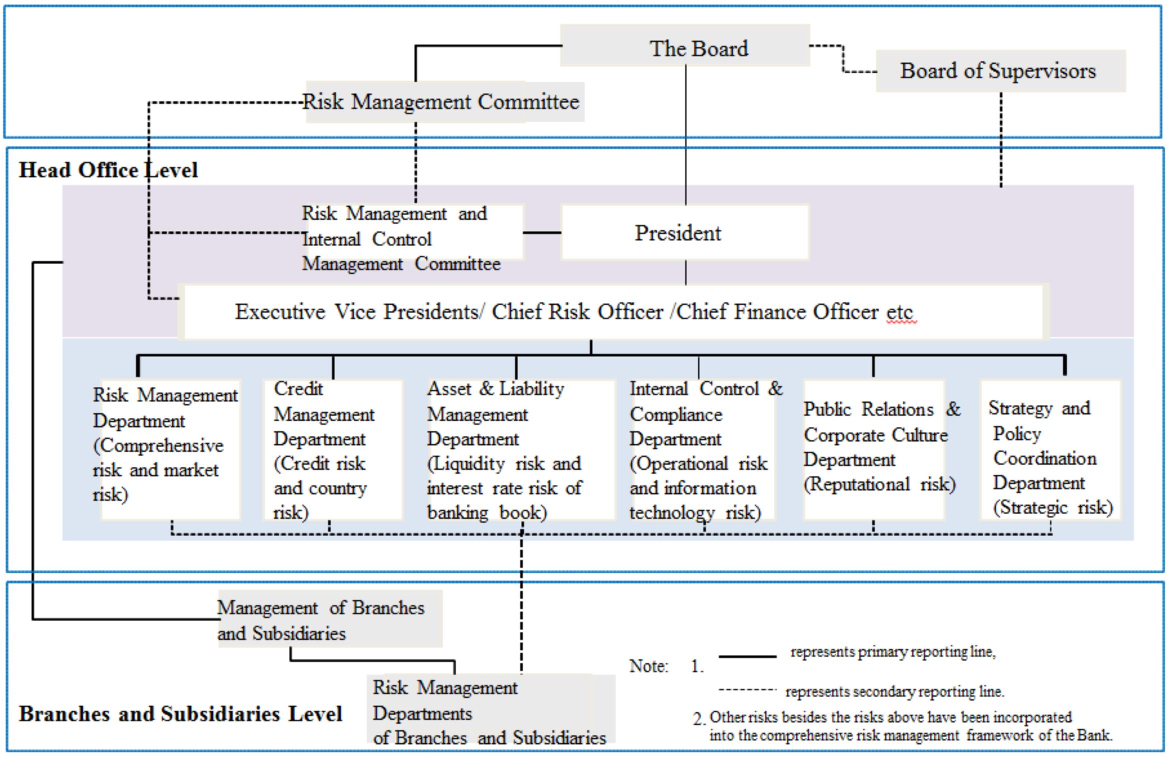
In April 2020, the Bank completed the third capital contribution of RMB750 million to National Financing Guarantee Fund Co., Ltd. Please refer to the announcement published by the Bank on 31 July 2018 for details.

In July 2020, as approved by the CBIRC, the Bank contributed EUR350 million to China Construction Bank (Europe) S.A. ("CCB Europe"). After the contribution, the capital of CCB Europe was EUR550 million.

4 RISK MANAGEMENT

4.1 Risk Management Framework

The risk management organisational structure of the Bank comprises the Board of Directors and its special committees, senior management and its special committees and the risk management departments, etc. The basic structure is as follows:



The Board carries out the risk management responsibility pursuant to the Articles of Association of the Bank and other related regulatory requirements. The risk management committee under the Board is responsible for making risk management strategies, monitoring their implementation, and evaluating the overall risk profile on a regular basis. The Board reviews the statements of risk appetite regularly and transmits risk appetite through relevant policies. The Board of Supervisors oversees the building of the comprehensive risk management system, as well as the performance of the Board and the senior management in delivering their comprehensive risk management responsibilities. The senior management is responsible for carrying out the risk strategies adopted by the Board and organising the implementation of the comprehensive risk management activities across the Group.

The Chief Risk Officer assists the Bank's president with the corresponding risk management work within designated responsibilities. Risk management department is the leading management department responsible for the Group's comprehensive risk management, and its subordinate department, market risk management department takes the lead in market risk management. Credit management department is the leading management department responsible for the overall credit risk management and country risk management. Asset & liability management department is the leading management department responsible for the management of liquidity risk and interest rate risk of banking book. Internal control &

compliance department is the leading management department responsible for operational risk and information technology risk management. Public relations & corporate culture department is in charge of reputational risk management. Strategy and policy coordination department is the leading management department responsible for strategic risk management. Other specialised departments are responsible for other respective risks.

The Bank attaches great importance to the risk management of affiliates, implements the management requirements of the parent bank through the corporate governance mechanism, continuously improves the quality and effectiveness of the performance of the Board of Directors of the subsidiaries, and requires the subsidiaries to focus on their main businesses, operate steadily, and establish a sound risk control system. It further highlights the transmission of risk appetite at the Group level within the group risk management framework, and implements refined and differentiated management of different types of subsidiaries. It strengthens the consolidated credit management of the Group to avoid lending beyond credit limit. It continues to promote the establishment of risk views of subsidiaries, and effectively improves the digitalization of risk early warning and risk monitoring of subsidiaries. It strengthens overall planning and coordination, and improves the long-term mechanism of risk management of the asset management business at the subsidiaries.

4.2 Risk-Weighted Assets

Based on the approval for the Group to implement the advanced capital management method in 2014, the CBIRC approved the Group to expand the implementation scope of the advanced capital management method in April 2020. The financial institution credit risk exposures and corporate credit risk exposures that meet regulatory requirements are calculated with the foundation internal ratings-based ("FIRB") approach, the retail credit risk exposures are calculated with the internal ratings-based ("IRB") approach, the market risk capital requirements are calculated with the internal models approach, and the operational risk capital requirements are calculated with the standardised approach. Pursuant to the regulatory requirements, the Group calculates capital adequacy ratios with both the advanced approach and other approaches for capital measurement, and complies with the relevant requirements for capital floors. The following table sets forth the information related to the risk-weighted assets of the Group.

Table 8: Risk-weighted assets

(In millions of RMB)	**As at 31 December 2020**	**As at 31 December 2019**
Credit risk-weighted assets	**15,274,351**	**13,788,746**
Covered by the IRB approach	10,638,946	8,748,138
Uncovered by the IRB approach	4,635,405	5,040,608
Market risk-weighted assets	**120,039**	**123,700**
Covered by the internal model approach	69,610	74,509
Uncovered by the internal model approach	50,429	49,191
Operational risk-weighted assets	**1,210,201**	**1,140,845**
Additional risk-weighted assets due to the application of capital floor	**-**	**-**
Total	**16,604,591**	**15,053,291**

5 CREDIT RISK

5.1 Credit Risk Management

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its obligation or commitment to the Bank.

The Bank's credit risk management aims at establishing credit risk management processes that are aligned with the nature, scale and complexity of businesses, effectively identifying, measuring, controlling, monitoring and reporting the credit risk, keeping the credit risk within the limits that the Bank could bear, and realising risk-adjusted revenue maximisation.

The Bank develops the management policies for credit risk based on the development strategies and risk appetites, including:

- Industry policies: strictly implement the macroeconomic and industry policies, comply with the national trend of economic structure adjustment, keep pace with implementation of major national strategies, support traditional industry upgrading and enterprise technological innovation, comprehensively promote green financial services and initiatives, guide the whole Bank to proactively adjust the industry structure, optimise and improve the industry policies and credit arrangement through refining the industry classification management, and effectively guard against the systematic and concentration risk of industry.
- Customer policies: based on the national industry policies, the risk appetite of the Bank, as well as the distinctive risk characteristics of industry customers, specify the acceptance baseline and classification standards for customers from different industries and enhance the customer selections; adopt differentiated credit policy arrangements for financial service needs of different customer bases to improve comprehensive service capabilities.
- Regional policies: according to the state regional development strategy, the development strategy of important regions and the economic characteristics of various regions, and fully considering the resource availability, market environment, market potentials and management foundation of the regions where the branches are located, specify the regional differentiated policies on key industries.
- Product policies: excavate customers' needs, focus on capital saving, consolidate traditional advantageous products, promote innovative products and improve market competitiveness of products.

The Bank's credit risk management process comprises a series of comprehensive and timely risk management activities, such as risk identification, risk measurement, risk monitoring, risk mitigation and control and risk report, capable of implementing the specified risk appetites and strategic targets, and effectively maintaining the sound operation and sustainable development of the Bank. This process is aligned with the risk management culture of the Bank.

- Risk identification: identify the credit risk in the products and businesses and give attentions to the relevance between the credit risk and other risks to prevent other risks from resulting in credit risk loss events.

- Risk measurement: measure and assess the credit risk on an individual or collective basis. The measurement and assessment of credit risk on an individual basis applies to borrowers or transaction counterparties as well as specific loans or transactions; and the measurement and assessment of credit risk on a collective basis applies to the Bank's entities at all levels, countries, regions and industries, etc.
- Risk monitoring: monitor the contract implementation of individual debtor or counterparty; and oversee the investment portfolio on an overall basis to prevent the excessive risk concentration on country, industry, region, product and other dimensions.
- Risk mitigation & control: comprehensively balance the costs and returns, finalise corresponding risk control strategies and mitigation strategies targeting at different risk characteristics, and adopt measures, such as risk avoidance, risk diversification, risk hedging, risk transfer, risk compensation and risk mitigation, to effectively mitigate the credit risk the Bank was exposed to and reduce the occupation of the Bank's regulatory capital.
- Risk report: establish and optimise the credit risk reporting system, explicitly specify the reporting scope, process and frequency that the credit risk report shall comply with and prepare the credit risk report at various levels and of various types, to meet the needs of different risk levels and functional departments for understanding credit risk conditions.

In 2020, facing unprecedentedly complex and severe internal and external situations, the Group adhered to and continuously optimised a comprehensive, active and intelligent risk prevention, monitoring and management system, to effectively address the impact of COVID-19. The Group focused on medium- and long-term sustainable development, further improved credit management, optimised and adjusted credit structure, improved the refined management of whole process and held the risk bottom line. As a result, the core indicators of asset quality remained balanced, coordinated and sustainable.

5.2 Credit Risk Exposure

5.2.1 Overview of Credit Risk Exposure

The following table shows the information related to the credit risk exposures of the Group in accordance with the *Capital Rules for Commercial Banks (Provisional)*.

Table 9: Credit risk exposure

(In millions of RMB)	As at 31 December 2020		As at 31 December 2019	
	Covered by the IRB approach	Uncovered by the IRB approach[1]	Covered by the IRB approach	Uncovered by the IRB approach[1]
On and off-balance sheet credit risk exposures	**17,643,575**	**12,563,093**	**13,468,584**	**13,849,167**
Corporate exposure	8,538,603	1,935,782	7,105,037	2,153,528
Sovereign exposure	-	5,572,102	-	4,636,660
Financial institution exposure	2,232,587	820,509	-	3,293,694
Retail exposure	6,872,385	917,001	6,363,547	649,317
Equity exposure	-	132,988	-	94,578
Securitisation exposure	-	87,680	-	70,203
Other exposures	-	3,097,031	-	2,951,187
Counterparty credit risk exposure	**-**	**155,919**	**-**	**139,859**
Total	**17,643,575**	**12,719,012**	**13,468,584**	**13,989,026**

1. Due to categorisation under the IRB approach, the credit risk exposures uncovered by the IRB approach are exposures before impairments. The data here is not comparable to risk exposure data in table 12, table 17 and table 19.

5.2.2 Overdue and Non-Performing Loans

Overdue loans

Overdue loans represent loans of which the whole or part of the principal or interest are overdue by one or more days. As at the end of 2020, the Group's overdue loans (within the accounting scope of consolidation) were RMB182,223 million, an increase of RMB9,340 million as compared to the beginning of the year.

Non-performing loans ("NPLs")

The Group adopts a loan risk classification approach to monitor the loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their risk level. Substandard, doubtful and loss loans are considered as NPLs and advances.

In 2020, the Group solidly promoted the adjustment of credit structure, strengthened refined management of the whole credit process and improved the Group's unified credit risk monitoring system. The quality of credit assets remained stable. As at the end of 2020, the Group's NPLs (within the accounting scope of consolidation) were RMB260,729 million, an increase of RMB48,256 million as compared to the beginning of the year.

5.2.3 Allowances for Impaired Loans

At the balance sheet date, the Group, adopting the expected credit loss approach, accounts for impairments and accrues impairment allowances for debt instrument investments, including financial assets measured at amortised cost and those at fair value through other comprehensive income, as well as loan commitments and financial guarantee contracts.

Expected credit losses are the weighted average of the credit losses of financial instruments using risks of default as weights. Credit loss refers to the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate, i.e. the present value of all cash shortfalls. Financial assets that are purchased by or originated from the Group and have been credit-impaired are discounted using the credit-adjusted effective interest rates of the financial assets.

The Group measures expected credit losses of a financial instrument in a way that reflects: (i) an unbiased probability-weighted average amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and (iii) reasonable and reliable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

At each balance sheet date, the Group assesses whether the credit risk of relevant financial instruments has increased significantly since initial recognition, and measures the expected credit losses, makes allowances for impairment losses and determines their movements as follows: (i) if the credit risk of the financial instruments has not increased significantly since initial recognition, the Group makes allowances for impairment losses at the amount equivalent to the expected credit losses of the financial instrument in the next 12 months; otherwise, (ii) the Group makes allowances for impairment losses based on the lifetime expected credit losses of the financial instrument. Either way, whether or not the Group's assessment of credit losses is based on a single financial instrument or a group of financial instruments, the increase in or reversal of the allowances for impairment losses resulting therefrom are recognised in profit or loss for the current period as impairment losses or gains.

For debt instrument investments measured at fair value through other comprehensive income, the Group makes allowances for impairment losses in other comprehensive income and recognises the impairment losses or gains in profit or loss for the current period, but does not decrease the carrying amount of the financial assets presented in the balance sheet.

If a financial asset, for which loss allowance has been measured at an amount equal to its lifetime expected credit loss in the previous accounting period, no longer qualifies as one whose credit risk has increased significantly since initial recognition at the balance sheet date of the current period, the Group makes allowances for its impairment loss at an amount equal to its 12-month expected credit loss. Any subsequent reversal of loss allowance is recognised in profit or loss for the current period.

For credit-impaired financial assets that are purchased by or originated from the Group, the Group recognises loss allowances at the balance sheet date at amounts equal to the cumulative changes in their lifetime expected credit losses since initial recognition. At each balance sheet date, the Group recognises the amounts of the changes in their lifetime expected credit losses in profit or loss for the current period as impairment losses or gains.

The Group always adhered to the prudent principle by fully considering the impact of changes in the external environment including macro economy and government control policies on credit asset quality and made full allowances for impairment losses on loans and advances to customers. As at the end of 2020, the Group’s allowances for impairment losses on loans (within the accounting scope of consolidation) were RMB556,903 million, an increase of RMB73,123 million over the beginning of the year.

5.3 Credit Risk Measurement

5.3.1 Internal Ratings-Based Approach

The CBRC carried out pre-evaluations, on-site inspections and acceptance reviews of the Group's internal ratings-based approach implementation from 2010 to 2012 and approved the Group's adoption of the IRB approach in April 2014. In April 2020, the CBIRC officially approved the Group to expand the implementation scope of the advanced capital management method. The CBIRC considered that the Group had established a relatively complete internal rating management structure, and its policies covered risk identification, risk measurement, risk mitigation, model verification, internal audit, capital management, etc. With a standardised rating process, the Group's model development methodology and parameter estimations were basically in compliance with the regulatory requirements. With the establishment of data quality control system and continuously intensified control of data inputting system, the Group steadily improved its data quality, and set up a relatively comprehensive IT system to support modelling. Internal ratings-based results were thoroughly applied to risk management policy making, credit approval, credit limit monitoring, reporting, economic capital, risk-adjusted return on capital ("RAROC"), etc., and used as an important reference and source of risk appetite and performance assessment.

Governance structure

The Group defines clear roles for implementation and governance structure of internal rating systems to ensure effective implementation and complete development of internal rating systems under the structure of comprehensive risk management. Risk Management Committee of the Board of Directors is responsible for overall management of internal rating systems to monitor and ensure that the senior management develops and carries out necessary internal rating policies and procedures. The senior management is responsible for overall execution of the internal rating system management. Risk Management Department is responsible for overall structure design of internal rating systems, organising development, selection and promotion of internal rating models, monitoring and continuously optimising the models, and takes the lead in formulating related regulations on internal rating systems. Credit Management Department participates in the construction and implementation of internal rating systems and oversees internal rating approval. Business Management Department participates in the establishment of internal rating systems and oversees initiating internal rating. Audit Department oversees auditing internal rating systems and risk parameter estimation. Data Management Department is responsible for the establishment of data governance mechanism for internal rating systems to ensure data accuracy and appropriateness of internal rating IT systems. Fintech Department oversees the establishment of internal rating IT systems to support effective operation of internal rating systems and risk quantification.

Internal rating systems

The Group has established internal rating system basically covering all non-retail customers in China and abroad. Based on the features of different customers within the scope of non-retail exposures, the Group established refined rating models which are suitable for large and medium sized corporate customers, small corporate customers, public institution customers, specialised lending customers, and financial institution customers, etc. to measure customers' probability of default ("PD"). Meanwhile, the Group has established a sophisticated measurement system for retail credit risks, which covers the whole life cycles of three types of retail exposures, including retail customer admission, credit approval and business management, and is able to measure the future risk status of retail customers as well as individual loans.

Definitions of key risk parameters

The definitions of key risk parameters such as probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") are in accordance with those in the *Capital Rules for Commercial Banks (Provisional)*. PD refers to the default possibility of a debtor/an individual loan in the coming year. LGD refers to the ratio of loss amount due to default to exposure at default, i.e. the percentage of loss to total exposure. The LGD is measured based on economic losses, both direct and indirect, considering time value of recovered amount. EAD refers to the total exposures expected on and off-balance sheet at default of a debtor, including used credit balance, overdue interest, expected withdrawal of unused credit limit and possible expenses.

Application of internal ratings

As the basis of the Group's management and control over customers' credit risks, credit ratings for customers play an important role in improving the Group's refined management capabilities through its application in credit policies conduction, customer selection, credit approval guidance, determination and adjustment of customers' credit limits, setting industrial lending risk limits, product pricing, 12-category classification of credit asset risks, loss provision, risk warning, economic capital allocation, performance assessment, etc.

The following table shows the non-retail exposures and retail exposures under the IRB approach of the Group.

Table 10: Non-retail exposures under the IRB approach

(In millions of RMB)					As at 31 December 2020
PD grade	**EAD**	**Average PD**	**Weighted average LGD**	**Risk-Weighted Assets**	**Average risk weight**
Grade 1	707,051	0.04%	46.79%	157,832	22.32%
Grade 2	978,114	0.14%	39.79%	383,789	39.24%
Grade 3	790,304	0.19%	40.75%	364,039	46.06%
Grade 4	400,342	0.25%	41.40%	199,445	49.82%
Grade 5	1,290,697	0.59%	42.41%	915,757	70.95%
Grade 6	1,536,636	0.70%	41.28%	1,116,900	72.68%
Grade 7	1,618,012	0.93%	42.92%	1,333,109	82.39%
Grade 8	1,662,537	1.23%	43.18%	1,500,074	90.23%
Grade 9	634,859	1.63%	42.22%	597,319	94.09%
Grade 10	626,015	2.15%	42.14%	620,049	99.05%
Grade 11	152,779	2.85%	41.24%	155,124	101.53%
Grade 12	76,842	4.29%	41.14%	87,255	113.55%
Grade 13	39,487	5.69%	40.86%	47,342	119.89%
Grade 14	25,174	7.49%	40.53%	32,754	130.11%
Grade 15	25,244	12.99%	38.76%	41,495	164.38%
Grade 16	15,899	22.99%	37.05%	29,232	183.86%
Grade 17	7,027	41.99%	41.07%	14,677	208.88%
Grade 18	7,178	99.99%	42.58%	4	0.05%
Grade 19	176,993	100.00%	43.34%	64,490	36.44%
Total	**10,771,190**			**7,660,686**	

Table 11: Retail exposures under the IRB approach

(In millions of RMB)					As at 31 December 2020
Category of retail exposures	**EAD**	**Average PD**	**Weighted average LGD**	**Risk-Weighted Assets**	**Average risk weight**
Individual residential mortgage	5,845,209	1.24%	23.91%	1,476,766	25.26%
Qualified revolving retail	779,959	1.80%	28.20%	43,830	5.62%
Other retails	247,217	3.56%	37.88%	97,723	39.53%
Total	**6,872,385**			**1,618,319**	

5.3.2 Regulatory Weighting Approach

In terms of exposures not covered by the IRB approach, the Group determines related applicable risk weights and calculates credit risk-weighted assets in accordance with regulations related to regulatory weighting approach in the *Capital Rules for Commercial Banks (Provisional)*. The following table shows the information related to exposures covered by regulatory weighting approach broken down by entities and weights as at 31 December 2020.

Table 12: Credit risk exposure covered by regulatory weighting approach by portfolio

(In millions of RMB)	As at 31 December 2020		As at 31 December 2019	
	Exposure	**Exposure after mitigation**	**Exposure**	**Exposure after mitigation**
On-balance sheet credit risk exposures	**12,167,419**	**11,734,571**	**13,491,174**	**12,512,043**
Cash and cash equivalents	2,603,847	2,603,847	2,459,191	2,459,191
Claims on central governments and central banks	1,785,970	1,785,970	1,496,939	1,496,938
Claims on public sector entities	3,773,196	3,759,044	3,132,093	3,112,093
Claims on domestic financial institutions	686,297	430,072	2,821,899	2,329,229
Claims on financial institutions registered in other countries/regions	77,761	77,002	132,274	123,684
Claims on ordinary enterprises and public institutions	671,299	519,604	1,540,484	1,089,739
Claims on qualified micro and small enterprises	999,540	994,083	622,528	619,383
Claims on individual customers	860,925	856,365	618,386	614,406
Equity investments	132,964	132,964	94,551	94,551
Securitisation	84,736	84,736	68,152	68,152
Other on-balance sheet items	490,884	490,884	504,677	504,677
Off-balance sheet credit risk exposures	**290,978**	**280,579**	**284,768**	**255,204**
Counterparty credit risk exposure	**155,919**	**155,091**	**139,859**	**139,859**
Total	**12,614,316**	**12,170,241**	**13,915,801**	**12,907,106**

Table 13: Credit risk exposure covered by regulatory weighting approach by risk weight

(In millions of RMB)	As at 31 December 2020		As at 31 December 2019	
Risk weights	**Exposure**	**Exposure after mitigation**	**Exposure**	**Exposure after mitigation**
0%	4,523,939	4,523,939	4,775,717	4,775,717
2%	57,712	57,712	29,723	29,723
20%	3,885,970	3,870,684	3,986,063	3,750,142
25%	241,729	240,309	781,721	772,756
50%	78,914	78,914	81,062	81,062
75%	1,877,317	1,866,243	1,235,687	1,227,368
100%	1,640,674	1,224,379	2,793,542	2,038,052
250%	101,836	101,836	77,838	77,838
400%	107,082	107,082	74,358	74,358
1250%	99,143	99,143	80,090	80,090
Total	12,614,316	12,170,241	13,915,801	12,907,106

Table 14: Credit risk exposure of investments in capital instruments issued by other commercial banks, investments in equity of industrial and commercial enterprises, and non-self-use real estate

(In millions of RMB)	As at 31 December 2020	As at 31 December 2019
	Exposure	**Exposure**
Investments in capital instruments issued by other commercial banks	98,053	54,979
Common Equity Tier 1 Capital	3,267	3,764
Additional Tier 1 Capital	-	-
Tier 2 Capital	94,786	51,215
Investments in equity of industrial and commercial enterprises	125,693	87,658
Non-self-use real estate	513	721

5.3.3 Risk Mitigation Management

Management policies and processes

In accordance with the requirements under the *Capital Rules for Commercial Banks (Provisional)* and through the active formulation and improvement of relevant policies and systems, the Bank has developed a completed and integral policy system and defined the baselines for risk mitigation management. It specifies the Bank's basic management requirements and policy baselines for standardising the collaterals, such as requirements for eligible collaterals, classification, pledge and mortgage rate, receipt and examination, value assessment, establishment and modification of rights, warrant management, monitoring, return and disposal, information input and data maintenance.

The risk mitigation system sets the collateral management processes as the main line, mainly covering the processes of collateral due diligence, collateral admission review, value assessment, review on assessed value, approval of collateral arrangements, establishment of rights, warrant conservation, daily monitoring, collateral change (termination) and disposal, substantially realising collateral management throughout the process. For these processes, the collateral management team under the Credit Management Department is responsible for collateral admission review, value assessment, valuation review, establishment of rights, warrant conservation and collateral changes/replacement (termination), the Business Operation Department is responsible for collateral due diligence and daily monitoring, and collateral disposal, while the Credit Approval Department is responsible for the approval of collateral arrangements.

Major collateral types

In terms of the categories of collaterals, the collaterals accepted by the Bank are mainly classified into four types, namely financial collaterals, receivables, commercial and residential properties, and other collaterals. Financial collaterals include cash and cash equivalents, precious metals, debt securities, discounted bills, stocks/funds, insurance policy, principal-guaranteed wealth management products, etc.; receivables include receivables held for trading, road tolling rights, rent receivables, etc.; commercial and residential properties include commercial properties, residential properties, commercial and residential land use rights, etc.; while other collaterals comprise current assets, resources, construction in progress, mining rights, intellectual property right and forest ownership, etc.

Collateral valuation policies and processes

With respect to the valuation method of collaterals, the Bank adopts the approach of external valuations in a combination of internal valuations. The Bank should review the compliance of operation procedures and the results of valuations upon the completion of both internal and external valuations. External valuations are mostly adopted for collaterals' initial valuation, and professional appraisal institutions will be entrusted to assess the values of collaterals during the disposal phase. The Bank clearly defines access standards for appraisal institutions, establishes their post-assessment and exit mechanism, and performs regular and dynamic name list management through regular and ad-hoc checking of the external appraisal institutions. As per the regulations, the valuation results from the external appraisal institutions are subject to the Bank's internal examination. The examination is performed by the collateral management team under the Credit Management Department.

The Bank require that dynamic re-valuations and monitoring of the collaterals should be performed with varied frequencies based on collaterals' categories and value fluctuation characteristics. Re-valuations are performed by the collateral management team under the Credit Management Department. The post-lending examination and 12-level risk classification should be carried out at least on a quarterly basis to examine and verify the collaterals. In case of any change in collaterals' forms or any deterioration in collaterals' market prices or other adverse circumstances, re-valuations are required to be duly performed to reflect collaterals' fair values.

Guarantors

According to the characteristics of guarantors, the Bank classifies the acceptable guarantors into general corporate and institutions, professional guarantee companies, and natural persons. The general corporate and institution guarantor comprises sovereigns, public sector entities, Multilateral Development Banks ("MDBs"), other banks and other legal persons and organisations. The professional guarantee company refers to a limited liability company or an incorporated company legally established and engaged in financing guarantee businesses. The natural person guarantors refer to those having full capacity for civil conduct and certain debt repaying capacity as a guarantor. Natural persons are only considered as supplementary guarantors unless they are exclusively designated as the only guarantors by specific business rules.

Regulatory measurement

When measuring credit risk-weighted assets covered by the IRB approach, the Group finalises eligible collaterals and qualified guarantee strictly pursuant to risk mitigation management requirements of the IRB approach in the *Capital Rules for Commercial Banks (Provisional)*. Two types of risk mitigation instruments, namely netting arrangement and credit derivatives, have not currently been applied to certain credit risk exposures of the Group covered by the IRB approach.

The following table shows the information related to credit risk mitigation covered by the FIRB approach.

Table 15: Credit risk mitigation for exposures covered by the FIRB approach

(In millions of RMB)	As at 31 December 2020			As at 31 December 2019		
Exposure category	**Exposures covered by financial collaterals**	**Exposures covered by other eligible collaterals**	**Exposures covered by guarantees**	**Exposures covered by financial collaterals**	**Exposures covered by other eligible collaterals**	**Exposures covered by guarantees**
Corporate exposures	263,314	680,371	1,125,345	176,794	618,828	866,573
Financial institutions exposures	325,506	2,382	26,884	-	-	-
Total	**588,820**	**682,753**	**1,152,229**	**176,794**	**618,828**	**866,573**

When calculating credit risk-weighted assets covered by the regulatory weighting approach, the Group considers only risk mitigation by eligible collaterals and guarantors, as permitted under the regulatory weighting approach of the *Capital Rules for Commercial Banks (Provisional)*. The following table shows the information related to the risk mitigation distribution of credit risk exposures covered by the regulatory weighting approach.

Table 16: Credit risk mitigation for exposures covered by the regulatory weighting approach

(In millions of RMB)	As at 31 December 2020						
	Cash and cash equivalents	**The Chinese Central Government, the PBOC, Chinese policy banks**	**Domestic public sector entities**	**Domestic commercial banks**	**Central governments and central banks of other countries and regions**	**Commercial banks and public sector entities registered in other countries and regions**	**MDBs, Bank for International Settlements and IMF**
On-balance sheet credit risk exposures	147,181	281,456	-	3,474	723	14	-
Off-balance sheet credit risk exposures	10,351	31	-	17	-	-	-
Counterparty credit risk	828	-	-	-	-	-	-
Total	**158,360**	**281,487**	**-**	**3,491**	**723**	**14**	**-**

(In millions of RMB)	As at 31 December 2019						
	Cash and cash equivalents	**The Chinese Central Government, the PBOC, Chinese policy banks**	**Domestic public sector entities**	**Domestic commercial banks**	**Central governments and central banks of other countries and regions**	**Commercial banks and public sector entities registered in other countries and regions**	**MDBs, Bank for International Settlements and IMF**
On-balance sheet credit risk exposures	195,368	525,611	-	249,363	8,787	2	-
Off-balance sheet credit risk exposures	29,382	61	-	32	89	-	-
Counterparty credit risk	-	-	-	-	-	-	-
Total	**224,750**	**525,672**	**-**	**249,395**	**8,876**	**2**	**-**

5.4 Securitisation

5.4.1 Overview of Securitisation Activity

As originator and loan servicer

The underlying assets of the Group's securitisation business mainly include corporate credit assets (performing and non-performing), inclusive finance credit assets, individual residential mortgage (performing and non-performing), non-performing individual commercial mortgage loans, non-performing individual consumer loans, non-performing credit card loans, performing automobile instalment loans via credit card, etc.

The Group acts as the originator in issuing credit securitisation products mainly to achieve the following:

Optimisation of credit structure: to adjust credit size and optimise credit structure, so as to more effectively employ available credit resources and improve the overall return on assets;

Revitalisation of assets: to attract market funding and enhance the liquidity with high-quality assets when funding supply of loans becomes insufficient;

Improvement of operational efficiency: to adopt more disciplined information disclosures and market-based asset pricing to heighten the transparency of its credit business, enhance risk management, and improve operational efficiency.

Meanwhile, the Bank started the business of non-performing asset securitisation so as to maintain the stability of asset quality as well as explore new means for disposing of non-performing assets.

The degree of credit risk of securitised assets transferred out by the Group to other entities is determined by external third-party independent accountants considering the transaction structures of each securitisation project and the testing results of the risk-reward transfer model. The main risks assumed by the Group include: 1) the possible loss arising from senior and subordinated securities retained by the Group as per regulatory requirements; 2) reputational risk arising from failure to pay the principal or interest of senior securities on time due to overdue payment or default of a large amount of underlying assets; and 3) the possible loss arising from cash advance facilities as a result of advance payment of disposal expenses by the Group as the loan servicer in non-performing asset securitisation projects.

The Group mainly plays the following roles in securitisation:

As the **originator**, the Group is responsible for establishing asset pools, setting up special purpose trusts for the transfer of underlying assets, as well as providing necessary assistance for the intermediaries, including the trustees, underwriters, law firms, rating agencies, and accounting firms. Therefore, the information can be disclosed in a complete, accurate and timely manner.

As the **asset servicer**, the Group undertakes the duties of managing asset-related matters, collecting the principals and interests on assets, disposal of defaulted assets, file maintenance, and delivering reports as the asset servicer in order to maximise asset recovery and to ensure timely payment of investor’s returns.

As the **issuer and the trustee of a trust plan**, CCB Trust transfers underlying assets and issues asset-backed securities.

As the **product financial advisor**, CCB Capital provides professional advice and undertakes some work tasks.

For details of the external credit rating agencies used by asset securitisation products for all asset securitisations with active trusts that were issued by the Group as an originator, please refer to "*Appendix 1: External Credit Rating Agencies for Securitisation Products*".

As investor

As one of the major investors in the asset-backed securities market, the Bank purchases and holds asset-backed securities to obtain returns on investments, and assumes corresponding credit risks, market risks and liquidity risks. The Bank determines the amount of its investments in accordance with its annual investment strategy as well as the risk and return performance of securities.

5.4.2 Accounting Policies

The Group's approach to running asset securitisation business is as follows: The Bank as an originator agrees to entrust specified credit assets to a trustee. The trustee sets up special purpose trusts to hold entrusted assets. The trustee will issue asset-backed securities, the holder of which will obtain trust beneficial rights arising from entrusted assets. The Bank has been appointed by the trustee as a loan servicer. The Bank achieves credit enhancements by holding subordinated or senior tranches of the issued asset-backed securities.

When the Bank has control over the transferee of financial assets, in addition to applying Accounting Standard for Business Enterprises No.23 to the Bank's financial statements, the Bank should also include special purpose trusts in the scope of the Group's consolidated financial statements in accordance with Accounting Standard for Business Enterprises No. 33.

(I) Derecognition of financial assets

Whether a financial asset should be derecognised falls into the following three scenarios:

1. When the Group has transferred substantially all the risks and rewards of ownership of the financial asset to the transferee, it should derecognise the financial asset;

2. When the Group has retained substantially all the risks and rewards of ownership of the financial asset, it should not derecognise the financial asset;

3. When the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, it should assess whether it still controls the financial asset and account for the financial asset accordingly:

(1) The asset is derecognised when the Group has given up its control over the asset;

(2) If the Group still has control over the financial asset, the Group will continue to recognise the asset to the extent of its continuing involvement and recognise an associated liability.

The extent of the Group's continuing involvement represents its continuing exposure to the changes in the value of the financial asset.

For partial derecognition, the carrying amount of the transferred financial asset as a whole should be allocated between the part that continues to be recognised and the part that is derecognised, based on their respective relative fair values, and the difference between the carrying amount of and consideration for the derecognised part is included in profit or loss.

The fair value of the part that continues to be recognised shall be the recent actual transaction price of the transferred financial asset or similar financial assets, and in the absence of a quoted market price or recent transactions, shall be the difference between the fair value of the financial asset as a whole before the transfer and the consideration received for the derecognised part.

(II) Recognition and measurement of assets and liabilities that the Group continues to be involved in

If the Group has neither transferred nor retained substantially all the risks and rewards of ownership of a financial asset and still retained control over the financial asset, the Group continues to recognise the financial asset to the extent of its continuing involvement, and also recognise an associated liability. The transferred financial asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained as a result of the transfer of the asset. The Group measures the associated liability as follows:

1. If the transferred financial asset is measured at amortised cost, the carrying amount of associated liability shall be the carrying amount of the transferred financial asset to the extent of the Group's continuing involvement, less the amortised cost of the rights retained by the Group (if the Group retains any rights from the transfer of financial assets), plus the amortised cost of the obligations the Group has assumed (if the Group assumes any obligations from the transfer of financial assets); the option to designate a financial liability as at fair value through profit or loss is not applicable to the associated liability.

2. If the transferred financial asset is measured at fair value, the carrying amount of the associated liability shall be the carrying amount of the transferred financial asset to the extent of the Group's continuing involvement, less the fair value of any rights retained by the Group (if the Group retains any rights from the transfer of financial assets), plus the fair value of the obligations the Group has assumed (if the Group assumes any obligations from the transfer of financial assets); the fair values of the rights and obligations shall be the fair values measured on a stand-alone basis.

5.4.3 Securitisation Exposures

As at 31 December 2020, the Group's total securitisation exposures were RMB87,288 million. Details and the distribution of underlying assets where the Group acted as the originator are shown as follows:

Table 17: Securitisation exposures

(In millions of RMB)	**As at 31 December 2020**		**As at 31 December 2019**	
	Traditional	**Synthetic**	**Traditional**	**Synthetic**
As originator[1]	86,892	-	69,169	-
As investor	396	-	612	-
Total	**87,288**	**-**	**69,781**	**-**

1. Exposures under "As originator" refer to those arising from the senior and subordinated tranches of asset-backed securities held by the Bank as the originator, and the off-balance exposures arising from the process of the origination other than the total amount of asset-backed securities issued by the Bank as originator.

Table 18: Securitisation underlying assets as originator[1]: non-performing assets and overdue information

(In millions of RMB)	As at 31 December 2020		
Type of underlying assets	**Balance of underlying assets[2]**	**Total non-performing assets**	**Total overdue assets**
Performing corporate credit assets	65,659	-	131
Non-performing corporate credit assets	1,274	1,274	1,274
Individual residential mortgage loans	464,977	19,439	25,165
Non-performing individual consumer loans	5,525	5,525	5,525
Non-performing individual commercial mortgage loans	629	622	624
Instalment loans for vehicles	95	12	13
Non-performing credit card loans	22,952	22,952	22,952
Total	**561,111**	**49,824**	**55,684**

1. This table provides the information with reference to the Group's unsettled securitisation at the end of the reporting period as both originator and servicer.
2. The balance of underlying asset exposure refers to the carrying amount of the underlying assets of asset securitisation at the end of the reporting period.

5.4.4 Measurement of Securitisation Risk

The Group's risk exposures of asset securitisation are measured by standardised approach. As at 31 December 2020, the Group's asset securitization exposure and total capital requirement were RMB87,288 million and RMB15,802 million, respectively.

5.5 Equity Risk in the Banking Book

The Group's equity risk in the banking book mainly arises from long-term equity investments in associates and joint ventures, equity participation investments designated as at fair value through other comprehensive income, etc. The equity investments in associates and joint ventures refer to equity investments the Group makes, together with other associates and joint ventures, for the purpose of exercising significant influence on or joint control over the invested entities. Equity participation investments designated as at fair value through other comprehensive income mainly refer to equity investments made by the Group not for trading purposes and designated at initial recognition as "at fair value through other comprehensive income".

The equity exposures in the banking book of the Group also include passively held policy debt-to-equity swaps and passively accepted debt-offsetting equities, and market-oriented debt-to-equity swaps during assets preservation.

Policy debt-to-equity swaps consist of non-listed equity and listed equity. Policy debt-to-equity swaps are the non-stripped debt-for-equity swap held by the Bank in accordance with national policies from the end of the 20th century to the beginning of the 21st century. Policy debt-to-equity swaps are a legacy product, which is not held for profit. In recent years, the size of Policy debt-to-equity swaps have been continuously reduced.

Debt-offsetting equities consist of accounts including listed equities measured at fair value through profit or loss, non-listed equities measured at fair value through profit or loss, listed equities designated at fair value through equity and non-listed equities designated at fair value through equity. The categories of underlying assets include listed equities, non-listed corporate equities, partnership shares, and shares of the beneficial ownership in trusts. Debt-offsetting equity is the corporate equity or property right passively held by the Bank through debt repayment in physical assets (or stocks). It is not held for profit. Once the disposal criteria are met, the disposal process will be enabled to realize such equities as soon as possible.

Equities from market-oriented debt-to-equity swaps consist of unlisted equity and listed equity. They are equities acquired by the Group in exchange for debts since 2016 to implement the supply-side structural reform decisions and arrangements. The Group established a professional institution in accordance with national policies to carry out the exchange in a law-based and market-oriented manner. Market-oriented debt-to-equity swaps are achieved using three business models: issuing shares to repay debts, converting debts into shares, and repaying debts in the form of shares. The Group adopts market-oriented methods in selecting debts to be converted into shares, in raising funds and in withdrawing the shares. The size of such assets held by the Group has increased in recent years under policy guidance.

The Group valuates those traded in an active market by quoted market price and valuates those not traded in an active market by valuation technique, which is generally accepted by market participants or the reliability of which has been proved by historical actual transaction prices. The assumption used by the Group in valuation is that used by market participants to price relevant assets and liabilities, including the assumptions that transactions are orderly carried out under current market conditions and that market participants pursue maximum economic benefits etc.

According to the regulatory requirements, the Group adopted different handling methods based on the nature and proportion of investment while calculating regulatory capital for equity exposures in the banking book.

- With respect to the subsidiaries of the industrial and commercial enterprise type that are outside the regulatory scope of consolidation but within the accounting scope of consolidation, the Group calculates the risk-weighted assets for the investment in such subsidiaries based on the regulatory risk weights, when calculating the consolidated capital adequacy ratios.
- With respect to other financial institutions outside both the regulatory and accounting scopes of consolidation, the Group follows the threshold deduction method for the investment in such financial institutions according to the regulatory requirements. The portion of the investment exceeding the threshold is deducted from the capital. The risk-weighted assets of amounts below the threshold are calculated based on the regulatory risk weights.
- With respect to other industrial and commercial enterprises outside both the regulatory and accounting scopes of consolidation, the Group calculates their risk-weighted assets based on the regulatory risk weights.

Table 19: Equity exposures in the banking book

(In millions of RMB)	As at 31 December 2020		
Invested institution categories	**Publicly traded equity exposure[1]**	**Non-publicly traded equity exposure[1]**	**Unrealised potential risk gains or losses[2]**
Financial institutions	2,265	5,006	1,320
Non-financial institutions	5,904	119,789	(3)
Total	**8,169**	**124,795**	**1,317**

(In millions of RMB)	As at 31 December 2019		
Invested institution categories	**Publicly traded equity exposure[1]**	**Non-publicly traded equity exposure[1]**	**Unrealised potential risk gains or losses[2]**
Financial institutions	2,659	4,234	1,330
Non-financial institutions	3,563	84,095	(65)
Total	**6,222**	**88,329**	**1,265**

1. Publicly traded equity exposure is the equity exposure of invested institutions that are listed companies. Non-publicly traded equity exposure is the equity exposure of invested institutions that are unlisted companies.
2. Unrealised potential risk gains or losses are the portion of gains or losses that have been recognised in the balance sheet but not in the income statement.

5.6 Counterparty Credit Risk

To address the counterparty risk of the flat plate of foreign currency over-the-counter ("OTC") derivative transactions and repurchase transactions, the Bank signs the Credit Support Annex ("CSA") agreement under the ISDA agreement and the GMRA agreement if necessary and regulates the process of collection and payment of collaterals and margins under the CSA and GMRA agreements. If the credit rating is downgraded, the threshold and minimum transfer amount of collaterals of the Bank's foreign currency OTC derivatives transactions and repurchase transactions with some counterparties are adjusted according to the CSA and GMRA agreements.

In order to empower the real economy, support the development of the credit derivative market in China, hedge credit risks arising from the debt securities held, increase returns on investments and transactions, and develop new products, the Bank launched its credit risk mitigation instruments. All such instruments were in the form of Credit Risk Mitigation Warrants ("CRMW") in 2020. As at 31 December 2020, as the Group did not have credit derivatives, there was no counterparty credit exposure for credit derivatives.

In recent years, the Group has been constantly making improvement to the risk management system for counterparty credit risk ("CCR"), including continuous optimisation of the measurement parameters, processes, policies and management mechanisms for CCR management in light of the market and business changes. In 2020, the Group constantly optimised the CCR management IT components, improved the timeliness and accuracy of risk exposure measurement, streamlined the straight-through operations across the front, middle and back office processes, significantly improved automated risk management, and timely made risk screening and early warning, which provided solid support and safeguard to enable the Bank to adequately respond to the rapid market and business changes.

The Group measures the counterparty credit risk exposures of derivative transactions in accordance with the *Measurement Rules for Derivative Counterparty Default Risks Assets* approved by the CBIRC and adopts the regulatory weighting approach to measure the risk-weighted assets of the CCR. The counterparty credit risk exposure was RMB155,919 million after considering the hedging sets. The following table presents CCR exposure of the Group by product type as at 31 December 2020.

Table 20: Counterparty credit risk exposure by product classification

(In millions of RMB)	As at 31 December 2020	As at 31 December 2019
	EAD	**EAD**
Counterparty credit risks from OTC derivative transactions under the regulatory weighting approach	**97,245**	**110,137**
Interest rate contracts	5,585	4,230
Exchange rate and gold contracts	82,857	104,603
Equity contracts	46	27
Precious metals and other commodities contracts (excluding gold)	8,757	1,277
Credit derivative contracts	-	-
Counterparty credit risks from transactions with central counterparties	**57,712**	**29,722**
Counterparty credit risks from securities financing transactions	**962**	**-**
Total	**155,919**	**139,859**

6 MARKET RISK

6.1 Market Risk Management

Market risk is the risk of loss in respect of the Group's on and off-balance sheet activities, caused by adverse movements in market rates, including interest rates, foreign exchange rates, commodity prices and stock prices, etc. Market risk arises from both the Group's trading and banking book. A trading book consists of freely traded financial instruments and commodity positions held either with trading intent or to hedge other risks of the trading book. A banking book records those financial instruments and commodity positions which are not included in the trading book.

The market risk management of the Group aims at building a Group-wide comprehensive management system of market risk and transaction business, effectively identifying, measuring, controlling, monitoring and reporting market risk; maintaining a competitive net interest spread and return on investment portfolio through effective market risk operation and management; balancing risk and return to further improve market competitiveness of the Bank.

The Group has constantly improved market risk management system. The Market Risk Management Department plays a leading role in daily management activities including formulating overall market risk management policies and rules, developing market risk measurement instruments, and monitoring and reporting trading market risks. The Asset and Liability Management Department is responsible for managing the market risk in the banking book and the total volume and structure of assets and liabilities to address structural market risks. The Financial Market Department is responsible for the overall management of RMB and foreign currency investment portfolios, conducting proprietary and customer-driven transactions, and implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

In 2020, the Bank, in line with the guideline of "comprehensive, active and intelligent risk management", actively responded to external market changes, and focused on preventing and mitigating key business risks. In pursuit of "market risk management on a Group basis, comprehensive risk management for investment and trading activities, and automated end-to-end risk management for trading activities", the Bank further improved its management and control capabilities with regard to trading business, trading products, trading processes, trading systems, counterparties and traders to minimize cross-systematic financial risks.

6.2 Market Risk Measurement

In 2014, the CBRC approved the Group to implement the advanced approach of capital management, including the use of the internal models approach to measure market risk. The following table shows the market risk capital requirements of the Group as at 31 December 2020.

Table 21: Market risk capital requirements

(In millions of RMB)	As at 31 December 2020	As at 31 December 2019
	Capital requirement	**Capital requirement**
Covered by internal models approach	**5,569**	**5,961**
Uncovered by the internal models approach	**4,034**	**3,935**
Interest rate risk	1,098	1,187
Equity position risk	262	187
Foreign exchange risk	2,484	2,561
Commodity risk	190	-
Option risk	-	-
Total	**9,603**	**9,896**

The Group measures market risk using the Value-at-Risk ("VaR") model. The VaR model is an approach to estimate potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices within a specific timeframe and a fixed confidence interval. The Group calculates VaR and stressed VaR and conducts back-testing in compliance with the regulatory requirements. As of the end of the reporting period, the number of back-testing breaches fell within the green zone set by the CBIRC, and no model anomalies had been identified. The following table shows the VaR and stressed VaR of the Group covered by the internal models approach.

Table 22: VaR, stressed VaR, of the Group covered by the internal models approach

(In millions of RMB)	For the year ended 31 December 2020			
	Amount			
	Average	Maximum	Minimum	Period end
VaR	760	1,004	440	495
Stressed VaR	1,004	1,264	522	522

(In millions of RMB)	For the year ended 31 December 2019			
	Amount			
	Average	Maximum	Minimum	Period end
VaR	634	791	542	623
Stressed VaR	1,205	1,495	1,001	1,162

7 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, staff, systems, or external events. The definition includes legal risk but excludes strategic risk and reputation risk.

Operational risk management is a critical part of the Group's comprehensive risk management. The aims of operational risk management are as follows: reducing the uncertainties of operational risk and controlling the risk within a reasonable range that is acceptable to the Bank; improving service efficiency, optimising processes and advancing sound businesses development of the Bank; reducing management cost and increasing income level; and lowering the impact of emergencies and ensure the normal and consistent operation of business.

The Group has established an operational risk management system with a cascaded protection named "Three Lines of Defence" as the core. Each business department is the first defence line for guarding against operational risk. They are the direct bearers and managers of operational risk and take important responsibility for identifying, assessing, monitoring and managing operational risk. Internal Control and Compliance Department, Risk Management Department and Legal Affairs Department are the second defence line, taking charge of coordinating, guiding, evaluating and monitoring activities of operational risk management in the first defence line. Audit Department is the third defence line for guarding against operational risk, in charge of auditing, monitoring and evaluating the formation and implementation of operational risk management framework.

The process of the Group's operational risk management includes risk identification, assessment, monitoring, control/mitigation and reporting. The Group identifies, assesses and monitors operational risk with risk management tools such as operational risk loss data, operational risk self-assessment and key risk indicators; avoids, transfers, disperses, and reduces operational risk through a series of control/mitigation methods such as process control, behaviour monitoring, electronisation and insurance so as to adjust the risk to acceptable levels; establishes regular and irregular reporting rules to understand the daily status of operational risk management, any significant operational risk and emergencies.

In 2020, the Group continued to enhance its operational risk management ability and improve its business continuity management system. The Group carried out operational risk assessment on new products to strengthen operational risk management in advance; carried out self-assessment of operational risks in key areas and timely improved related policies, processes and systems, to reduce potential risks; strengthened statistics, analysis and reporting of regulatory penalties and other losses caused by violations, to support compliant decision-making; formulated policies of avoiding nepotism in business operations to enhance business compliance ability; reviewed the list of important positions, and used technical means for effective monitoring; reviewed the manual on incompatible positions to enhance the counterbalance of different positions; formulated work instructions to regulate and guide overseas institutions in the battle against COVID-19, in order to ensure the continuous and stable operation of their businesses; added risk scenarios, improved emergency plans, and carried out targeted emergency drills to enhance the ability to manage emergencies; and further improved the long-term mechanism of business continuity management, to continuously improve the ability of prevention, response and recovery.

The Group has consistently pushed forward the implementation of the standardised approach for operational risk to meet external regulatory compliance requirements.

The Group is actively engaged in researches and studies in new standardised approach for operational risk under Basel III. In accordance with the regulatory requirements, the Group performed research and application on the methodology, process and model parameters related to the new standardised approach for operational risk under Basel III.

The Group adopts the standardised approach to measure the capital requirements of operational risk as approved by the CBRC. As at 31 December 2020, the Group's capital requirements of operational risk were RMB96,816 million.

8 INTEREST RATE RISK IN THE BANKING BOOK

Interest rate risk in the banking book ("IRRBB") refers to the risk of loss in the economic value and overall earnings of a banking book as a result of adverse movements in interest rates, term structure and other interest-related factors, mainly including gap risk, basis risk, option risk and credit spread risk. Specifically, the inconsistency in repricing period and benchmark interest between the asset and liability is the primary sources of IRRBB for the Group, while the option risk and credit spread risk carry relatively less impact.

The Group established customized interest rate risk management framework and system and implemented a robust and prudent interest rate risk management strategy. The interest rate risk policy is in line with the Group's development strategy, risk appetite and risk management capability. It seeks to balance interest rate risk and profitability, minimize the net interest income and economic value changes arising from interest rate changes, and ensure stable profit growth and capital structure. The Group employed a range of methods to measure and analyze the IRRBB, including repricing gap analysis, sensitivity analysis of net interest income and economic value, duration analysis, stress testing, and economic capital analysis. The Group performed a combination of interest rate risk management and evaluation by utilizing balance sheet quantitative tool, internal and external price tool, plan and performance appraisal and internal capital evaluation to effectively control the interest rate risk level of business lines, overseas entities and subsidiaries, and ensure that the IRRBB level is within a reasonable level.

In 2020, the Group paid close attention to the developments of COVID-19 and changes in external interest rates environment, fully supported prevention and control of COVID-19 and resumption of production and work, reasonably responded to the pressure and challenges brought by the changes in macro policies to the operation of the Bank, and reinforced interest rate risk monitoring and prediction. It continued to optimize the product portfolio and term structure of assets and liabilities and keep sound, coordinated and sustainable growth of assets and liabilities. At the same time, the Group optimized internal and external pricing strategies, closely tracked the changes in the duration of assets and liabilities, and effectively controlled all kinds of interest rate risks, to ensure that the net interest margin remains at a reasonable level and the net interest income grows steadily. It completed the loan prime rate (LPR) transformation of existing business to implement the PBOC's reform requirements of interest rate marketization, continued to strengthen management of interest rate risks of overseas entities and subsidiaries, and timely adjusted the interest risk limit of its overseas entities. In accordance with the regulatory requirements of the Basel Committee and the CBIRC on IRRBB, the Group optimized the interest rate risk system to lay a solid foundation for interest rate risk management of the Group. During the reporting period, the results of the stress testing indicated that the IRRBB of the Group is under control, with various indicators kept within the limits.

Changes in net interest income showed that, at the end of 2020, under the borderline scenario of the interest rates of demand deposits fluctuating by 50bps and other assets and liabilities fluctuating by 200bps, the change in net interest income accounted for around 13.28% of the net interest income expected in the next year. Changes in economic value showed that, under the six basic scenarios (i.e., parallel up and parallel down shifts in the yield curve, steepening, flattening, as well as short-term interest rates up and down) set by regulators, the maximum change in economic value accounted for about 10.16% of Tier 1 capital after regulatory adjustments.

9 REMUNERATION

9.1 Nomination and Remuneration Committee of the Board of Directors

The Nomination and Remuneration Committee of the Board of Directors of the Bank consisted of six directors at the end of 2020. Sir Malcolm Christopher McCarthy, independent non-executive director of the Bank, currently serves as chairman of the Nomination and Remuneration Committee. Members include Ms. Feng Bing, Mr. Zhang Qi, Ms. Anita Fung Yuen Mei, Mr. Graeme Wheeler and Mr. Michel Madelain. Among them, two are non-executive directors, and four are independent non-executive directors.

Since January 2021, Ms. Shao Min has served as a member of the Nomination and Remuneration Committee of the Board of Directors of the Bank; and Ms. Feng Bing has ceased to serve as a member of the Nomination and Remuneration Committee of the Board of Directors of the Bank.

The primary responsibilities of the Nomination and Remuneration Committee of the Board of Directors include:

- formulating criteria and procedures for the selection and appointment of directors and senior management;
- proposing candidates for directors, president, chief audit officer, secretary of the Board and members of special committees under the Board to the Board of Directors;
- reviewing the structure, number of members and composition of the Board of Directors (including aspects on expertise, knowledge and experience) and proposing suggestions on the adjustment of the Board of Directors to implement the corporate strategies of the Bank;
- evaluating the performance of members of the Board of Directors;
- reviewing candidates for senior management nominated by the president;
- formulating development plans for senior management and back-up personnel for key positions;
- reviewing the remuneration management system submitted by the president;
- formulating performance evaluation measures for directors and senior management and submitting the measures to the Board of Directors for deliberation;
- organising performance evaluation of directors and senior management, proposing advice on the remuneration distribution plan for directors and senior management in accordance with the performance evaluation results and the diligence evaluation made by the Board of Supervisors and submitting the plan to the Board of Directors for deliberation;
- proposing advice on the remuneration distribution plan for supervisors in accordance with the performance evaluation of the supervisors made by the Board of Supervisors and submitting the plan to the Board of Directors for deliberation;
- monitoring the implementation of the Bank's performance assessment and remuneration systems; and

- other duties and powers authorised by the Board.

In 2020, the Nomination and Remuneration Committee of the Board of Directors convened nine meetings in total.

The remuneration of members of the Nomination and Remuneration Committee of the Board of Directors is disclosed in "Remuneration of Directors, Supervisors and Senior Management for 2020" in the 'Annual Report 2020 of China Construction Bank Corporation'.

9.2 Remuneration Policies

The Bank upholds its philosophy of standardising distribution order and building a harmonious distribution relationship and constantly improves intensive management in performance and remuneration, making significant contribution to strategic development of the Bank.

The Bank's major allocation rules and other significant matters relating to remuneration management need to be proposed to the Nomination and Remuneration Committee of the Board of Directors for review and approval. Important proposals relating to remuneration allocation are required to be voted and approved by the shareholders' general meeting or reported to the state competent authorities for approval and filing.

Remuneration and risks

In accordance with relevant policies concerning remuneration reform of state-owned enterprise principles, since 2015, the remuneration for executives of state-owned enterprises has included basic annual salary, performance salary and tenure incentive income. The Bank may retroactively deduct partial or full of the paid performance-based salary and tenure incentive income for those who make serious mistakes and cause great losses for the enterprise during the tenure.

The Bank brings performance-based remuneration's function of intensive and restraint into full play. The Bank establishes the principle of assessment and assignment that encourages value creation, allocates the salary resources to operation institutions, front office departments and positions that directly create value, further optimizes the incentive and guarantee policies for rank-and-file staff, establishes a special subsidy system for staff in outlets at remote county under tough conditions, to enhance the sense of gain of staff. The Bank strengthens remuneration management over overseas institutions and controlled subsidiaries and adheres to strategy of comprehensive operation of the Bank and overseas development. The Bank provides further guidance on performance assessment management of the Bank, strengthens the daily assessment, and standardises the determination and application of assessment results. The Bank further standardises the management of welfare programs across the Bank, and expands the universal benefits of staff in outlets, to properly safeguard employees' benefits. The Bank also establishes relevant remuneration reduction measures for staff facing disciplinary actions or other penalties due to violation of rules or dereliction of duty.

The remuneration for staff engaging in risk and compliance management is independent from the business areas they supervise and has nothing to do with the performance evaluation of the business areas they supervise. Their performance objective is consistent with the risk control responsibilities they undertake.

Remuneration and performances

Staff remuneration of the Bank includes fixed salary and performance-based salary. Fixed salary is divided into basic salary and post salary. Basic salary mainly relates to staff's years of working and job level, representing the fundamental guarantee and overall balance, while post salary mainly represents post difference and post value. Performance-based salary reflects the completion status of current year's objective and performance assessment result and relates to economic value added ("EVA") realised in current year, last year's KPI result and the completion status of current year's strategic business indicators, which are distributed according to linkage coefficients set at the beginning of the year or calculated in accordance with the assessment result.

The Bank consistently pays high attention to maintaining the balance between long-term and short-term development where remuneration distribution is concerned, and through performance-based remuneration, seeks to identify the optimal synergies between the cultivation of future business advantages and the balanced development of existing businesses. In this regard, the policies and methods currently adopted mainly include: allocating strategic performance-based remunerations specifically for bank-wide strategic business initiatives, such as house rental, fintech, inclusive finance, international business, digitalised operation, customer channels, key regions and key products, to maximize the effect of strategic efforts on promoting long-term performance; establishing a pool of performance-based bonuses to reduce significant volatilities between different years, and support the continous and steady development. A reasonable credit cost range is set for credit impairment expenses so that performance-based bonuses that correspond to current-year credit costs above the upper limit and below the lower limit are included in the bonus pool, which serves not only to reduce the impact of asset quality on the current-year performance, but also encourage people to focus on asset quality in the long term.

Flexible remuneration

Risk measurement factors are reflected in allocation of gross staff cost, allocation linked with staff cost in line of business and staff salary distribution. The Bank supports risk control behaviours, as well as other behaviours that are consistent with the risk framework system and long-term financial indicator, and focuses on the ratio of fixed to flexible remuneration, in order to achieve an appropriate balance. The fixed salary portion can attract and keep skilled staff, while flexible remuneration can stimulate staff that have remarkable performance but prohibit excessive risk-taking, both of which support the Bank in realising its business strategies and targets within the controllable risk goals and risk management framework.

Pursuant to relevant government policies, the Bank's payment tools of flexible remuneration include cash and equity. After the implementation of the first employee stock incentive plan of the Bank in July 2007, the Bank did not implement any new round of stock incentive plan in the reporting period.

9.3 Remuneration of Senior Management

The remuneration standards of the Bank's directors, supervisors and senior management are implemented after the procedures of the corporate governance. The remuneration standards of chairman of the Board of Directors, the chairman of the Board of Supervisors, the president and the vice president follow the state relevant policies.

The remuneration of directors, supervisors and senior management is disclosed in Remunerations for Directors, Supervisors and Senior Management for 2020 in the 'Annual Report 2020 of China Construction Bank Corporation'.

APPENDIX 1: EXTERNAL CREDIT RATING AGENCIES FOR SECURITISATION PRODUCTS

The table below presents all the securitisation products with outstanding principal and interests (including fixed income) issued by the Bank as originator and the corresponding external credit rating agencies.

Securitisation project	Credit rating agencies
Jianyuan 2005-1 residential mortgage backed securities	Moody's Investors Service (Beijing) Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2007-1 residential mortgage backed securities	China Lianhe Credit Rating Co., Ltd.
Jianyuan 2015-1 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2015-2 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2016-1 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2016-2 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2016-3 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2016-4 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2017-1 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2017-2 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2017-3 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2017-4 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2017-5 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2017-6 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2017-7 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2017-8 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2017-9 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2018-1 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2018-2 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2018-3 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2018-4 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2018-5 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2018-6 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2018-7 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2018-8 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.

Jianyuan 2018-9 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2018-10 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2018-11 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd. Standard & Poor's Financial Services LLC.
Jianyuan 2018-12 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2018-13 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2018-14 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2018-15 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2018-16 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2018-17 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2018-18 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2018-19 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2018-20 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2018-21 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd. Standard & Poor's Financial Services LLC.
Jianyuan 2018-22 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2019-1 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2019-2 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd. Standard & Poor's Financial Services LLC.
Jianyuan 2019-3 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2019-4 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2019-5 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2019-6 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2019-7 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd. Standard & Poor's Financial Services LLC.
Jianyuan 2019-8 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2019-9 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2019-10 residential mortgage backed securities	China Bond Rating Co., Ltd. S & P Credit Rating (China) Co., Ltd. Standard & Poor's Financial Services LLC.
Jianyuan 2019-11 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2019-12 residential mortgage backed securities	China Bond Rating Co., Ltd. S & P Credit Rating (China) Co., Ltd
Jianyuan 2020-1 residential mortgage backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianyuan 2020-2 residential mortgage backed securities	China Bond Rating Co., Ltd. S & P Credit Rating (China) Co., Ltd. Standard & Poor's Financial Services LLC.
Jianyuan 2020-3 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.

Jianyuan 2020-4 residential mortgage backed securities	China Bond Rating Co., Ltd. S & P Credit Rating (China) Co., Ltd
Jianyuan 2020-5 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2020-6 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2020-7 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2020-8 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2020-9 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2020-10 residential mortgage backed securities	China Bond Rating Co., Ltd. S & P Credit Rating (China) Co., Ltd
Jianyuan 2020-11 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2020-12 residential mortgage backed securities	China Bond Rating Co., Ltd. Fitch (China) Bohua Credit Ratings Ltd. Fitch Ratings Inc.
Jianyuan 2020-13 residential mortgage backed securities	China Bond Rating Co., Ltd. S & P Credit Rating (China) Co., Ltd
Jianyuan 2020-14 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyuan 2020-15 residential mortgage backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianxin 2016-2 non-performing asset-backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianxin 2017-1 non-performing asset-backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianxin 2018-2 non-performing asset-backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianxin 2018-5 non-performing asset-backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianxin 2019-3 non-performing asset-backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianxin 2019-5 non-performing asset-backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianxin 2019-6 non-performing asset-backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianxin 2019-8 non-performing asset-backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianxin 2020-1 non-performing asset-backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianxin 2020-3 non-performing asset-backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianxin 2020-5 non-performing asset-backed securities	China Bond Rating Co., Ltd. Golden Credit Rating International Co., Ltd.
Jianxin 2020-6 non-performing asset-backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianxin 2020-8 non-performing asset-backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianxin 2020-9 non-performing asset-backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianyou 2018-1 automobile instalment loan backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianxin 2018-3 non-performing asset-backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianxin 2018-6 non-performing asset-backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianxin 2019-2 non-performing asset-backed securities	China Bond Rating Co., Ltd. China Lianhe Credit Rating Co., Ltd.
Jianxin 2019-4 non-performing asset-backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.

Jianxin 2019-7 non-performing asset-backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianxin 2020-2 non-performing asset-backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Jianxin 2020-4 non-performing asset-backed securities	China Bond Rating Co., Ltd. S & P Credit Rating (China) Co., Ltd.
Jianxin 2020-7 non-performing asset-backed securities	China Bond Rating Co., Ltd. S & P Credit Rating (China) Co., Ltd.
Feichi-Jianrong 2018-1 credit asset-backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Feichi-Jianrong 2018-3 credit asset-backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Feichi-Jianrong 2018-5 credit asset-backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Feichi-Jianrong 2019-2 credit asset-backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Feichi-Jianrong 2019-1 green credit asset-backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Feichi-Jianrong 2020-1 credit asset-backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Feichi-Jianpu 2019-2 credit asset-backed securities[1]	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Feichi-Jianpu 2020-1 SME loan asset-backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Feichi-Jianrong 2020-2 credit asset-backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Feichi-Jianpu 2020-2 SME loan asset-backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Feichi-Jianpu 2020-3 SME loan asset-backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Feichi-Jianpu 2020-4 SME loan asset-backed securities	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.
Zhuyuan 2019-1 residential mortgage backed securities[2]	China Bond Rating Co., Ltd. China Cheng Xin International Credit Rating Co., Ltd.

1. On 29 November 2019, the Bank issued Feichi-Jianpu 2019-2 inclusive finance asset-backed securities. At the end of 2020, the balance of subordinate tranches held by the Bank was RMB37.35 million. As the Bank have retained substantially all risks and rewards of ownership of such credit assets, according to the product accounting treatment manual issued by PricewaterhouseCoopers, the underlying assets have not been derecognised,. Meanwhile, according to the Capital Rules for Commercial Banks (Provisional), the capital occupation for securitisation business should not exceed the capital occupation of underlying assets. Therefore, the Bank's risk exposure and capital occupation of this business were measured and disclosed based on its underlying assets.
2. This securitisation was issued by Sino-German Bausparkasse Co., Ltd..

APPENDIX 2: INFORMATION RELATED TO COMPOSITION OF CAPITAL

In accordance with the Regulatory Requirements for the *Disclosure of Information on Capital Composition of Commercial Banks* issued by the CBRC, the following table shows the Group's composition of capital, minimum regulatory capital requirements, as well as their connections with the balance sheets within the regulatory scope of consolidation.

(In millions of RMB, except percentages)		Code	As at 31 December 2020	As at 31 December 2019
Common Equity Tier 1 capital:				
1	Qualifying common share capital	o	250,011	250,011
2	Retained earnings		1,867,769	1,679,603
2a	Surplus reserve	t	275,995	249,178
2b	General reserve	u	350,647	314,152
2c	Undistributed profits	v	1,241,127	1,116,273
3	Accumulated other comprehensive income and disclosed reserves		153,720	167,084
3a	Capital reserve	q	134,237	134,511
3b	Others	r	19,483	32,573
4	Amount recognised in Common Equity Tier 1 capital during transitional period (Only applicable to unlisted companies, while banks of joint-stock companies to be completed with "0")		-	-
5	Non-controlling interest given recognition in Common Equity Tier 1 capital	w	3,954	3,535
6	**Common Equity Tier 1 capital before regulatory adjustments**		**2,275,454**	**2,100,233**
Common Equity Tier 1 capital: Regulatory adjustments				
7	Prudent valuation adjustment		-	-
8	Goodwill (excluding deferred tax liabilities)	l	2,045	2,615
9	Other intangible assets (excluding land use rights) (excluding deferred tax liabilities)	k	4,623	3,971
10	Net deferred tax assets relying on future profits and arising from operating losses		-	-
11	Cash-flow hedge reserves	s	367	(239)
12	Gaps of loan loss provisions		-	-
13	Gains from sales of asset securitisation		-	-
14	Unrealised profit / loss arising from the changes in own credit risk on fair values of liability		-	-
15	Net defined-benefit pension assets (excluding deferred tax liabilities)		-	-
16	Directly or indirectly investments in own shares		-	-
17	Reciprocal cross-holdings in common equity		-	-
18	Non-significant investments in the capitals of financial institutions outside the regulatory scope of consolidation (amount above 10% threshold)		-	-
19	Significant investments in the capitals of financial institutions outside the regulatory scope of consolidation (amount above 10% threshold)		-	-
20	Mortgage-servicing rights		NA	NA

21	Other deferred tax assets relying on the Bank's future profitability (amount above 10% threshold)		-	-
22	Significant investments in the capitals of financial institutions outside the regulatory scope of consolidation and other deferred tax assets that rely on the Bank's future profitability after all regulatory adjustments (amount exceeding the 15% threshold)		-	-
23	of which: Significant investments in the capitals of financial institutions		-	-
24	of which: Mortgage-servicing rights		NA	NA
25	of which: Other deferred tax assets that rely on the Bank's future profitability		-	-
26a	Investments in Common Equity Tier 1 of financial institutions being controlled but outside the regulatory scope of consolidation	h	6,970	3,910
26b	Gaps of Common Equity Tier 1 of financial institutions being controlled but outside the regulatory scope of consolidation		-	-
26c	Total regulatory adjustments to Common Equity Tier 1 capital		-	-
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		-	-
28	**Total regulatory adjustments in Common Equity Tier 1 capital**		**14,005**	**10,257**
29	**Common Equity Tier 1 capital after regulatory adjustments**		**2,261,449**	**2,089,976**
Additional Tier 1 capital:				
30	Directly issued qualifying Additional Tier 1 instruments including related premium	p+z	99,968	119,627
31	of which: Classified as equity	p+z	99,968	119,627
32	of which: Classified as liabilities		-	-
33	of which: Instruments not recognised in Additional Tier 1 capital after the transition period		-	-
34	Non-controlling interest given recognition in Additional Tier 1 capital	x	100	89
35	of which: Portions not recognised in Additional Tier 1 capital after the transition period		-	-
36	**Additional Tier 1 capital before regulatory adjustments**		**100,068**	**119,716**
Additional Tier 1 capital: Regulatory adjustments				
37	Direct or indirect investments in own Additional Tier 1 instruments		-	-
38	Reciprocal cross-holdings in Additional Tier 1 instruments		-	-
39	Non-significant investments in the capitals of financial institutions outside the regulatory scope of consolidation (amount above 10% threshold)		-	-
40	Significant investments in the Additional Tier 1 capital of financial institutions outside the regulatory scope of consolidation		-	-
41a	Investments in Additional Tier 1 capital of financial institutions being controlled but outside the regulatory scope of consolidation		-	-
41b	Gaps of Additional Tier 1 capital of financial institutions being controlled but outside the regulatory scope of consolidation		-	-
41c	Other deductions from Additional Tier 1 capital		-	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		-	-
43	**Total regulatory adjustments to Additional Tier 1 capital**		-	-
44	**Additional Tier 1 capital after regulatory adjustments**		**100,068**	**119,716**
45	**Tier 1 capital after regulatory adjustments (Common Equity Tier 1 capital after regulatory adjustments + Additional Tier 1 capital after regulatory adjustments)**		**2,361,517**	**2,209,692**
Tier 2 capital:				
46	Directly issued qualifying Tier 2 instruments including related premium	n	225,016	201,653

47	of which: Portions not recognised in Tier 2 capital after the transition period		31,967	47,950
48	Non-controlling interest given recognition in Tier 2 capital	y	159	141
49	of which: Portions not recognised after the transition period		-	-
50	Provisions in Tier 2	-(b+d)	245,989	226,102
51	**Tier 2 capital before regulatory adjustments**		**471,164**	**427,896**
Tier 2 capital: Regulatory adjustments				
52	Direct or indirect investments in the Bank's Tier 2 instruments		-	-
53	Reciprocal cross-holdings in Tier 2 instruments		-	-
54	Non-significant investments in capital of financial institutions outside the regulatory scope of consolidation (amount above 10% threshold)		-	-
55	Significant investments in the Tier 2 capital of financial institutions outside the regulatory scope of consolidation		-	-
56a	Investments in Tier 2 capital of financial institutions being controlled but outside the regulatory scope of consolidation		-	-
56b	Gaps of Tier 2 capital of financial institutions being controlled but outside the regulatory scope of consolidation		-	-
56c	Other deductions from Tier 2 capital		-	-
57	**Total regulatory adjustments in Tier 2 capital**		**-**	**-**
58	**Tier 2 capital after regulatory adjustments**		**471,164**	**427,896**
59	**Total capital after regulatory adjustments (Tier 1 capital after regulatory adjustments +Tier 2 capital after regulatory adjustments)**		**2,832,681**	**2,637,588**
60	**Total risk-weighted assets**		**16,604,591**	**15,053,291**
Capital adequacy ratio and reserve capital requirements				
61	**Common Equity Tier 1 ratio**		**13.62%**	**13.88%**
62	**Tier 1 ratio**		**14.22%**	**14.68%**
63	**Total capital ratio**		**17.06%**	**17.52%**
64	Specific buffer requirements of regulators		4.00%	3.50%
65	of which: Capital conservation buffer requirements		2.50%	2.50%
66	of which: Countercyclical buffer requirements		0.00%	0.00%
67	of which: Additional buffer requirements of Global Systemically Important Banks		1.50%	1.00%
68	Common Equity Tier 1 capital available to meet buffers as a percentage of risk-weighted assets		8.62%	8.88%
Domestic minimum regulatory capital requirements				
69	Common Equity Tier 1 ratio		5.00%	5.00%
70	Tier 1 ratio		6.00%	6.00%
71	Total capital ratio		8.00%	8.00%
Amounts below the threshold deductions				
72	Non-significant investments in the capitals of other financial institutions outside of the regulatory scope of consolidation	e+f+g+i	123,373	75,316
73	Significant investments in the capitals of other financial institutions outside of the regulatory scope of consolidation	j	-	-
74	Mortgage-servicing rights (net of deferred tax liabilities)		NA	NA
75	Other deferred tax assets relying on the Bank's future profitability (net of deferred tax liabilities)	m	92,747	70,945
Caps on the inclusion of provisions in Tier 2 capital				
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to regulatory weighting approach (prior to the application of cap)	-a	26,233	26,613
77	Provisions eligible for inclusion in Tier 2 capital under regulatory weighting approach	-b	26,233	26,613

78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to the application of cap)	-c	297,226	242,334
79	Provisions eligible for inclusion in Tier 2 capital under internal ratings-based approach	-d	219,756	199,489
Capital instruments subject to phase-out arrangements				
80	Amount recognised in current-period Common Equity Tier 1 capital due to transitional arrangements		-	-
81	Amount not recognised in current-period Common Equity Tier 1 capital due to transitional arrangements		-	-
82	Amount recognised in current-period Additional Tier 1 capital due to transitional arrangements		-	-
83	Amount not recognised in current-period Additional Tier 1 capital due to transitional arrangements		-	-
84	Amount recognised in current-period Tier 2 capital due to transitional arrangements		31,967	47,950
85	Amount not recognised in current-period Tier 2 capital due to transitional arrangements		48,019	32,024

The following table shows the balance sheet within the accounting and regulatory consolidation.

(In millions of RMB)	As at 31 December 2020	
	Balance sheet of the accounting scope of consolidation	Balance sheet of the regulatory scope of consolidation
Assets		
Cash and deposits with central banks	2,816,164	2,816,009
Deposits with banks and non-bank financial institutions	453,233	420,782
Precious metals	101,671	101,671
Placements with banks and non-bank financial institutions	368,404	369,314
Positive fair value of derivatives	69,029	68,521
Financial assets held under resale agreements	602,239	601,960
Loans and advances to customers	16,231,369	16,248,808
Financial assets at fair value through profit or loss	577,952	492,911
Financial assets measured at amortised cost	4,505,243	4,417,475
Financial assets at fair value through other comprehensive income	1,867,458	1,845,573
Long-term equity investments	13,702	16,222
Fixed assets	172,505	168,899
Land use rights	14,118	13,272
Intangible assets	5,279	4,623
Goodwill	2,210	2,045
Deferred tax assets	92,950	92,747
Other assets	238,728	231,205
Total assets	**28,132,254**	**27,912,037**
Liabilities		
Borrowings from central banks	781,170	781,170
Deposits from banks and non-bank financial institutions	1,943,634	1,947,829
Placements from banks and non-bank financial institutions	349,638	358,258
Financial liabilities at fair value through profit or loss	254,079	251,974
Negative fair value of derivatives	81,956	81,097
Financial assets sold under repurchase agreements	56,725	40,037
Deposits from customers	20,614,976	20,618,501
Accrued staff costs	35,460	33,102
Taxes payable	84,161	83,693
Provisions	54,114	54,111
Debt securities issued	940,197	923,452
Deferred tax liabilities	1,551	185
Other liabilities	545,240	355,264
Total liabilities	**25,742,901**	**25,528,673**
Equity		
Share capital	250,011	250,011
Other equity instruments - preference shares	59,977	59,977
Other equity instruments - perpetual bonds	39,991	39,991
Capital reserve	134,263	134,237
Other comprehensive income	15,048	19,483
Surplus reserve	275,995	275,995

General reserve	350,228	350,647
Undistributed profits	1,239,295	1,241,127
Total equity attributable to equity shareholders of the Bank	2,364,808	2,371,468
Non-controlling interests	24,545	11,896
Total equity	**2,389,353**	**2,383,364**

The following table shows the information related to the expanded balance sheet within the regulatory scope of consolidation, as well as its connections with the Composition of capital.

(In millions of RMB)	As at 31 December 2020	
	Balance sheet of the regulatory scope of consolidation	**Code**
Assets		
Cash and deposits with central banks	2,816,009	
Deposits with banks and non-bank financial institutions	420,782	
Precious metals	101,671	
Placements with banks and non-bank financial institutions	369,314	
Positive fair value of derivatives	68,521	
Financial assets held under resale agreements	601,960	
Loans and advances to customers	16,248,808	
of which: Provisions eligible actually accrued under regulatory weighting approach	(26,233)	a
of which: Provisions eligible for inclusion in Tier 2 in respect of exposures under regulatory weighting approach	(26,233)	b
of which: Provisions eligible actually accrued under internal ratings-based approach	(297,226)	c
of which: Provisions eligible for inclusion in Tier 2 in respect of exposures under internal ratings-based approach	(219,756)	d
Financial assets at fair value through profit or loss	492,911	
of which: Non-significant investments in the capitals of other financial institutions outside of the regulatory scope of consolidation	115,648	e
Financial assets measured at amortised cost	4,417,475	
of which: Non-significant investments in the capitals of other financial institutions outside of the regulatory scope of consolidation	807	f
Financial assets at fair value through other comprehensive income	1,845,573	
of which: Non-significant investments in the capitals of other financial institutions outside of the regulatory scope of consolidation	6,509	g
Long-term equity investments	16,222	
of which: Investments in Common Equity Tier-1 of controlled financial institutions outside of the regulatory scope of consolidation	6,970	h
of which: Non-significant investments in the capitals of other financial institutions outside of the regulatory scope of consolidation	409	i
of which: Significant investments in the capitals of other financial institutions outside of the regulatory scope of consolidation	0	j
Fixed assets	168,899	
Land use rights	13,272	
Intangible assets	4,623	k
Goodwill	2,045	l
Deferred tax assets	92,747	m
Other assets	231,205	
Total assets	**27,912,037**	
Liabilities		
Borrowings from central banks	781,170	
Deposits from banks and non-bank financial institutions	1,947,829	
Placements from banks and non-bank financial institutions	358,258	
Financial liabilities at fair value through profit or loss	251,974	
Negative fair value of derivatives	81,097	
Financial assets sold under repurchase agreements	40,037	
Deposits from customers	20,618,501	

Accrued staff costs	33,102	
Taxes payable	83,693	
Provisions	54,111	
Debt securities issued	923,452	
of which: Tier 2 capital instruments and related premium[1]	225,016	n
Deferred tax liabilities	185	
Other liabilities	355,264	
Total liabilities	**25,528,673**	
Equity		
Share capital	250,011	o
Other equity instruments - preference shares	59,977	p
Other equity instruments - perpetual bonds	39,991	z
Capital reserve	134,237	q
Other comprehensive income	19,483	r
of which: Cash-flow hedge reserves	367	s
Surplus reserve	275,995	t
General reserve	350,647	u
Undistributed profits	1,241,127	v
Total equity attributable to equity shareholders of the Bank	2,371,468	
Non-controlling interests	11,896	
Of which: Non-controlling interests recognised in Common Equity Tier 1 capital	3,954	w
Of which: Non-controlling interests recognised in Additional Tier 1 capital	100	x
Of which: Non-controlling interests recognised in Tier 2 capital[1]	159	y
Total equity	**2,383,364**	

1. Pursuant to regulatory requirements, Tier 2 capital instruments issued by the Group's wholly-owned subsidiaries that don't comply with the regulations in China are not recognised in the Group's Tier 2 capital instruments and premium, which is different from the accounting treatment of such instruments.

APPENDIX 3: MAIN FEATURES OF ELIGIBLE REGULATORY CAPITAL INSTRUMENTS

The following table shows the information related to main features of various kinds of eligible regulatory capital instruments issued by the Group.

No.	Main features of eligible regulatory capital instruments	H Share	A Share	Rights issue	Tier 2 capital instrument	Preference shares	Tier 2 capital instrument
1	Issuer	CCB	CCB	CCB	CCB	CCB	CCB
2	Identification code	0939.HK	601939.SH	0939.HK, 601939.SH	ISIN: CND100007Z10	360030.SH	ISIN：CND10001PYK4
3	Governing law(s)	Hong Kong SAR law	the PRC law	the PRC / Hong Kong SAR law	the PRC law	the PRC law	the PRC law
	Regulatory treatment						
4	of which: Applicable to transitional period rules under the *Capital Rules for Commercial Banks (Provisional)*	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Tier 2 capital	Additional Tier 1 capital	Tier 2 capital
5	of which: Applicable to post-transitional period rules under the *Capital Rules for Commercial Banks (Provisional)*	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Common Equity Tier 1 capital	Tier 2 capital	Additional Tier 1 capital	Tier 2 capital
6	of which: Applicable to the Bank/Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level
7	Instrument type	Equity instrument	Equity instrument	Equity instrument	Tier 2 capital instrument	Additional Tier 1 capital instrument	Tier 2 capital instrument
8	Amount recognised in regulatory capital (in millions of RMB, as at the latest reporting date)	72,550	57,119	61,159	19,991	59,977	42,997
9	Par value of instrument	RMB30,459	RMB9,000	RMB16,322	RMB20,000	RMB60,000 million	RMB43,000 million

		million	million	million	million		
10	Accounting classification	Share capital and capital reserve	Share capital and capital reserve	Share capital and capital reserve	Debt securities issued	Other equity instruments	Debt securities issued
11	Original date of issuance	27 October 2005	25 September 2007	19 November 2010, 16 December 2010	18 August 2014	26 December 2017	25 September 2018
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated	Perpetual	Dated
13	of which: Original maturity date	No maturity	No maturity	No maturity	18 August 2029	No maturity	25 September 2028
14	Issuer call subject to regulatory approval	No	No	No	Yes	Yes	Yes
15	of which: Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A	18 August 2024, redemption in full	At least five years after the end of the preference shares issuance (27 December 2017), redemption in full or in part.	25 September 2023, redemption in full
16	of which: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	The redemption term of the preference shares starts from the beginning of such term to the date when all the preference shares have been wholly redeemed or converted.	N/A
	Coupons / dividends						
17	of which: Fixed or floating dividend/coupon	Floating	Floating	Floating	Fixed	Adjustable dividend rate (benchmark rate plus the fixed initial interest spread) by stages is adopted, benchmark rate is adjustable every five years, and the dividend rate during each adjusting period remains unchanged.	Fixed
18	of which: Coupon rate and any related index	N/A	N/A	N/A	5.98%	The dividend yield for the first five years is 4.75% and is reset based on the five-year Chinese government bond rate plus the	4.86%

						fixed initial interest spread (0.89%) at the dividend reset date for the consecutive five years. The dividend rate during each reset period remains unchanged. (The first dividend reset date is 21 December 2022, and the subsequent reset date is 21 December every five years thereafter).	
19	of which: Existence of dividend brake mechanism	N/A	N/A	N/A	No	Yes	No
20	of which: Fully discretionary, partially discretionary or non-discretionary	Fully discretionary	Fully discretionary	Fully discretionary	non- discretionary	Fully discretionary	non- discretionary
21	of which: Existence of redemption incentive mechanism	No	No	No	No	No	No
22	of which: Cumulative or noncumulative	Noncumulative	Noncumulativ e	Noncumulativ e	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	N/A	N/A	N/A	No	Yes	No
24	of which: If convertible, specify the trigger condition for conversion	N/A	N/A	N/A	N/A	Occurrence of additional Tier 1 capital instruments trigger event or Tier 2 capital instruments trigger event.	N/A
25	of which: If convertible, specify if it is fully or partially	N/A	N/A	N/A	N/A	Fully or partially convertible upon the occurrence of additional Tier 1 capital instruments triggers, and fully convertible upon the occurrence of Tier 2 capital instruments triggers	N/A
26	of which: If convertible, specify conversion rate	N/A	N/A	N/A	N/A	The initial conversion price is the average trading price of A	N/A

						shares of the Bank for the 20 trading days preceding the date of publication of the Board resolution in respect of the issuance plan of the preference shares (namely RMB5.20 per share). Since the date when the Board of Directors passed the resolution to issue the preference shares, in the event of any distribution of bonus shares or stock dividends for A ordinary shareholders, recapitalization, issues new shares at a price lower than the market price (excluding the shares converted from financing instruments that are issued by the Bank and subject to the clauses of conversion into ordinary shares) and makes rights issue, the Bank will accumulatively adjust the conversion price in sequence for the matters above, excluding the situation where the bank declares cash dividend of ordinary shares. In case of cancellation of repurchased shares, merger, split-up or other circumstances that may lead to changes in the Bank's share class, number and / or shareholders' equity and thereby affect the rights and interests of the preference	

						shareholders, the Bank shall have the right to adjust the forced conversion price in a fair and impartial manner, so as to fully protect and balance the rights and interests of the preference shareholders and the ordinary shareholders.	
27	of which: If convertible, specify if it is non-discretionary or optional conversion	N/A	N/A	N/A	N/A	Yes	N/A
28	of which: If convertible, specify instrument type after conversion	N/A	N/A	N/A	N/A	Common Equity Tier 1 capital	N/A
29	of which: If convertible, specify issuer of instrument after conversion	N/A	N/A	N/A	N/A	CCB	N/A
30	Write-down feature	N/A	N/A	N/A	Yes	No	Yes
31	of which: If write-down, specify the trigger point of write-down	N/A	N/A	N/A	Write-down is triggered at the earlier of following situations: (1) CBIRC determines issuer cannot survive if no write-down is conducted; (2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.	N/A	Write-down is triggered at the earlier of following situations: (1) CBIRC determines issuer cannot survive if no write-down is conducted; (2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.

32	of which: If write-down, specify if it is full or partial	N/A	N/A	N/A	Partial/Full	N/A	Partial/Full
33	of which: If write-down, specify if it is permanent or temporary	N/A	N/A	N/A	Permanent	N/A	Permanent
34	of which: If temporary write-down, specify the description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
35	Hierarchy of claims in liquidation (specify instrument types with higher priority rankings)	The lowest priority of all claims	The lowest priority of all claims	The lowest priority of all claims	The lower priority behind the depositor and general creditor, the same priority with other Tier 2 capital instruments ranking pari passu .	The lower priority behind all depositors, general creditors, and Tier 2 capital instruments issued, and other capital instruments senior to preference shares, the same priority with Additional Tier 1 capital instruments ranking pari passu.	The lower priority behind the depositor and general creditor, the same priority with other Tier 2 capital instruments ranking pari passu .
36	Non-eligible transitioned features	No	No	No	No	No	No
37	of which: If yes, specify non-eligible features	N/A	N/A	N/A	N/A	N/A	N/A

No.	Main features of eligible regulatory capital instruments	Tier 2 capital instrument	Tier 2 capital instrument	Undated capital bonds	Tier 2 capital instrument	Tier 2 capital instrument
1	Issuer	CCB	CCB	CCB	CCB	CCB
2	Identification code	ISIN: CND10001QQJ0	ISIN: XS1936784161	ISIN: CND10002HVY6	ISIN: XS2140531950	ISIN: CND10003NQC8
3	Governing law(s)	the PRC law	the UK law (Subordinated tranches subject to the PRC laws and regulations)	the PRC law	the UK law (Subordinated tranches subject to the PRC laws and regulations)	the PRC law
	Regulatory treatment					
4	of which: Applicable to transitional period rules under the *Capital Rules for Commercial Banks (Provisional)*	Tier 2 capital	Tier 2 capital	Additional Tier 1 capital	Tier 2 capital	Tier 2 capital
5	of which: Applicable to post-transitional rules under the *Capital Rules for Commercial Banks (Provisional)*	Tier 2 capital	Tier 2 capital	Additional Tier 1 capital	Tier 2 capital	Tier 2 capital
6	of which: Applicable to the Bank/Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level	The Bank and Group level
7	Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Additional Tier 1 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
8	Amount recognised in regulatory capital (In millions of RMB, as at the latest reporting date)	39,997	12,051	39,991	13,032	64,981
9	Par value of instrument	RMB40,000 million	USD1,850 million	RMB40,000 million	USD2,000 million	RMB65,000 million
10	Accounting classification	Debt securities issued	Debt securities issued	Other equity instruments	Debt securities issued	Debt securities issued
11	Original date of issuance	29 October 2018	27 February 2019	15 November 2019	24 June 2020	14 September 2020

12	Perpetual or dated	Dated	Dated	Perpetual	Dated	Dated
13	of which: Original maturity date	29 October 2028	27 February 2029	No maturity	24 June 2030	14 September 2030
14	Issuer call subject to regulatory approval	Yes	Yes	Yes	Yes	Yes
15	of which: Optional call date, contingent call dates and redemption amount	29 October 2023, redemption in full	27 February 2024, redemption in full	The first call date is 15 November 2024, redemption in full or in part	24 June 2025, redemption in full	14 September 2025, redemption in full
16	of which: Subsequent call dates, if applicable	N/A	N/A	Every 15 November after the first call date	N/A	N/A
	Coupons / dividends					
17	of which: Fixed or floating dividend/coupon	Fixed	The interest rate is fixed for the first five years, and is based on the interest rate at the coupon rate reset date (i.e., the five-year US government bond benchmark rate plus the initial fixed interest spread at the coupon reset date of the fifth year) for the consecutive five years.	Adjustable coupon rate (benchmark rate plus the fixed initial interest spread) by stages is adopted, benchmark rate is adjustable every five years, and the coupon rate during each adjusting period remains unchanged.	The interest rate is fixed for the first five years, and is based on the interest rate at the coupon rate reset date (i.e., the five-year US government bond benchmark rate plus the initial fixed interest spread at the coupon reset date of the fifth year) for the consecutive five years.	Fixed
18	of which: Coupon rate and any related index	4.7%	The interest rate fixed at 4.25% for the first five years, is reset based on the five-year US government bond rate plus the fixed initial interest spread (1.88%) at the reset date for the	The coupon at 4.22% for the first five years, is reset based on the five-year Chinese government bond rate plus the fixed initial interest spread (1.16%) at the coupon rate reset date for the consecutive five years, and the	The interest rate fixed at 2.45% for the first five years, is reset based on the five-year US government bond rate plus the fixed initial interest spread (2.15%) at the reset date for the consecutive five years.	4.20%

			consecutive five years.	coupon rate during each reset period remains unchanged (the first coupon rate reset date is 15 November 2024 and the subsequent reset date is 15 November of every 5 years thereafter).		
19	of which: Existence of dividend brake mechanism	No	No	Yes	No	No
20	of which: Fully discretionary, partially discretionary or non-discretionary	non- discretionary	non- discretionary	Fully discretionary	non- discretionary	non- discretionary
21	of which: Existence of redemption incentive mechanism	No	No	No	No	No
22	of which: Cumulative or noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	No	No	No	No	No
24	of which: if convertible, specify the trigger condition for conversion	N/A	N/A	N/A	N/A	N/A
25	of which: If convertible, specify if it is fully or partially	N/A	N/A	N/A	N/A	N/A
26	of which: If convertible, specify conversion rate	N/A	N/A	N/A	N/A	N/A
27	of which: If convertible, specify if it is non-discretionary or optional conversion	N/A	N/A	N/A	N/A	N/A

28	of which: If convertible, specify instrument type after conversion	N/A	N/A	N/A	N/A	N/A
29	of which: If convertible, specify issuer of instrument after conversion	N/A	N/A	N/A	N/A	N/A
30	Write-down feature	Yes	Yes	Yes	Yes	Yes
31	of which: If write-down, specify the trigger point of write-down	Write-down is triggered at the earlier of following situations: (1) CBIRC determines issuer cannot survive if no write-down is conducted; (2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.	Write-down is triggered at the earlier of following situations: (1) CBIRC determines issuer cannot survive if no write-down is conducted; (2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.	1. Triggering event of Additional Tier 1 capital instruments is where the Common Equity Tier 1 capital adequacy ratio drops to 5.125% (or below). 2. The triggering event of Tier 2 capital instrument refers to the earlier of following situations: （1）CBIRC determines issuer cannot survive if no write-down is conducted; （2）related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be available. When the principal of the bond is partially or fully written down, the bond will be written off perpetually and never recovers again.	Write-down is triggered at the earlier of following situations: (1) CBIRC determines issuer cannot survive if no write-down is conducted; (2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.	Write-down is triggered at the earlier of following situations: (1) CBIRC determines issuer cannot survive if no write-down is conducted; (2) related authorities confirm that issuer cannot survive if public capital injection or equivalent support will not be offered.

32	of which: If write-down, specify if it is full or partial	Partial/Full	Partial/Full	1. Partial/full when Additional Tier 1 capital instruments trigger events occur. 2. Full when Tier 2 capital instruments triggering events occur.	Partial/Full	Partial/Full
33	of which: If write-down, specify if it is permanent or temporary	Permanent	Permanent	Permanent	Permanent	Permanent
34	of which: If temporary write-down, specify the description of write-up mechanism	N/A	N/A	N/A	N/A	N/A
35	Hierarchy of claims in liquidation (specify instrument types with higher priority rankings)	The lower priority behind the depositor and general creditor, the same priority with other Tier 2 capital instruments ranking pari passu	The lower priority behind the depositor and general creditor, the same priority with other Tier 2 capital instruments ranking pari passu	The lower priority behind depositors, the general creditors and the subordinated debt senior to the undated additional tier 1 capital bond, and in priority to all classes of shares held by the Bank's shareholders, the same priority with Additional Tier 1 capital instruments ranking pari passu.	The lower priority behind the depositor and general creditor, the same priority with other Tier 2 capital instruments ranking pari passu	The lower priority behind the depositor and general creditor, the same priority with other Tier 2 capital instruments ranking pari passu
36	Non-eligible transitioned features	No	No	No	No	No
37	of which: If yes, specify non-eligible features	N/A	N/A	N/A	N/A	N/A

DEFINITIONS

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

Bank	China Construction Bank Corporation
Group, CCB	China Construction Bank Corporation and its subsidiaries
Basis Point	1% of one percentage point
CCB Brasil	China Construction Bank (Brasil) Banco Múltiplo S/A
CCB Russia	China Construction Bank (Russia) Limited Liability Company
CCB London	China Construction Bank (London) Limited
CCB Europe	China Construction Bank (Europe) S.A.
CCB New Zealand	China Construction Bank (New Zealand) Limited
CCB Asia	China Construction Bank (Asia) Corporation Limited
CCB Property & Casualty	CCB Property & Casualty Insurance Co., Ltd.
CCB Capital	CCB Principal Capital Management Co., Ltd
CCB Principal Asset Management	CCB Principal Asset Management Co., Ltd.
CCB Futures	CCB Futures Co., Ltd.
CCB Life	CCB Life Insurance Company Limited
CCB Trust	CCB Trust Co., Ltd.
CCB Pension	CCB Pension Management Co., Ltd.
CCB Financial Leasing	CCB Financial Leasing Corporation Limited
CCB International	CCB International (Holdings) Limited
CCB Malaysia	China Construction Bank (Malaysia) Berhad
PBOC	People's Bank of China
CBRC	Former China Banking Regulatory Commission
CBIRC	China Banking and Insurance Regulatory Commission
RMB	Renminbi
Sino-German Bausparkasse	Sino-German Bausparkasse Co., Ltd.
PRC GAAP	Accounting Standards for Business Enterprises promulgated by the MOF on 15 February 2006 and other relevant requirements