中国邮政储蓄银行
POSTAL SAVINGS BANK OF CHINA

POSTAL SAVINGS BANK OF CHINA CO., LTD.
中國郵政儲蓄銀行股份有限公司

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

(Stock code: 1658)
(Stock Code of Preference Shares: 4612)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

The board of directors (the "**Board**") of Postal Savings Bank of China Co., Ltd. (the "**Bank**") is pleased to announce the unaudited results of the Bank and its subsidiaries for the six months ended June 30, 2022. The Audit Committee of the Board of the Bank has reviewed such interim results. This announcement complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of interim results. The printed version of the Bank's Interim Report for 2022 will be sent to the shareholders of the Bank in due course and available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Bank at www.psbc.com.

By order of the Board
Postal Savings Bank of China Co., Ltd.
Du Chunye
Joint Company Secretary

Beijing, PRC
August 22, 2022

As at the date of this announcement, the Board of Directors of the Bank comprises Mr. Liu Jianjun, Mr. Zhang Xuewen and Ms. Yao Hong as Executive Directors; Mr. Han Wenbo, Mr. Chen Donghao, Mr. Wei Qiang, Mr. Liu Yue and Mr. Ding Xiangming as Non-executive Directors; Mr. Fu Tingmei, Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson, Mr. Hu Xiang and Ms. Pan Yingli as Independent Non-executive Directors.

* *Postal Savings Bank of China Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.*

IMPORTANT NOTICE

The Board of Directors, the Board of Supervisors, Directors, Supervisors and the senior management of the Bank undertake that the information in this report does not contain any false record, or misleading statement or material omission, and assume individual and joint and several liabilities for the truthfulness, accuracy and completeness of the information in this report.

The 2022 Interim Report, highlights and results announcement have been reviewed and approved at the meeting of the Board of Directors of the Bank held on August 22, 2022. There were 13 Directors of the Bank eligible for attending the meeting, among which 13 Directors attended the meeting in person. The attendance was in compliance with the requirements of the Company Law of the People's Republic of China and the Articles of Association.

With the approval at the 2021 Annual General Meeting held on June 28, 2022, the Bank distributed cash dividends of RMB2.474 (before tax) per ten shares, totaling approximately RMB22,856 million (before tax), for the period from January 1, 2021 to December 31, 2021 to all the ordinary shareholders whose names appeared on the share register on the record date. The Bank did not declare or distribute interim dividends of 2022, nor did it convert any capital reserve to share capital.

During the reporting period, there was no misappropriation of the Bank's funds by its controlling shareholder or other related parties for non-operating purposes and no material guarantee business that violated the applicable regulations and procedures.

The 2022 interim financial report prepared by the Bank in accordance with PRC GAAP and IFRSs was reviewed by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu in accordance with Chinese and international review standards respectively.

The Board of Directors of Postal Savings Bank of China Co., Ltd.
August 22, 2022

Mr. Liu Jianjun[1], Legal Representative of the Bank, Mr. Zhang Xuewen, Vice President in charge of finance of the Bank (performing the responsibilities on behalf of the General Manager of the Finance and Accounting Department[2]), hereby declare and warrant the truthfulness, accuracy and completeness of the financial statements contained in this report.

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

During the reporting period, the Bank was not aware of any material risk that would adversely affect its future development strategies and business targets. The Bank proactively took measures to effectively manage all kinds of risks. Please refer to "Discussion and Analysis – Risk Management" for more details.

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

---

1 Mr. Zhang Jinliang ceased to be Chairman and Legal Representative of the Bank due to the change of job. Upon approval by the Board of Directors, Mr. Liu Jianjun, Executive Director and President of the Bank, has been performing the duties on behalf of Chairman and Legal Representative of the Bank since April 25, 2022.

2 Mr. Liu Yucheng ceased to be General Manager of the Finance and Accounting Department of the Bank due to age reasons. Mr. Zhang Xuewen, Vice President in charge of finance of the Bank, has been performing the duties on behalf of General Manager of the Finance and Accounting Department of the Bank.

Contents

Overview

Discussion and Analysis

Corporate Governance

Financial Statements and Others

DEFINITIONS

"Articles of Association"	The Articles of Association of Postal Savings Bank of China Co., Ltd., as amended, supplemented or otherwise modified from time to time
"Bank/PSBC/Postal Savings Bank of China"	Postal Savings Bank of China Co., Ltd., a joint stock limited liability company established in the PRC in accordance with PRC laws, including its predecessors, branches and sub-branches, directly-operated outlets and agency outlets (to the extent of agency outlets' operations, risk management and licenses in relation to agency banking businesses they conduct) and subsidiaries (where the context so requires)
"CBIRC"	China Banking and Insurance Regulatory Commission, or its predecessor, the former China Banking Regulatory Commission (where the context so requires)
"central bank/PBOC"	The People's Bank of China
"China Post Group"	China Post Group Co., Ltd., a wholly state-owned company restructured from the former China Post Group Corporation in accordance with the Company Law of the People's Republic of China, is the controlling shareholder of the Bank
"CSRC"	China Securities Regulatory Commission
"Direct Bank/YOU+ BANK"	YOU+ BANK, a direct bank subsidiary set up by the Bank
"Group"	The Bank and its subsidiaries
"Hong Kong Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRSs"	International Financial Reporting Standards and the related amendments and interpretations issued by the International Accounting Standards Board
"loans to micro and small enterprises"	The loans to micro and small enterprises which comply with the classification standards of the CBIRC, including loans to small-sized enterprises, loans to micro-sized enterprises, loans to self-employed individuals, and loans to micro and small-sized business owners; the classification standards of enterprises strictly follow the Classification Standards of Small and Medium Enterprises
"MOF"	Ministry of Finance of the PRC
"new rules on asset management"	Guiding Opinions on Regulating Asset Management Business of Financial Institutions and other related regulations
"PRC GAAP"	The Accounting Standards for Business Enterprises issued by the MOF on February 15, 2006, and other related regulations issued thereafter
"PSBC Consumer Finance"	PSBC Consumer Finance Co., Ltd.
"PSBC Wealth Management"	PSBC Wealth Management Co., Ltd.
"Sannong"	Agriculture, rural areas and farmers

"SFO"	The Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"SMEs"	The enterprises classified as micro, small, and medium enterprises under the Classification Standards of Small and Medium Enterprises
"SSE"	Shanghai Stock Exchange

The currency for the amounts included in this report, unless otherwise stated, is Renminbi ("RMB").

Certain amounts and percentage figures included in this report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

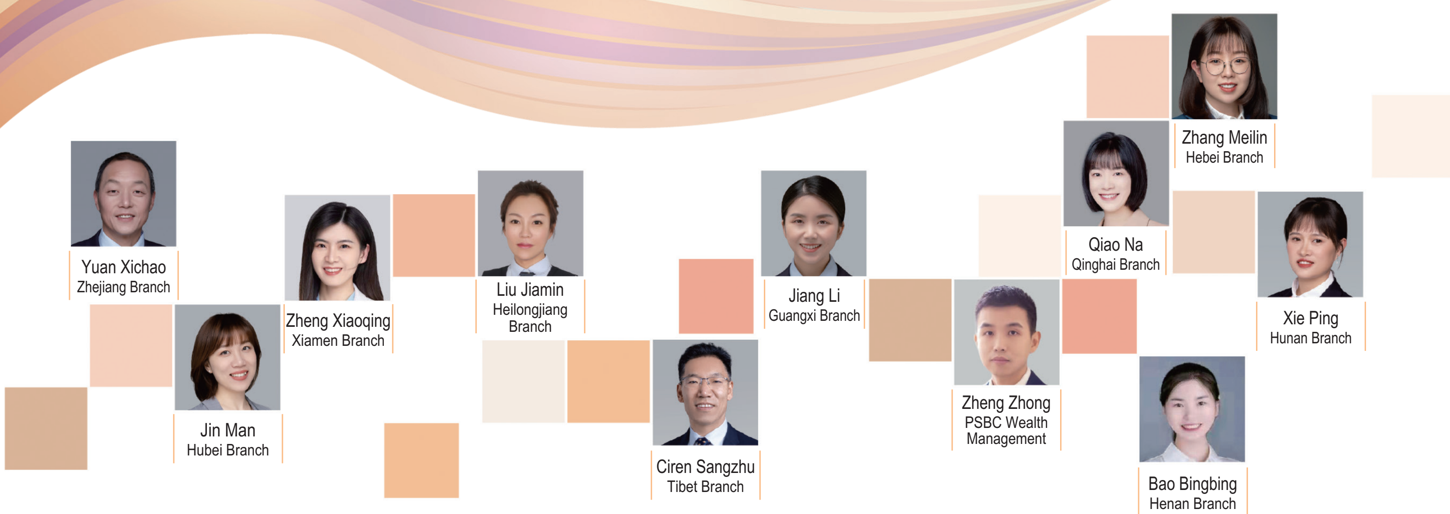
COMPANY PROFILE

The postal savings business in China can be traced back to its start in 1919 with a history of over one hundred years. In March 2007, based on the reform of the previous postal savings management system, Postal Savings Bank of China Limited was officially established. The Bank was transformed into a joint stock limited liability company in January 2012, introduced ten strategic investors from home and abroad in December 2015, went public and was listed on the Hong Kong Stock Exchange in September 2016, and was listed on the Shanghai Stock Exchange in December 2019, successfully accomplishing the three-step reform, namely "joint stock reform, introduction of strategic investors and initial public offerings of A share and H share".

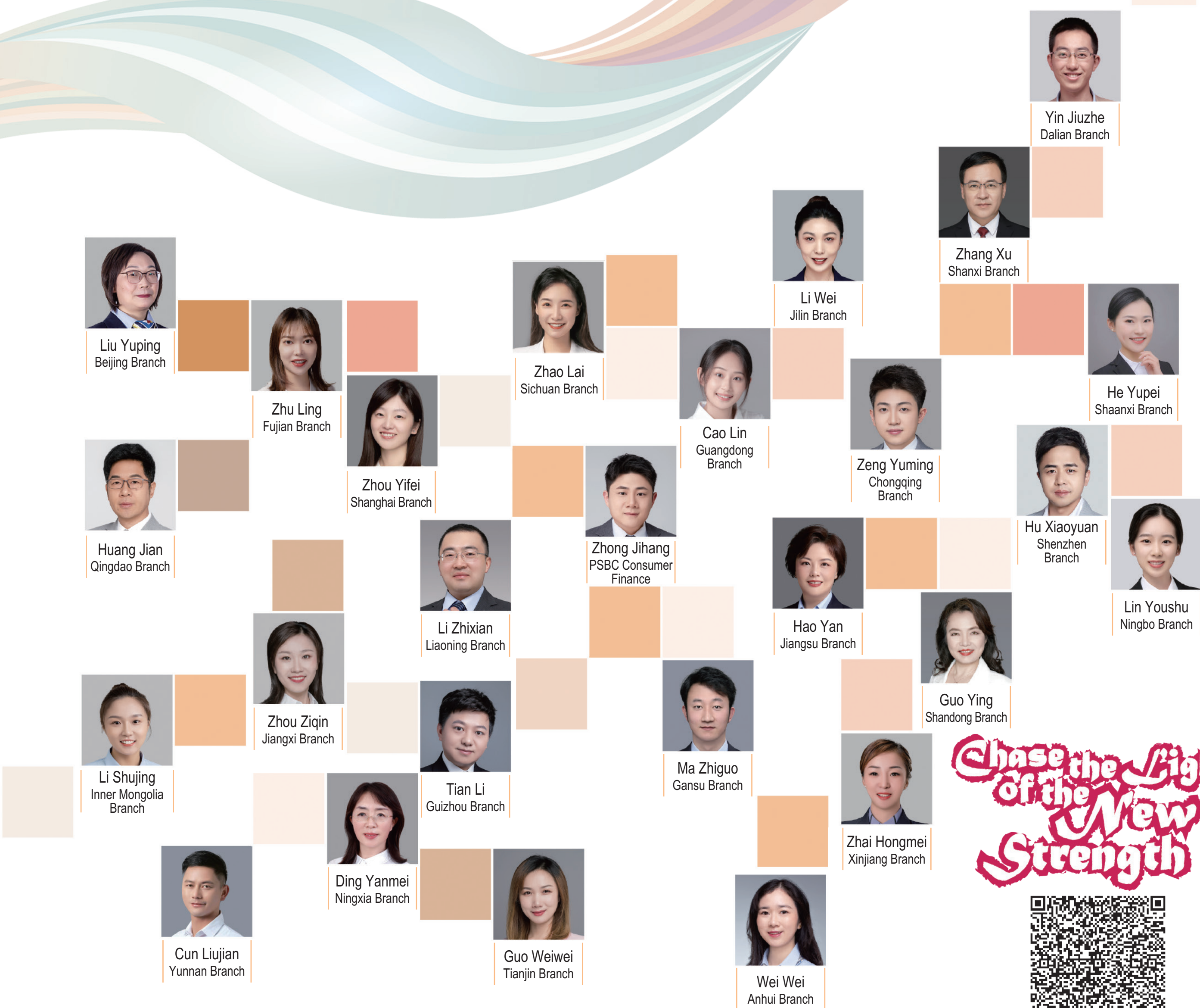
With approximately 40,000 outlets and services covering over 600 million personal customers, the Bank strategically focuses on providing financial services to Sannong customers, urban and rural residents and SMEs. Relying on its unique model and resource endowment featuring directly-operated outlets and agency outlets, it is committed to meeting the financial needs of the most promising customers during China's economic transformation. In addition, the Bank is accelerating its transformation towards a new retail bank featuring data-driven, channel coordination, interaction between wholesale and retail as well as efficient operation. It has shown its superior asset quality and significant development potential, and is a leading retail bank in China.

The Bank is committed to serving the real economy, actively implementing the national development strategy and supporting the development of the modern economic system of China, and fulfilling its social responsibilities. The Bank adheres to the customer-centric philosophy and has established a financial service system where online and offline services connect with each other for joint development, providing our customers with quality, convenient and efficient integrated financial services. It adheres to the risk-based approach and a prudent and sound risk appetite, and continuously improves the development of the comprehensive risk management system featuring "all aspects, whole process and entire staff". It continues to follow the operation philosophy of "gaining a first-mover advantage with market insights", takes moves across fields of inclusive finance, wealth finance, industry finance and green finance, and strives for high-quality development.

Since its establishment 15 years ago, the Bank has been playing an increasingly important role in the market with marked influence. It has been rated A+ and A1 this year by Fitch Ratings and Moody's Investors Service, respectively, which are the same as China's sovereignty credit ratings. It has been rated A, AAAspc and AAA with a stable outlook by S&P Global Ratings, S&P Global (China) Ratings and CCXI. In 2022, it ranked 13th in The Banker's list of "Top 1000 World Banks" in terms of tier 1 capital.



Faced with the period of important strategic opportunities for China's economic and social development, the Bank will thoroughly implement the new development concept, focus on high-quality development, stay committed to the general principle of pursuing progress while ensuring stability, comprehensively deepen reform and innovation, and accelerate the five-pronged transformation and development towards "uniqueness, comprehensiveness, lightness, digitalization and intensiveness". Committed to fulfilling its economic, political and social responsibilities as a major state-owned bank, the Bank will continue to improve the quality and efficiency of serving the real economy and the ability of serving customers, and make every effort to be a first-tier large retail bank which is trustworthy, distinctive, prudent, safe, innovative, and with remarkable value.



Chase the Light of the New Strength

STRATEGIC POSITIONING AND CORPORATE CULTURE

Strategic Objectives

Empower high-quality development with financial technology, accelerate transformation of business models, build a smart risk control system and enhance value creation to be a leading digital ecology bank serving the rural revitalization and new urbanization

Strategic Vision

Build a first-tier large retail bank which is trustworthy, distinctive, prudent, safe, innovative, and with remarkable value

Mission

Deliver accessible financial services in both urban and rural areas

Company Spirit

Be responsible, resilient and caring

Company Philosophies

Management philosophy: Keep it simple and reduce administrative burden.
Business philosophy: Gain a first-mover advantage with market insights.
Risk philosophy: Prudence and compliance lead to stability, and risk control is the key to sustainable development.
Service philosophy: Pour our heart and soul for customer satisfaction.
Talent philosophy: Respect the value of employees, tap their potential, and bring them closer to their dreams.
Coordination philosophy: See the bigger picture, act with one mind, and make progress toward a shared future.

Brand Premise

Together we make it better

Values

Create value for customers. Integrity is the cornerstone of our development. Prudence leads to sustainability. Employees are our greatest asset. Excellence comes through professionalism. Embrace change and keep innovating.

Since the implementation of PSBC's 14th Five-Year Plan, facing the severe and complex environment both at home and abroad, the Bank has focused on serving the real economy, preventing financial risks and accelerating business transformation and upgrading, as well as deepened financial reform, strengthened strategic leadership, and fully implemented the six strategies of technology empowerment, deepening customer relationship, achieving leap-forward growth in intermediary business income, building a strong bank with talents, safeguarding the Bank through risk management and coordinated development, making great achievements.

Implementation of the 14th Five-Year Plan

Promoting digital transformation and enhancing technological support

The Bank made extensive efforts to develop its IT projects with ten major projects as the focus. It enhanced independence and controllability and continued to increase the proportions of independent R&D, independent platform application and agile R&D. Its digital operation, digital governance and digital intelligence capabilities improved steadily.

Building a layered customer management system and improving customer experience

The Bank continuously enhanced its comprehensive capability in serving retail customers, accelerated the transformation and upgrading of wealth management, further promoted layered customer management, and tapped into the value of retail customers. It made more efforts to expand its corporate customer base by developing a "1 plus N" operation and service system, which enables penetrating marketing and helps fulfill the financial needs of corporate customers in an all-round way. It also advanced the development of inter-bank ecosystem and carried out a series of branding activities with the theme of "PSBC with You" to tap into each other's strengths and promote the sharing of resources.

Boosting cohesion within the Group and promoting coordinated development in an all-round way

The Bank deepened outlet transformation, improved management of inefficient outlets, and made progress in optimizing customer journey. It spared no effort to promote key collaborative projects, and made new breakthroughs in synergy between major segments. Through complementary development, product segmentation and resource sharing, the Bank enhanced collaboration with its subsidiaries in terms of business, channel, marketing and data.

Advancing risk control capabilities and improving the risk management mechanism

In order to enhance its comprehensive risk management capacity, the Bank promoted the orderly implementation of the advanced approach and improved the internal rating system. It strengthened intelligent risk control infrastructure, and promoted the research and application of intelligent risk control technology. It developed a long-term mechanism for internal control and compliance, promoted the stationing of risk managers, resolutely guarded the bottom line of case control and conducted case-based warning and education activities.

Improving the development mode and core competitiveness of intermediary business

The retail business saw growth in fee and commission income through the two engines of agency sales and credit cards. For corporate business, breakthroughs were achieved in transaction banking, investment banking, agency sales, etc. For treasury business, the Bank accelerated the development of asset management, custody business and other businesses with high added-value. In addition, the Bank strengthened the incentive and evaluation mechanism of intermediary business, and increased the weight of fee and commission income in resource allocation and performance appraisal.

Optimizing human resources management and implementing the strategy of "Building a Strong Bank with Talents"

The Bank deepened personnel system reform, developed a team of high-caliber cadres, and introduced fixed-term appointment and contract-based management. It strengthened the building of talent teams, promoted the development of the Head Office and leading talent teams and the Pilot Project talent pool, and worked to fully stimulate the talents' creativity. It promoted employee training, developed a qualification certification system, and organized bank-wide qualification exams for expertise-based promotion line. In addition, the payroll allocation system was optimized.

Scan to find out the corporate culture system of PSBC

CORPORATE INFORMATION

Legal name in Chinese	中國郵政儲蓄銀行股份有限公司(「中國郵政儲蓄銀行」)
Legal name in English	POSTAL SAVINGS BANK OF CHINA CO., LTD. ("PSBC")
Legal representative[1]	Liu Jianjun
Chairman[1]	Liu Jianjun
President	Liu Jianjun
Authorized representatives	Yao Hong, Du Chunye
Secretary to the Board of Directors	Du Chunye Address: No. 3 Financial Street, Xicheng District, Beijing Telephone: 86-10-68858158 Fax: 86-10-68858165 E-mail: psbc.ir@psbcoa.com.cn
Registered address and place of business	No. 3 Financial Street, Xicheng District, Beijing
Principal place of business in Hong Kong	40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wan Chai, Hong Kong
Contacts for investors	Postal code: 100808 Telephone: 86-10-68858158 Fax: 86-10-68858165 E-mail: psbc.ir@psbcoa.com.cn Website: www.psbc.com
Hotline for customer services and complaints	86-95580
Information disclosure media	China Securities Journal (www.cs.com.cn), Shanghai Securities News (www.cnstock.com), Securities Times (www.stcn.com), Securities Daily (www.zqrb.cn)
Interim report available at	Office of the Board of Directors of the Bank No. 3 Financial Street, Xicheng District, Beijing
Unified social credit code	9111000071093465XC
A share listing place, stock name, stock code and website for publication of reports	Stock exchange on which shares are listed: Shanghai Stock Exchange Stock name: Postal Savings Bank of China Stock code: 601658 Share Registrar: China Securities Depository and Clearing Corporation Limited, Shanghai Branch 188 Yanggao South Road, Pudong New Area, Shanghai Website of Shanghai Stock Exchange for publication of reports: www.sse.com.cn

1 Mr. Liu Jianjun, Executive Director and President of the Bank, began to perform the duties on behalf of Chairman and Legal Representative of the Bank since April 25, 2022.

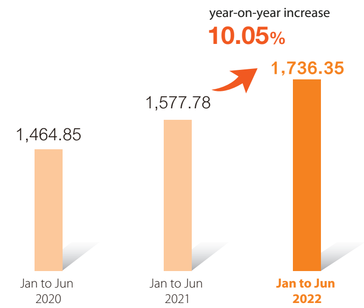
H share listing place, stock name, stock code and website for publication of reports	Stock exchange on which shares are listed: The Stock Exchange of Hong Kong Limited Stock name: Postal Savings Bank of China Stock code: 1658 Share Registrar: Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong HKEXnews website of Hong Kong Stock Exchange for publication of reports: www.hkexnews.hk
Preference share listing place, stock name and stock code	Stock exchange on which shares are listed: The Stock Exchange of Hong Kong Limited Stock name: PSBC 17USDPREF Stock code: 4612
Legal advisor as to laws of the Chinese mainland	King & Wood Mallesons
Legal advisor as to laws of Hong Kong, PRC	Clifford Chance LLP
Domestic auditor	Deloitte Touche Tohmatsu Certified Public Accountants LLP Place of business: 30/F, 222 Yan'an Road East, Huangpu District, Shanghai Signing accountants: Yang Bo, Hu Xiaojun, Shen Xiaohong
International auditor	Deloitte Touche Tohmatsu
Sponsors for continuous supervision and guidance	China International Capital Corporation Limited Place of business: 27th and 28th Floor, China World Office 2, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing Signing sponsors: Zhou Shaolong, Li Yifan Period of continuous supervision and guidance: December 10, 2019 to December 31, 2022 CITIC Securities Co., Ltd Place of business: 23rd Floor, CITIC Securities Building, No. 48 Liangmaqiao Road, Chaoyang District, Beijing Signing sponsors: Sun Yi, Ma Xiaolong Period of continuous supervision and guidance: January 6, 2021 to December 31, 2022

* Postal Savings Bank of China Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.

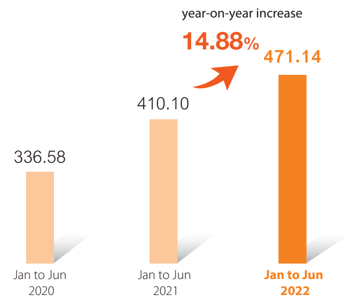
FINANCIAL HIGHLIGHTS

Financial data and indicators in this report have been prepared in accordance with the IFRSs. Unless otherwise specified, they are consolidated data of the Bank and its subsidiaries and denominated in Renminbi.

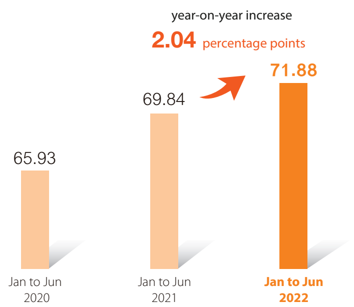
Operating income
(In RMB100 million)



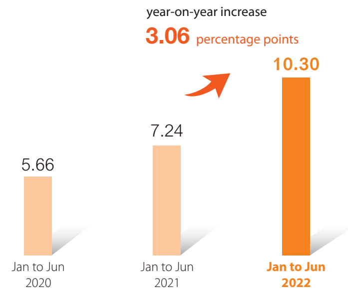
Net profit attributable to equity holders of the Bank
(In RMB100 million)



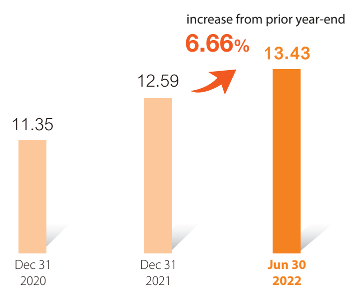
Percentage of operating income of personal banking business
(%)



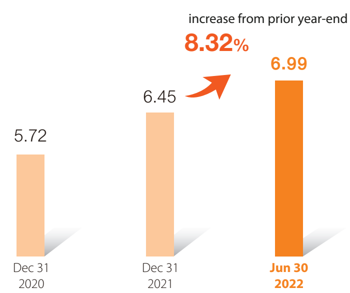
Percentage of net fee and commission income
(%)



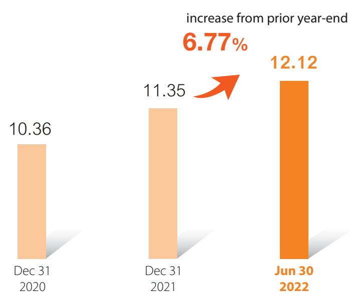
Total assets
(In trillions of RMB)



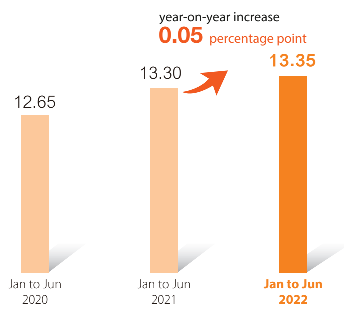
Total loans to customers
(In trillions of RMB)



Customer deposits
(In trillions of RMB)



Annualized return on weighted average equity
(%)



Key Financial Data

In millions of RMB, unless otherwise stated

Item	For the six months ended June 30, 2022	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Operating results			
Operating income	173,635	157,778	146,485
Net interest income	137,117	132,096	124,392
Net fee and commission income	17,880	11,429	8,290
Operating expenses	93,834	82,565	76,664
Credit impairment losses	27,099	29,454	33,590
Impairment losses on other assets	9	8	4
Profit before income tax	52,693	45,751	36,227
Net profit	47,170	41,244	33,673
Net profit attributable to equity holders of the Bank	47,114	41,010	33,658
Net cash flows generated from operating activities	146,914	168,077	(10,929)
Per share data (in RMB Yuan)			
Basic and diluted earnings per share[1]	0.44	0.40	0.36

1 Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by the CSRC. There are no potential diluted ordinary shares of the Bank, so the diluted earnings per share is the same as the basic earnings per share. As preference shares and perpetual bonds outstanding of the Bank are classified as other equity instruments, the computation of earnings per share excludes the impact of preference shares, perpetual bonds and other related factors.

In millions of RMB, unless otherwise stated

Item[1]	June 30, 2022	December 31, 2021	December 31, 2020
Data as at the end of the reporting period			
Total assets	13,426,421	12,587,873	11,353,263
Total loans to customers[2]	6,991,064	6,454,099	5,716,258
Allowance for impairment losses on loans to customers[3]	233,770	216,900	203,897
Loans to customers, net	6,757,294	6,237,199	5,512,361
Financial investments[4]	4,556,578	4,348,620	3,914,650
Cash and deposits with central bank	1,229,495	1,189,458	1,219,862
Total liabilities	12,585,183	11,792,324	10,680,333
Customer deposits	12,122,517	11,354,073	10,358,029
Equity attributable to equity holders of the Bank	839,724	794,091	671,799
Net capital	1,018,429	945,992	784,579
Core tier 1 capital – net	650,349	635,024	542,347
Other tier 1 capital – net	187,974	157,982	127,954
Risk-weighted assets	6,973,885	6,400,338	5,651,439
Per share data (in RMB Yuan)			
Net assets per share[5]	7.06	6.89	6.25

1 In accordance with the relevant regulations under the Notice on Amending the Format of Financial Statements for Financial Enterprises in 2018 (Cai Kuai [2018] No.36) issued by the MOF, the interest on financial instruments from corresponding assets and liabilities should not be accounted for as separate items of "interest receivable" or "interest payable" since 2018. The balance of "interest receivable" or "interest payable" shown in "other assets" or "other liabilities" is only interest receivable or interest payable on relevant matured financial instruments but not received nor paid on the date of the balance sheet.

2 For ease of reference, "loans to customers" refers to "loans and advances to customers" in this report.

3 Allowance for impairment losses on loans to customers measured at amortized cost.

4 Include financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income – debt instruments, financial assets measured at fair value through other comprehensive income – equity instruments, and financial assets measured at amortized cost.

5 Calculated by dividing equity attributable to ordinary shareholders of the Bank at the end of the period by the total number of ordinary shares at the end of the period.

FINANCIAL HIGHLIGHTS

Financial Indicators

Item	For the six months ended June 30, 2022	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Profitability (%)			
Return on average total assets[1, 2]	0.73	0.71	0.64
Return on weighted average equity[1, 3]	13.35	13.30	12.65
Net interest margin[1, 4]	2.27	2.37	2.45
Net interest spread[1, 5]	2.24	2.31	2.39
Net fee and commission income to operating income ratio	10.30	7.24	5.66
Cost-to-income ratio[6]	53.24	51.53	51.57

Item	June 30, 2022	December 31, 2021	December 31, 2020
Asset quality (%)			
Non-performing loan ratio[7]	0.83	0.82	0.88
Allowance to NPLs ratio[8]	409.25	418.61	408.06
Allowance to loans ratio[9]	3.40	3.43	3.60
Capital adequacy ratio (%)			
Core tier 1 capital adequacy ratio[10]	9.33	9.92	9.60
Tier 1 capital adequacy ratio[11]	12.02	12.39	11.86
Capital adequacy ratio[12]	14.60	14.78	13.88
Risk-weighted assets to total assets ratio[13]	51.94	50.85	49.78
Total equity to total assets ratio	6.27	6.32	5.93

1 On an annualized basis.

2 Calculated by dividing net profit by the average balance of total assets at the beginning and at the end of the reporting period.

3 Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by the CSRC. As preference shares and perpetual bonds outstanding of the Bank are classified as other equity instruments, the computation of return on weighted average equity excludes the impact of preference shares, perpetual bonds and related factors.

4 Calculated by dividing net interest income by the average balance of interest-earning assets.

5 Calculated by the spread between average yield of interest-earning assets and average interest rate of interest-bearing liabilities.

6 Calculated by dividing operating expenses (less taxes and surcharges) by operating income.

7 Calculated by dividing the total NPLs by total loans to customers, and the total loans exclude the accrued interest.

8 Calculated by dividing total allowance for impairment losses on loans to customers by total NPLs. Total allowance for impairment losses on loans to customers includes allowance for impairment losses on loans to customers measured at amortized cost and allowance for impairment losses on loans to customers measured at fair value through other comprehensive income.

9 Calculated by dividing total allowance for impairment losses on loans to customers by total loans to customers. Starting from 2021, the total loans no longer include the accrued interest when calculating the allowance to loans ratio.

10 Calculated by dividing core tier 1 capital (net of core tier 1 capital deductions) by risk-weighted assets.

11 Calculated by dividing tier 1 capital (net of tier 1 capital deductions) by risk-weighted assets.

12 Calculated by dividing total capital (net of capital deductions) by risk-weighted assets.

13 Calculated by dividing risk-weighted assets by total assets.

Other Major Indicators

Item		Regulatory criteria	June 30, 2022	December 31, 2021	December 31, 2020
Liquidity ratio (%)[1]	RMB and foreign currency	≥25	80.43	72.86	71.61
Percentage of loans to largest single borrower (%)[2]		≤10	17.37	18.72	23.21
Percentage of loans to the ten largest borrowers (%)			27.43	28.67	34.49
Loan migration ratio (%)	Normal		0.65	0.90	1.02
	Special mention		30.03	27.09	48.94
	Substandard		43.22	50.76	52.81
	Doubtful		82.61	59.16	86.23

1 Calculated by dividing current assets by current liabilities.

2 Percentage of loans to largest single borrower = balance of loans to the largest borrower/net capital x 100%. The largest borrower refers to the borrower with the highest balance of loans at the period end. As at the end of the reporting period, China State Railway Group Co., Ltd. was the Bank's largest single borrower. The outstanding loan balance with China State Railway Group Co., Ltd. was RMB176,874 million, accounting for 17.37% of the Bank's net capital. The credit line the Bank extended to China State Railway Group Co., Ltd. includes the legacy credit line of RMB240 billion which was approved by the relevant regulatory authorities. As at the end of the reporting period, the outstanding loan balance under such credit line for China State Railway Group Co., Ltd. was RMB160 billion. After deduction of this RMB160 billion, the Bank's balance of loans to China State Railway Group Co., Ltd. accounts for 1.66% of the Bank's net capital.

Credit Ratings

Rating Agency	As of June 30, 2022	2021	2020
S&P Global Ratings	A (stable)	A (stable)	A (stable)
Moody's Investors Service	A1 (stable)	A1 (stable)	A1 (stable)
Fitch Ratings	A+ (stable)	A+ (stable)	A+ (stable)
S&P Global (China) Ratings	AAAspc (stable)	AAAspc (stable)	AAAspc (stable)
CCXI	AAA (stable)	AAA (stable)	AAA (stable)

OVERVIEW OF OPERATIONS

The Bank always upholds Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, resolutely implements the decisions and plans of the CPC Central Committee and the State Council, coordinates pandemic prevention and control, supports economic and social development, and places serving the real economy in a more prominent position. While accelerating the implementation of various policies and measures to stabilize the macro economy, the Bank focuses on value creation through reform and innovation as its drive, keeps advancing the "five-pronged transformation" towards uniqueness, comprehensiveness, lightness, digitization and intensiveness, and strengthens major capabilities in six aspects including core business, system support, coordination and integration, technological facilitation, institutional drive, and innovation leadership. In addition, the Bank expands the drivers for innovation and enhances system support to accelerate the building of a first-tier large retail bank with high-quality development.

Registering sound operating results. Firstly, the Bank achieved stable growth in business scale. It is committed to maintaining high-quality and sustainable growth in business development. As at the end of the reporting period, the Bank's total assets reached RMB13.43 trillion, an increase of 6.66% over the prior year-end; among which total loans to customers amounted to RMB6.99 trillion, approaching RMB7 trillion, with an increase of 8.32% over the prior year-end; total liabilities reached RMB12.59 trillion, an increase of 6.72% over the prior year-end, where the customer deposits reached RMB12.12 trillion, surpassing the RMB12 trillion mark, up 6.77% over the prior year-end. **Secondly, the Bank's profitability maintained stable.** In the first half of 2022, both income and profit of the Bank saw double-digit growth. Net profit attributable to equity holders of the Bank was RMB47,114 million, a year-on-year increase of 14.88%; operating income was RMB173,635 million, a year-on-year increase of 10.05%; and net fee and commission income reached RMB17,880 million, a year-on-year increase of 56.44%. **Thirdly, the value creation capability continued to improve.** The Bank's annualized return on average total assets and annualized return on weighted average equity were 0.73% and 13.35% respectively, a year-on-year increase of 0.02 and 0.05 percentage point respectively.

Continuously improving the development quality and efficiency. The Bank actively responded to the changes in external situations and challenges, focused on promoting the steady recovery of economy, comprehensively improved its management in a forward-looking, refined and scientific manner, and promoted better and faster high-quality development through more proactive management. **Firstly, in terms of asset allocation,** on the premise of adhering to the risk-adjusted return on capital (RAROC) as the basis for resource allocation, the Bank made every effort to provide more funds to the real economy and continuously optimized asset and liability structure. In addition to acting more proactively in credit extension and responding to the central government's requirement of "policies should produce effects early on", the Bank made forward-looking plans and took early moves to channel more financial resources to the real economy in a more effective manner. Total loans to customers increased by RMB536,965 million over the prior year-end, RMB60,823 million more than the growth for the first half of last year, and loan-to-deposit ratio and the proportion of credit assets increased by 0.83 and 0.80 percentage point respectively over the prior year-end. With greater flexibility in the allocation of non-credit assets, the Bank enhanced market analysis and prediction, scientifically formulated fund allocation strategies, reasonably grasped the investment pace, continued to expand investment channels, actively increased the investment in high-RAROC assets, and strengthened circulation and product innovation. **Secondly, in terms of liability management,** the Bank tapped the potential of restructuring and promoted the high-quality development of liability business by focusing on value deposits to achieve "stable size, optimal structure and lower cost". Total customer deposits increased by RMB768,444 million over the prior year-end, RMB212,906 million more than the growth for the first half of last year, and the incremental part of deposits were mainly low-cost value deposits with maturities of one year or less. High-cost long-term deposits continued to fall, pushing down the cost of interest payment on deposits. **Thirdly, in terms of risk management,** the Bank continued to deepen the digitalization and intensive transformation in all aspects, and promoted the development and application of advanced approaches for capital management, thereby effectively improving risk management capabilities. It maintained a good asset quality, with a non-performing loan ratio of 0.83%, which was at an excellent level in the industry.

Accelerating transformation and upgrading. The Bank adhered to the principle of "creating value for customers", focused on the improvement of service capability and customer experience, and continued to do the right but difficult things as well as right and good things. While striving to build differentiated competitive advantages, the Bank promoted the improvement of both customer value and its profitability. **Firstly, it consolidated the retail banking as its core business, and accelerated the upgrading of its wealth management system with AUM (assets of individual customers under management) as the backbone.** It focused on the diversified needs of individual customers, deepened the layered customer management, and accelerated the establishment of a professional capability system, so as to make the benefits of economic development available to all people and achieve a rapid increase in AUM. The Bank served 644 million individual customers, with the AUM reaching RMB13.41 trillion, an increase of RMB881,224 million or 7.03% over the prior year-end. The Bank helped customers move to a higher level of asset scale, and the number of VIP customers reached 46,248.0 thousand, an increase of 8.49% over the prior year-end; the number of affluent customers exceeded 4 million to reach 4,060.2 thousand, an increase of 13.98% over the prior year-end. **Secondly, the Bank accelerated the development of distinctive corporate banking business with less capital consumption.** Relying on the new "1 plus N" operation and service system[1], the Bank accelerated the transformation of the corporate banking business toward comprehensiveness and specialization. While providing comprehensive financial services to a wider range of customers, the Bank further improved the three-dimensional customer stratification system and achieved rapid growth of customer base. The number of newly acquired corporate customers was 158.3 thousand, with the aggregated number reaching 1,269.1 thousand. **Thirdly, the Bank promoted high-quality growth around the goal of lightness.** On one hand, on the premise of resolutely implementing the government policy of fee reductions and profit concessions, the Bank further promoted the strategy of "boosting the leapfrog growth of intermediary business income" and focused on improving the contribution of intermediary business income. The ratio of net fee and commission income to operating income reached 10.30%, a year-on-year increase of 3.06 percentage points. On the other hand, the Bank optimized its organizational structure and business model, steadily promoted intensive operation, further evolved its operating model into an efficient, low-cost and intelligent one, and improved the efficiency of customer services. **Fourthly, the Bank strengthened transformation momentum through technology empowerment.** The Bank accelerated digital transformation and continued to improve customer experience with the power of technology. With the new generation core system for personal banking business being fully launched, the Bank blazed a trail for serving more than 600 million customers on a distributed platform. Adhering to innovation-driven development, the Bank deepened the application in key fields such as artificial intelligence, blockchain, cloud computing, etc., forming a "platform + capability + application" pattern for FinTech innovation and application.

[1] Focusing on the six dimensions of customer, product, collaboration, service, risk, and technology, the Bank carried out the reform and in-depth application of the operation mechanism, and improved the integrated marketing support service system that integrates the front, middle and back offices.

OVERVIEW OF OPERATIONS

Making precise efforts to serve the real economy. The Bank adhered to the fundamental role of providing financial services to serve the real economy, actively responded to the challenges posed by the pandemic, increased credit support for key areas and weak links, and made greater efforts to fulfill its responsibilities as a large state-owned bank. **Firstly, the Bank promoted the high-quality development of Sannong finance.** It strengthened the top-level design for serving rural revitalization, continued to increase credit in key subjects and areas of rural revitalization, strove to pursue the dream of "letting the vast majority of farmers have credit from PSBC", promoted the general availability of credit for creditworthy villages, and created a new landscape of high-quality and efficient services for rural revitalization. A total of 304.1 thousand creditworthy villages were built, with 4,861.5 thousand recognized creditworthy households, and the balance of agro-related loans amounted to RMB1.72 trillion, an increase of RMB104,264 million over the prior year-end, accounting for about a quarter of the total loans to customers, which ranked in the forefront of large state-owned banks. **Secondly, the Bank comprehensively deepened financial services for micro and small enterprises to help them overcome difficulties.** The Bank continued to optimize the long-term mechanism of "having the courage, will, ability and means to grant loans" to micro and small enterprises. It provided full support to micro and small enterprises, self-employed individuals and other market entities to overcome difficulties, improved the coverage, availability and convenience of inclusive financial services, and promoted the sustainable development of micro and small finance. The Bank's balance of inclusive loans to micro and small enterprises was RMB1,092,905 million, accounting for more than 15% of the total loans to customers, ranking in the forefront of large state-owned banks. The number of households with loan balance stood at 1,797.3 thousand, a net increase of 86.6 thousand over the beginning of the year. **Thirdly, the Bank set up a financial service system for sci-tech enterprises.** Focusing on the special demands of specialized and sophisticated enterprises that produce new and unique products and sci-tech enterprises at different growth stages, the Bank provided specialized and differentiated comprehensive financial services in a targeted manner. The number of specialized and sophisticated enterprises that produce new and unique products and sci-tech enterprises to which loans were extended was more than 20,000. **Fourthly, the Bank took the initiative to serve national strategies.** The Bank increased its support to key areas, core industries and major projects, deepened its business in the traditional manufacturing industry, and actively expanded its business for advanced manufacturing enterprises with high innovation capability and growth potential. The medium and long-term loans to the manufacturing industry increased by 19.23% over the prior year-end. **Fifthly, the Bank continued to push forward the development of green banking.** The Bank adhered to the concept of green development, implemented the idea of "green world, better life", formulated and carried out the action plan for peaking carbon emissions and realizing carbon neutrality, and proposed the step-by-step timetable and road map. It vigorously developed green finance business and explored transition finance. As at the end of the reporting period, the balance of green loans amounted to RMB433,671 million, an increase of 16.49% over the prior year-end. It accelerated the digital transformation of green finance and promoted the development of "Green Credit Services Based on Big Data Technology", a pilot project of the comprehensive application of financial data of the Operations Office (Beijing) of the PBOC. **Sixthly, the Bank made every effort to provide financial services to enterprises and industries affected by the pandemic.** The Bank strengthened credit support to enterprises and industries severely affected by the pandemic, and made arrangements for continued financing to ensure the implementation of relevant financial relief policies.

Maintaining continuous innovation to drive development. The Bank comprehensively deepened the reform, enhanced the endogenous development momentum with innovative products and services, and strove for a higher level of development. As the first independent legal-entity direct bank initiated by a large state-owned bank, YOU+ BANK officially opened for business. It launched the first batch of products, built four business platforms, namely, scenario-based finance, inclusive credit, mass wealth management and digital villages, and enriched the supply of financial services for Sannong. The Bank launched the exclusive credit product "Science and Technology Innovation E-Loan" for sci-tech enterprises, which provides targeted support for specialized and sophisticated enterprises that produce new and unique products and sci-tech enterprises. Focusing on the needs of new urban residents for a better life, the Bank made every effort to deliver special financial service solutions for them by launching exclusive debit card "U+ card" and exclusive micro loan products. The Bank strengthened its support to meet the needs of new urban residents for personal consumer loans, and focused on improving the availability and convenience of financial services for them. It underwrote and issued the first "sustainable development-based plus ensuring energy supply" debt financing plan in China, and participated in the underwriting of the first batch of technological innovation bills in the market. It took the lead in exploring e-CNY business and created application scenarios in multiple fields. The number of personal wallets opened by the Bank through the e-CNY app ranked first among the authorized operators.

Discussion and Analysis

DISCUSSION AND ANALYSIS

Environment and Prospect

In the first half of 2022, the world witnessed resurgent Covid-19 cases and constant flare-ups of geopolitical conflicts. Major developed economies stepped up the pace of monetary tightening, leading to slowed global economic growth, soaring commodity prices such as energy, metals and agricultural products, higher overseas inflationary pressure, and greater complexity and uncertainty in global economic recovery.

Facing the triple pressures of shrinking demand, supply shocks and weakening expectations, China took efficient and well-coordinated steps to respond to Covid-19 and pursue economic and social development. It adopted macro policies that produced effects early on, achieved solid achievements in pandemic containment and recorded new progress in economic and social development. The proactive fiscal policy was adopted to improve the quality and efficiency, and effective investment was expanded significantly. The prudent monetary policy was both flexible and appropriate, with reasonably ample liquidity being maintained, which helped to provide stronger support to the real economy and prevent financial risks. As the loan prime rate (LPR) reform continued to yield benefits and the monetary policy was transmitted more efficiently, the loan interest rates dropped steadily. In addition, the RMB exchange rate showed stronger flexibility in two-way movements amid stable expectations. China's banking industry fully bolstered the stability of the macro economy, focused on preventing and mitigating financial risks, and deepened the structural reform on the financial supply side. As a result, the total assets maintained stable growth and credit asset quality remained stable.

Looking into the second half of 2022, global inflation will remain high, the spillover effect of monetary policy shift in major developed economies will gradually appear, and the external environment will become even more complex. The domestic epidemic prevention and control is generally positive, but the task remains arduous. Economic development is still facing triple pressures of shrinking demand, supply shocks and weakening expectations. Major economic indicators remain low, and the foundation for achieving the country's economic recovery needs to be further consolidated. China will act on the general principle of pursuing progress while ensuring stability, implement the requirements of securing pandemic containment, economic stability and safe development, consolidate the trend of stable recovery, take targeted measures to stabilize employment and prices, and maintain economic operation within a reasonable range. The banking sector needs to put the task of serving the real economy on an even more prominent position, and provide more support to the manufacturing industry, micro and small enterprises, technological innovation, green development as well as water conservancy, transportation, energy and other key areas and weak links, and enhance risk management according to safe development requirements.

In the second half of 2022, PSBC will continuously adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and fully implement the guiding principles of the 19th National Congress of the CPC and all plenary sessions of the 19th CPC Central Committee. Adhering to the strategic vision of "building a first-tier large retail bank which is trustworthy, distinctive, prudent, safe, innovative, and with remarkable value", the Bank will accelerate the pace of reform and transformation, strengthen major capabilities in six aspects including core business, system support, coordination and integration, technological facilitation, institutional drive and innovation leadership, push forward the five-pronged transformation towards uniqueness, comprehensiveness, lightness, digitalization and intensiveness, and set the stage for the 20th National Congress of the CPC with concrete actions.

First, the Bank will earnestly perform the fundamental responsibilities of serving the real economy. It will resolutely implement the decisions and plans of the CPC Central Committee, increase credit extension, and channel more financial resources to the real economy. It will support rural revitalization in an in-depth manner, provide sound financial services to micro and small enterprises and private enterprises, and vigorously develop green finance. It will also help market entities ease their difficulties, facilitate the efforts to maintain stable macroeconomic performance with financial strength, and unswervingly fulfill its responsibilities as a large state-owned bank.

Second, the Bank will further enhance the comprehensive service capacity. The Bank will firmly establish the market-based concepts, and actively analyze changes in the market situation and customer demands. Upholding the customer-centric philosophy, the Bank will make every effort to build a one-stop, specialized comprehensive financial service system to create value for customers.

Third, the Bank will move faster in business transformation and development. It will accelerate the transformation of intensive and intelligent retail banking, and make breakthroughs in wealth management business. It will press ahead with the comprehensive and professional transformation of corporate banking, step up the development of "intellectual-incorporated businesses" and form differentiated competitive strength. It will advance the transaction-oriented and innovative transformation of treasury and asset management business, and continue to improve the building of interbank ecosystem.

Fourth, the Bank will continuously improve the risk management capability. It will strengthen comprehensive risk management and stick to the bottom line of no systemic risk. It will speed up the digital transformation of risk management, and improve the refined risk management. It will strive to enhance its risk research capability, promote the transformation of risk management to lead business development, and boost business transformation and development.

Analysis of Financial Statements

In the first half of 2022, despite the complex domestic and external environment, the Bank consistently implemented its strategies, accelerated transformation and upgrading, stimulated internal momentum for development, improved the quality and efficiency of serving the real economy, and yielded excellent operating results, which were mainly manifested in:

The Bank's profitability remained solid and its capabilities of value creation continued to improve. During the reporting period, the Bank recorded a net profit attributable to equity holders of the Bank of RMB47,114 million, representing a year-on-year increase of 14.88%. The operating income amounted to RMB173,635 million, representing a year-on-year increase of 10.05%, among which: the net interest income was RMB137,117 million, representing a year-on-year increase of 3.80%; and the net fee and commission income was RMB17,880 million, representing a year-on-year increase of 56.44%. Annualized return on average total assets and annualized return on weighted average equity were 0.73% and 13.35% respectively, up 0.02 and 0.05 percentage point compared with the same period of last year.

The Bank achieved steady growth in the scale of assets and liabilities, showing demonstrable results in structure optimization. As at the end of the reporting period, the Bank's total assets amounted to RMB13,426,421 million, representing an increase of 6.66% compared with the prior year-end, of which total loans to customers amounted to RMB6,991,064 million, representing an increase of 8.32% compared with the prior year-end. The loan-to-deposit ratio and the percentage of credit assets increased by 0.83 and 0.80 percentage point respectively over the prior year-end. Total liabilities amounted to RMB12,585,183 million, representing an increase of 6.72% compared with the prior year-end, of which total customer deposits amounted to RMB12,122,517 million, representing an increase of 6.77% compared with the prior year-end, mainly driven by the increase in deposits with maturities of one year or less.

Analysis of Income Statement

During the reporting period, the Bank recorded a net profit of RMB47,170 million, representing a year-on-year increase of RMB5,926 million or 14.37%; a net profit attributable to equity holders of the Bank of RMB47,114 million, representing a year-on-year increase of RMB6,104 million or 14.88%.

Changes of Key Items in the Income Statement

In millions of RMB, except for percentages

Item	For the six months ended June 30, 2022	For the six months ended June 30, 2021	Increase/ (decrease)	Change (%)
Net interest income	137,117	132,096	5,021	3.80
Net fee and commission income	17,880	11,429	6,451	56.44
Net other non-interest income	18,638	14,253	4,385	30.77
Operating income	173,635	157,778	15,857	10.05
Less: Operating expenses	93,834	82,565	11,269	13.65
Credit impairment losses	27,099	29,454	(2,355)	(8.00)
Impairment losses on other assets	9	8	1	12.50
Profit before income tax	52,693	45,751	6,942	15.17
Less: Income tax expenses	5,523	4,507	1,016	22.54
Net profit	47,170	41,244	5,926	14.37
Attributable to equity holders of the Bank	47,114	41,010	6,104	14.88
Attributable to non-controlling interests	56	234	(178)	(76.07)
Other comprehensive income (expense)	(1,914)	802	(2,716)	(338.65)
Total comprehensive income	45,256	42,046	3,210	7.63

Net Interest Income

During the reporting period, the Bank realized a net interest income of RMB137,117 million, representing an increase of RMB5,021 million, or 3.80% compared with the same period of the prior year, of which an increase of RMB10,708 million in net interest income was driven by the scale expansion, and a decrease of RMB5,687 million in net interest income was brought by the changes in interest rates. Net interest margin and net interest spread were 2.27% and 2.24%, respectively.

Average Yield of Interest-Earning Assets and Average Cost of Interest-Bearing Liabilities

In millions of RMB, except for percentages

Item	For the six months ended June 30, 2022			For the six months ended June 30, 2021		
	Average balance	Interest income/ expense	Average yield/ cost (%)[1]	Average balance	Interest income/ expense	Average yield/ cost (%)[1]
Assets						
Total loans to customers	6,714,025	153,499	4.61	5,959,596	139,479	4.72
Investments[2]	3,684,981	63,450	3.47	3,545,449	63,343	3.60
Deposits with central bank[3]	1,164,828	9,405	1.62	1,169,831	9,456	1.62
Deposits and placements with banks and other financial institutions[4]	641,017	9,093	2.86	586,549	8,649	2.97
Total interest-earning assets	12,204,851	235,447	3.89	11,261,425	220,927	3.96
Allowance for impairment losses on assets	(257,807)	–	–	(229,304)	–	–
Non-interest-earning assets[5]	1,182,632	–	–	823,655	–	–
Total assets	13,129,676	–	–	11,855,776	–	–
Liabilities						
Customer deposits	11,678,768	94,343	1.63	10,561,655	85,636	1.64
Deposits and placements from banks and other financial institutions[6]	225,243	2,124	1.90	224,550	1,983	1.78
Debt securities issued[7]	95,127	1,701	3.61	55,911	996	3.59
Borrowings from central bank	18,451	162	1.77	24,873	216	1.75
Total interest-bearing liabilities	12,017,589	98,330	1.65	10,866,989	88,831	1.65
Non-interest-bearing liabilities[8]	240,302	–	–	241,243	–	–
Total liabilities	12,257,891	–	–	11,108,232	–	–
Net Interest Income	–	137,117	–	–	132,096	–
Net interest spread[9]	–	–	2.24	–	–	2.31
Net interest margin[10]	–	–	2.27	–	–	2.37

1 On an annualized basis. The average yield/cost is annualized based on the actual number of days in the year.

2 Consists of interest-earning assets in financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost.

3 Consists of statutory deposit reserves and surplus deposit reserves.

4 Consists of deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements.

5 Consists of financial assets measured at fair value through profit or loss, cash, property and equipment, derivative financial assets, deferred tax assets and other assets.

6 Consists of deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.

7 Consists of qualified tier 2 capital instruments issued and interbank certificates of deposit.

8 Consists of derivative financial liabilities, employee benefits payable, liabilities for agency services, income tax payable and other liabilities.

9 Calculated as the difference between the average yield of total interest-earning assets and the average cost of total interest-bearing liabilities.

10 Calculated by dividing net interest income by the average balance of total interest-earning assets.

Changes in Net Interest Income Due to Changes in Volume and Interest Rate

In millions of RMB

	For the six months ended June 30, 2022 vs 2021		
	Increase/(decrease)		
Item	Volume[1]	Interest rate[2]	Total[3]
Assets			
Total loans to customers	17,248	(3,228)	14,020
Investments	2,403	(2,296)	107
Deposits with central bank	(40)	(11)	(51)
Deposits and placements with banks and other financial institutions	773	(329)	444
Total changes in interest income	20,384	(5,864)	14,520
Liabilities			
Customer deposits	9,024	(317)	8,707
Deposits and placements from banks and other financial institutions	7	134	141
Debt securities issued	701	4	705
Borrowings from central bank	(56)	2	(54)
Total changes in interest expense	9,676	(177)	9,499
Changes in net interest income	10,708	(5,687)	5,021

1 Represents the difference between the average balance for the period and the average balance for the previous period, multiplied by the average yield/cost for the period.

2 Represents the difference between the average yield/cost for the period and the average yield/cost for the previous period, multiplied by the average balance for the previous period.

3 Represents the difference between the interest income/expense for the period and the interest income/expense for the previous period.

Interest Income

During the reporting period, the Bank's interest income amounted to RMB235,447 million, representing an increase of RMB14,520 million, or 6.57% compared with the same period of the prior year, primarily due to the growth in the scale of interest-earning assets and the increased proportions of credit assets.

Interest Income from Loans to Customers

During the reporting period, the Bank supported the real economy by increasing credit allocation, realizing RMB153,499 million in interest income from loans to customers, representing an increase of RMB14,020 million, or 10.05% compared with the same period of the prior year.

Specifically, interest income from personal loans amounted to RMB101,785 million, representing an increase of RMB10,027 million, or 10.93% compared with the same period of the prior year. It was mainly because the Bank continued to advance all-round digital transformation, precisely matched with customers' financial needs and provided customers with better and more convenient financial services, achieving an increase in the average balance of personal loans such as micro loans and housing loans.

The Bank's interest income from corporate loans amounted to RMB47,060 million, representing an increase of RMB5,487 million, or 13.20% compared with the same period of the prior year, primarily because the Bank proactively supported national key areas, accelerated the construction of a new "1 plus N" operation and service system, and provided customers with diversified and professional loan financing services, which led to an increase in the average balance of corporate loans.

Analysis on Average Yield of Loans to Customers by Business Line

In millions of RMB, except for percentages

Item	For the six months ended June 30, 2022 Average balance	Interest income	Average yield (%)[1]	For the six months ended June 30, 2021 Average balance	Interest income	Average yield (%)[1]
Personal loans	3,846,269	101,785	5.34	3,417,168	91,758	5.41
Corporate loans	2,412,331	47,060	3.93	2,088,050	41,573	4.01
Discounted bills	455,425	4,654	2.06	454,378	6,148	2.73
Total loans to customers	6,714,025	153,499	4.61	5,959,596	139,479	4.72

1 On an annualized basis.

Analysis on Average Yield of Loans to Customers by Maturity Structure

In millions of RMB, except for percentages

Item	For the six months ended June 30, 2022 Average balance	Interest income	Average yield (%)[1]	For the six months ended June 30, 2021 Average balance	Interest income	Average yield (%)[1]
Short-term loans	2,504,406	54,489	4.39	2,223,382	49,804	4.52
Medium- and long-term loans	4,209,619	99,010	4.74	3,736,214	89,675	4.84
Total loans to customers	6,714,025	153,499	4.61	5,959,596	139,479	4.72

1 On an annualized basis.

Interest Income from Investments

During the reporting period, the Bank's interest income from investments amounted to RMB63,450 million, representing an increase of RMB107 million, or 0.17% compared with the same period of the prior year, primarily driven by the increase of average balance of financial investments such as local government bonds with less capital consumption and tax benefits.

Interest Income from Deposits with Central Bank

During the reporting period, the Bank's interest income from deposits with central bank amounted to RMB9,405 million, representing a decrease of RMB51 million, or 0.54% compared with the same period of the prior year, primarily due to the impact of cuts in the reserve requirement ratio by the central bank.

Interest Income from Deposits and Placements with Banks and Other Financial Institutions

During the reporting period, the Bank's interest income from deposits and placements with banks and other financial institutions amounted to RMB9,093 million, representing an increase of RMB444 million, or 5.13% compared with the same period of the prior year. It was primarily due to the increase in the average balance of time deposits with banks and other financial institutions.

Interest Expense

During the reporting period, the Bank's interest expense amounted to RMB98,330 million, representing an increase of RMB9,499 million, or 10.69% year on year, primarily due to the increased interest expense on customer deposits.

Interest Expense on Customer Deposits

During the reporting period, the Bank's interest expense on customer deposits amounted to RMB94,343 million, representing an increase of RMB8,707 million, or 10.17% year on year, primarily driven by the growth in the scale of deposits. Meanwhile, the Bank focused on controlling the cost of deposits and gradually optimized the structure thereof. The average cost of deposits decreased by 1 basis point year on year.

Analysis on Average Cost of Customer Deposits by Product Type

In millions of RMB, except for percentages

Item	For the six months ended June 30, 2022			For the six months ended June 30, 2021		
	Average balance	Interest Expense	Average cost (%)[1]	Average balance	Interest Expense	Average cost (%)[1]
Personal deposits						
Demand deposits	2,880,456	4,402	0.31	2,765,976	4,245	0.31
Time deposits	7,467,617	81,383	2.20	6,499,420	73,588	2.28
Subtotal	10,348,073	85,785	1.67	9,265,396	77,833	1.69
Corporate deposits						
Demand deposits	902,003	3,616	0.81	903,655	3,238	0.72
Time deposits	428,692	4,942	2.32	392,604	4,565	2.34
Subtotal	1,330,695	8,558	1.30	1,296,259	7,803	1.21
Total customer deposits	11,678,768	94,343	1.63	10,561,655	85,636	1.64

1 On an annualized basis.

Interest Expense on Deposits and Placements from Banks and Other Financial Institutions

During the reporting period, the Bank's interest expense on deposits and placements from banks and other financial institutions amounted to RMB2,124 million, representing an increase of RMB141 million, or 7.11% compared with the same period of the prior year, mainly due to the increase in the average balance of demand deposits from banks and other financial institutions, as well as changes in the structure of placements from banks and other financial institutions.

Interest Expense on Debt Securities Issued

During the reporting period, the Bank's interest expense on debt securities issued amounted to RMB1,701 million, representing an increase of RMB705 million, or 70.78% compared with the same period of the prior year, primarily due to the increase in the average balance driven by the issuance of tier 2 capital bonds.

Net Fee and Commission Income

During the reporting period, the net fee and commission income of the Bank amounted to RMB17,880 million, representing an increase of RMB6,451 million, or 56.44% compared with the same period of the prior year. In particular, fee and commission income amounted to RMB30,074 million, representing an increase of RMB6,039 million, or 25.13% compared with the same period of the prior year. Fee and commission expense amounted to RMB12,194 million, representing a decrease of RMB412 million, or 3.27% compared with the same period of the prior year.

Specifically, agency service business fee income amounted to RMB11,733 million, representing an increase of RMB1,879 million, or 19.07% compared with the same period of the prior year. It was mainly because the Bank accelerated the transformation and upgrading of the wealth management system, established a diversified wealth management product system and formulated differentiated service strategies to ensure that the value of customers' assets were preserved and gain appreciation, and the income from bancassurance and other businesses achieved rapid growth. Bank cards business fee income amounted to RMB5,973 million, representing an increase of RMB191 million compared with the same period of the prior year, mainly because the Bank continuously advanced the development of scenarios and the expansion of business districts for credit card business, constantly strengthened the innovation of credit card products, resulting in the steady growth of the number of credit cards in circulation and the consumption scale. Wealth management business fee income amounted to RMB5,416 million, representing an increase of RMB3,294 million compared with the same period of the prior year, primarily due to the increased scale of net-value products and the one-off factor for the transformation of net-value products. Investment banking fee income amounted to RMB1,172 million, representing an increase of RMB325 million or 38.37% compared with the same period of the prior year, mainly because the Bank actively expanded bond underwriting, syndicated loan, asset securitization, merger and acquisition (M&A) loans and other business, thus realizing rapid growth in investment banking income. Fee and commission expense amounted to RMB12,194 million, representing a decrease of RMB412 million, or 3.27% compared with the same period of the prior year, primarily due to a decrease in the commission expense paid to agency outlets.

Components of Net Fee and Commission Income

In millions of RMB, except for percentages

Item	For the six months ended June 30, 2022	For the six months ended June 30, 2021	Increase/ (decrease)	Change (%)
Agency service business	11,733	9,854	1,879	19.07
Bank cards business	5,973	5,782	191	3.30
Wealth management business	5,416	2,122	3,294	155.23
Settlement and clearing	4,687	4,620	67	1.45
Investment banking business	1,172	847	325	38.37
Custody business	593	515	78	15.15
Others	500	295	205	69.49
Fee and commission income	30,074	24,035	6,039	25.13
Less: Fee and commission expense	12,194	12,606	(412)	(3.27)
Net fee and commission income	17,880	11,429	6,451	56.44

Net Other Non-Interest Income

During the reporting period, the Bank's net other non-interest income amounted to RMB18,638 million, representing an increase of RMB4,385 million, or 30.77% compared with the same period of the prior year.

Net trading gains amounted to RMB2,188 million, representing an increase of RMB483 million, or 28.33% compared with the same period of the prior year, primarily driven by the Bank's active optimization of investment and the increase in the scale of interbank certificates of deposits with less capital consumption and tax benefits.

Net gains on investment securities amounted to RMB10,913 million, representing a decrease of RMB1,667 million, or 13.25% compared with the same period of the prior year. It was mainly because the gains from valuation of assets such as bonds and trust investment plans decreased under the impact of market fluctuations.

Net other operating gains amounted to RMB5,342 million, representing an increase of RMB5,328 million compared with the same period of the prior year, primarily due to the increase in exchange gains resulted from the appreciation of the U.S. dollar against the RMB.

Components of Net Other Non-Interest Income

In millions of RMB, except for percentages

Item	For the six months ended June 30, 2022	For the six months ended June 30, 2021	Increase/ (decrease)	Change (%)
Net trading gains	2,188	1,705	483	28.33
Net gains on investment securities	10,913	12,580	(1,667)	(13.25)
Net gains/(losses) on derecognition of financial assets measured at amortized cost	195	(46)	241	–
Net other operating gains	5,342	14	5,328	–
Total	18,638	14,253	4,385	30.77

Operating Expenses

During the reporting period, the Bank continued to highlight the concept of return on resources, and refined management of expenses and effectively supported business development. Operating expenses amounted to RMB93,834 million, representing an increase of RMB11,269 million, or 13.65% compared with the same period of the prior year.

In particular, deposit agency fee and others amounted to RMB49,667 million, representing an increase of RMB6,239 million, or 14.37% compared with the same period of the prior year, primarily due to the increase in the scale of personal deposits of agency outlets. Staff costs amounted to RMB27,123 million, representing an increase of RMB2,551 million, or 10.38% compared with the same period of the prior year. It was mainly because the Bank actively implemented the strategy of building a strong bank with talents, with steady growth in human resources investment. Depreciation and amortization stood at RMB4,987 million, representing an increase of RMB774 million, or 18.37% compared with the same period of the prior year, mainly due to the increase in depreciation of property and equipment. Other expenses stood at RMB10,661 million, representing an increase of RMB1,566 million, or 17.22% compared with the same period of the prior year, mainly because the Bank increased investment in information technology and business marketing expenses and others in order to improve core competitiveness.

Major Components of Operating Expenses

In millions of RMB, except for percentages

Item	For the six months ended June 30, 2022	For the six months ended June 30, 2021	Increase/ (decrease)	Change (%)
Deposit agency fee and others	49,667	43,428	6,239	14.37
Staff costs	27,123	24,572	2,551	10.38
Depreciation and amortization	4,987	4,213	774	18.37
Taxes and surcharges	1,396	1,257	139	11.06
Other expenses	10,661	9,095	1,566	17.22
Total operating expenses	93,834	82,565	11,269	13.65

Credit Impairment Losses

During the reporting period, the Bank's credit impairment losses amounted to RMB27,099 million, representing a decrease of RMB2,355 million, or 8.00% compared with the same period of the prior year, among which, the impairment losses on loans to customers amounted to RMB26,098 million, representing an increase of RMB10,212 million, or 64.28% compared with the same period of the prior year. It was mainly because the Bank acted proactively to respond to the changes in macroeconomic conditions and the impact of the pandemic and increased the allowance for loans to enhance its ability to mitigate risks in the future.

Income Tax Expenses

During the reporting period, the Bank's income tax expenses amounted to RMB5,523 million, representing an increase of RMB1,016 million, or 22.54% compared with the same period of the prior year, primarily due to the growth in profit before income tax.

Segment Information

Operating Income by Operating Segment

In millions of RMB, except for percentages

Item	For the six months ended June 30, 2022		For the six months ended June 30, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Personal banking	124,818	71.88	110,199	69.84
Corporate banking	26,563	15.30	25,959	16.45
Treasury business	22,028	12.69	21,428	13.58
Others	226	0.13	192	0.13
Total operating income	173,635	100.00	157,778	100.00

For further details of business scope of each segment, please refer to "Notes to the Condensed Consolidated Financial Statements – 40.1 Operating segment".

Operating Income by Geographical Segment

In millions of RMB, except for percentages

Item	For the six months ended June 30, 2022		For the six months ended June 30, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	11,430	6.58	14,337	9.09
Yangtze River Delta	26,603	15.32	23,477	14.88
Pearl River Delta	21,498	12.38	18,638	11.81
Bohai Rim	25,291	14.57	21,949	13.91
Central China	45,994	26.49	40,465	25.65
Western China	32,396	18.66	29,477	18.68
Northeastern China	10,423	6.00	9,435	5.98
Total operating income	173,635	100.00	157,778	100.00

For further details of business scope of each geographical segment, please refer to "Notes to the Condensed Consolidated Financial Statements – 40.2 Geographical segment".

Balance Sheet Analysis

Assets

As at the end of the reporting period, the Bank's total assets amounted to RMB13,426,421 million, representing an increase of RMB838,548 million, or 6.66% compared with the prior year-end, of which total loans to customers amounted to RMB6,991,064 million, representing an increase of RMB536,965 million, or 8.32% compared with the prior year-end; financial investments amounted to RMB4,556,578 million, representing an increase of RMB207,958 million, or 4.78% compared with the prior year-end; cash and deposits with central bank amounted to RMB1,229,495 million, representing an increase of RMB40,037 million, or 3.37% compared with the prior year-end. In terms of the structure, net loans to customers accounted for 50.33% of total assets, representing an increase of 0.78 percentage point compared with the prior year-end; financial investments accounted for 33.94% of total assets, representing a decrease of 0.61 percentage point compared with the prior year-end; cash and deposits with central bank accounted for 9.16% of total assets, representing a decrease of 0.29 percentage point compared with the prior year-end; the asset structure was further improved.

Key Items of Assets

In millions of RMB, except for percentages

	As at June 30, 2022		As at December 31, 2021	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Total loans to customers	6,991,064	–	6,454,099	–
Less: Allowance for impairment losses on loans[1]	233,770	–	216,900	–
Loans to customers, net	6,757,294	50.33	6,237,199	49.55
Financial investments	4,556,578	33.94	4,348,620	34.55
Cash and deposits with central bank	1,229,495	9.16	1,189,458	9.45
Deposits with banks and other financial institutions	158,554	1.18	90,782	0.72
Placements with banks and other financial institutions	261,175	1.95	280,093	2.23
Financial assets held under resale agreements	291,126	2.17	265,229	2.11
Other assets[2]	172,199	1.27	176,492	1.39
Total assets	13,426,421	100.00	12,587,873	100.00

1 Allowance for impairment losses on loans to customers measured at amortized cost.

2 Other assets consist primarily of property and equipment, deferred tax assets, right-of-use assets, amounts pending for settlement and clearing, other receivables and derivative financial assets, etc.

Loans to Customers

As at the end of the reporting period, the Bank's total loans to customers amounted to RMB6,991,064 million, representing an increase of RMB536,965 million, or 8.32% compared with the prior year-end.

Loans to Customers by Business Line

In millions of RMB, except for percentages

	As at June 30, 2022		As at December 31, 2021	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Personal loans	3,952,229	56.53	3,756,153	58.20
Corporate loans	2,518,981	36.03	2,253,936	34.92
Discounted bills	519,854	7.44	444,010	6.88
Total loans to customers	6,991,064	100.00	6,454,099	100.00

Loans to Customers by Maturity

In millions of RMB, except for percentages

Item	As at June 30, 2022		As at December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Short-term loans	2,660,092	38.05	2,375,999	36.81
Medium- and long-term loans	4,330,972	61.95	4,078,100	63.19
Total loans to customers	6,991,064	100.00	6,454,099	100.00

Loans to Customers by Geographical Region

In millions of RMB, except for percentages

Item	As at June 30, 2022		As at December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	349,828	5.00	342,903	5.31
Yangtze River Delta	1,400,928	20.04	1,305,967	20.23
Pearl River Delta	873,776	12.50	813,089	12.60
Bohai Rim	1,053,649	15.07	964,919	14.95
Central China	1,733,376	24.80	1,583,333	24.53
Western China	1,208,982	17.29	1,105,157	17.12
Northeastern China	370,525	5.30	338,731	5.26
Total loans to customers	6,991,064	100.00	6,454,099	100.00

Personal Loans

As at the end of the reporting period, the Bank's total personal loans amounted to RMB3,952,229 million, representing an increase of RMB196,076 million, or 5.22% compared with the prior year-end.

Personal consumer loans amounted to RMB2,699,175 million, representing an increase of RMB33,245 million, or 1.25% compared with the prior year-end. This was mainly because the Bank strictly implemented national guidelines and policies on housing loans and offered strong support to meet the needs of first-time home buyers and improvement needs; it also actively provided relief support to customer groups affected by the pandemic, and made every effort to provide financial services for residential mortgage loans, which led to the growth in the scale of residential mortgage loans.

Personal micro loans amounted to RMB1,078,499 million, representing an increase of RMB163,145 million, or 17.82% compared with the prior year-end, mainly because the Bank further implemented the task of facilitating the rural revitalization strategy with finance, actively promoted the digital transformation of Sannong finance, continued to develop rural credit system, increased financial support for micro and small groups such as self-employed individuals, micro and small enterprises, ordinary farmers, hence achieving rapid growth in micro loans.

Credit card overdrafts and others amounted to RMB174,555 million, representing a decrease of RMB314 million, or 0.18% compared with the prior year-end. This was mainly due to the impact of the domestic pandemic.

Personal Loans by Product Type

In millions of RMB, except for percentages

Item	As at June 30, 2022 Amount	As at June 30, 2022 Percentage (%)	As at December 31, 2021 Amount	As at December 31, 2021 Percentage (%)
Consumer loans	2,699,175	68.30	2,665,930	70.98
Residential mortgage loans	2,229,393	56.41	2,169,309	57.75
Other consumer loans	469,782	11.89	496,621	13.23
Personal micro loans	1,078,499	27.29	915,354	24.37
Credit card overdrafts and others	174,555	4.41	174,869	4.65
Total personal loans	3,952,229	100.00	3,756,153	100.00

Corporate Loans

As at the end of the reporting period, the Bank's corporate loans amounted to RMB2,518,981 million, representing an increase of RMB265,045 million, or 11.76% compared with the prior year-end. This was primarily because the Bank actively supported the development of regions of national strategic importance and the real economy, increased the supply of corporate loans to fields including infrastructure, green development, manufacturing, technological innovation, etc. In addition, it moved faster to build a new "1 plus N" operation and service system in order to improve the comprehensive service capabilities of corporate banking, therefore achieved rapid growth in the scale of corporate loans.

As at the end of the reporting period, the top five industries to which the Bank granted corporate loans were transportation, storage and postal services; manufacturing; financial services; production and supply of electricity, heating, gas and water; and real estate industry. The balance of loans extended to the top five industries in aggregate accounted for 72.14% of total corporate loans, representing a decrease of 0.57 percentage point compared with the prior year-end.

Corporate Loans by Industry

In millions of RMB, except for percentages

Item	As at June 30, 2022 Amount	As at June 30, 2022 Percentage (%)	As at December 31, 2021 Amount	As at December 31, 2021 Percentage (%)
Transportation, storage and postal services	755,276	29.98	706,262	31.33
Manufacturing	385,832	15.32	326,840	14.50
Financial services	252,203	10.01	237,739	10.55
Production and supply of electricity, heating, gas and water	246,186	9.77	229,209	10.17
Real estate	177,817	7.06	138,886	6.16
Wholesale and retail	162,285	6.44	129,855	5.76
Construction	151,746	6.02	119,839	5.32
Leasing and commercial services	134,747	5.35	135,092	5.99
Management of water conservancy, environmental and public facilities	116,370	4.62	110,607	4.91
Mining	69,936	2.78	60,798	2.70
Other industries[1]	66,583	2.65	58,809	2.61
Total corporate loans	2,518,981	100.00	2,253,936	100.00

1 Other industries consist of the agriculture, forestry, animal husbandry, fishery; information transmission, computer services and the software industry, etc.

Discounted Bills

As at the end of the reporting period, the Bank's discounted bills amounted to RMB519,854 million, representing an increase of RMB75,844 million, or 17.08% compared with the prior year-end, mainly because the Bank acted proactively to meet customers' funding needs and facilitated the development of the real economy.

Financial Investments

During the reporting period, the Bank adhered to the principle of following investment analysis, actively seized market opportunities, formulating business strategies scientifically, and dynamically optimized asset allocation. As at the end of the reporting period, the Bank's financial investments amounted to RMB4,556,578 million, representing an increase of RMB207,958 million, or 4.78% compared with the prior year end, primarily due to increased scale of assets with tax benefits and less capital consumption such as government bonds, securities investment funds, etc.

Investments by Product

In millions of RMB, except for percentages

Item	As at June 30, 2022		As at December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Debt securities	3,372,497	74.01	3,237,443	74.45
Interbank certificates of deposits	394,202	8.65	411,468	9.46
Asset management plans	119,063	2.61	80,017	1.84
Trust investment plans	192,575	4.23	204,783	4.71
Securities investment funds	453,026	9.94	390,373	8.98
Others	25,215	0.56	24,536	0.56
Total financial investments	4,556,578	100.00	4,348,620	100.00

Investment Structure by Type of Investment Instruments

In millions of RMB, except for percentages

Item	As at June 30, 2022		As at December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Debt instruments	4,543,446	99.71	4,334,932	99.69
Equity instruments	13,132	0.29	13,688	0.31
Total financial investments	4,556,578	100.00	4,348,620	100.00

In terms of measurement approach, as at the end of the reporting period, the Bank's financial assets measured at fair value through profit or loss amounted to RMB826,947 million, representing an increase of RMB76,350 million, or 10.17% compared with the prior year-end, mainly due to the increase in the scale of securities investment funds and asset management plans; financial assets measured at fair value through other comprehensive income amounted to RMB384,128 million, representing an increase of RMB66,108 million, or 20.79% compared with the prior year-end, primarily due to the increase in the scale of bonds issued by policy banks and local government bonds; and financial assets measured at amortized costs stood at RMB3,345,503 million, representing an increase of RMB65,500 million, or 2.00% compared with the prior year-end, mainly attributable to the increase in the scale of government bonds.

Financial Investments by Measurement Approach

In millions of RMB, except for percentages

Item	As at June 30, 2022		As at December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets measured at fair value through profit or loss	826,947	18.15	750,597	17.26
Financial assets measured at fair value through other comprehensive income	384,128	8.43	318,020	7.31
Financial assets measured at amortized cost	3,345,503	73.42	3,280,003	75.43
Total financial investments	4,556,578	100.00	4,348,620	100.00

Investments in Debt Securities

As at the end of the reporting period, the Bank's investments in debt securities amounted to RMB3,372,497 million, representing an increase of RMB135,054 million, or 4.17% compared with the prior year-end, mainly due to the optimized structure of the bond portfolio, and the increased investment in government bonds with less capital consumption and tax benefits.

Investments in Debt Securities by Issuing Institution

In millions of RMB, except for percentages

Item	As at June 30, 2022		As at December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	1,438,297	42.65	1,310,629	40.48
Bonds issued by financial institutions	1,738,528	51.55	1,750,392	54.07
Corporate bonds	195,672	5.80	176,422	5.45
Total investments in debt securities	3,372,497	100.00	3,237,443	100.00

Investments in Debt Securities by Remaining Maturity

In millions of RMB, except for percentages

Item	As at June 30, 2022		As at December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Overdue	33	0.00	27	0.00
Within 3 months	130,755	3.88	96,977	3.00
3-12 months	455,075	13.49	439,875	13.59
1-5 years	1,506,849	44.68	1,463,183	45.20
Over 5 years	1,279,785	37.95	1,237,381	38.21
Total investments in debt securities	3,372,497	100.00	3,237,443	100.00

Investments in Debt Securities by Currency

In millions of RMB, except for percentages

Item	As at June 30, 2022		As at December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
RMB	3,319,467	98.43	3,181,529	98.27
Foreign currencies	53,030	1.57	55,914	1.73
Total investments in debt securities	3,372,497	100.00	3,237,443	100.00

Financial Bonds

As at the end of the reporting period, the Bank held financial bonds worth of RMB1,738,528 million issued by financial institutions, of which, bonds issued by policy banks amounted to RMB1,579,188 million, accounting for 90.83% of the total.

Top Ten Financial Bonds in Terms of Par Value

In millions of RMB, except for percentages

Debt Securities	Par value	Annual interest rate (%)	Maturity date	Allowance for impairment losses[1]
2015 Policy Financial Bonds	74,290.20	3.71	2025/8/31	–
2015 Policy Financial Bonds	40,194.42	3.39	2035/9/28	–
2016 Policy Financial Bonds	33,420.00	3.05	2026/8/25	–
2017 Policy Financial Bonds	32,160.00	4.30	2024/8/21	–
2019 Policy Financial Bonds	31,980.00	3.28	2024/2/11	–
2022 Policy Financial Bonds	29,930.00	2.61	2027/1/27	–
2018 Policy Financial Bonds	28,940.00	4.99	2023/1/24	–
2015 Policy Financial Bonds	28,812.30	3.36	2030/9/28	–
2017 Policy Financial Bonds	28,280.00	4.04	2027/4/10	–
2013 Policy Financial Bonds	28,000.00	3.09	2028/6/2	–

1 Excludes allowance for impairment losses for the first stage set aside in accordance with the new financial instrument standards.

Liabilities

As at the end of the reporting period, the Bank's total liabilities amounted to RMB12,585,183 million, representing an increase of RMB792,859 million, or 6.72% compared with the prior year-end. Among that, customer deposits amounted to RMB12,122,517 million, representing an increase of RMB768,444 million, or 6.77% compared with the prior year-end; deposits and placements from banks and other financial institutions amounted to a total of RMB181,632 million, representing a decrease of RMB15,742 million, or 7.98% compared with the prior year-end; and financial assets sold under repurchase agreements amounted to RMB39,325 million, representing an increase of RMB4,682 million, or 13.51% compared with the prior year-end.

Key Items of Liabilities

In millions of RMB, except for percentages

Item	As at June 30, 2022		As at December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Customer deposits	12,122,517	96.32	11,354,073	96.28
Deposits from banks and other financial institutions	139,649	1.11	154,809	1.31
Placements from banks and other financial institutions	41,983	0.33	42,565	0.36
Financial assets sold under repurchase agreements	39,325	0.31	34,643	0.29
Debt securities issued	102,224	0.81	81,426	0.69
Borrowings from central bank	18,740	0.15	17,316	0.15
Other liabilities[1]	120,745	0.97	107,492	0.92
Total liabilities	12,585,183	100.00	11,792,324	100.00

1 Consist of dividend payable, provisions, derivative financial liabilities, employee benefits payable, lease liabilities, payable for agency services, income tax payable, deferred tax liabilities, etc.

Customer Deposits

As at the end of the reporting period, the Bank's total customer deposits amounted to RMB12,122,517 million, representing an increase of RMB768,444 million, or 6.77% compared with the prior year-end. The Bank's core liabilities grew steadily.

In particular, personal deposits amounted to RMB10,693,773 million, representing an increase of RMB648,138 million, or 6.45% compared with the prior year-end. It was mainly because the Bank continued to pursue the high-quality development of personal deposits, seized market opportunities to expand funding sources and vigorously developed value deposits, hence driving the rapid growth of deposits with maturities of one year or less. Corporate deposits amounted to RMB1,425,626 million, representing an increase of RMB120,190 million, or 9.21% compared with the prior year-end. It was mainly because the Bank strengthened the management of key projects of corporate deposits, continuously promoted the marketing and business development of institutional customers, and improved technology empowerment and scenario-based customer acquisition, hence the rapid growth in the scale of corporate deposits.

Customer Deposits by Product and Customer

In millions of RMB, except for percentages

Item	As at June 30, 2022		As at December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Personal deposits	10,693,773	88.21	10,045,635	88.47
Demand deposits	2,882,353	23.78	3,008,998	26.50
Time deposits	7,811,420	64.43	7,036,637	61.97
Corporate deposits	1,425,626	11.76	1,305,436	11.50
Demand deposits	961,592	7.93	898,371	7.91
Time deposits	464,034	3.83	407,065	3.59
Other deposits[1]	3,118	0.03	3,002	0.03
Total customer deposits	12,122,517	100.00	11,354,073	100.00

1 Other deposits consist of remittance payable, credit card deposits, outbound remittance, etc.

Customer Deposits by Geographical Region

In millions of RMB, except for percentages

Item	As at June 30, 2022 Amount	As at June 30, 2022 Percentage (%)	As at December 31, 2021 Amount	As at December 31, 2021 Percentage (%)
Head Office	2,429	0.02	2,597	0.02
Yangtze River Delta	1,826,121	15.06	1,742,301	15.35
Pearl River Delta	1,120,783	9.25	1,062,125	9.35
Bohai Rim	1,914,761	15.80	1,735,582	15.29
Central China	3,802,800	31.37	3,525,754	31.05
Western China	2,581,451	21.29	2,439,846	21.49
Northeastern China	874,172	7.21	845,868	7.45
Total customer deposits	12,122,517	100.00	11,354,073	100.00

Customer Deposits by Remaining Maturity

In millions of RMB, except for percentages

Item	As at June 30, 2022 Amount	As at June 30, 2022 Percentage (%)	As at December 31, 2021 Amount	As at December 31, 2021 Percentage (%)
Repayable on demand	3,909,154	32.25	3,967,774	34.95
Within 3 months	1,423,516	11.74	2,771,431	24.41
3-12 months	5,443,271	44.90	3,483,183	30.68
1-5 years	1,346,576	11.11	1,131,685	9.96
Over 5 years	–	–	–	–
Total customer deposits	12,122,517	100.00	11,354,073	100.00

Equity

As at the end of the reporting period, the Bank's total equity amounted to RMB841,238 million, representing an increase of RMB45,689 million, or 5.74% compared with the prior year-end, mainly due to the realization of RMB47,170 million in net profit for the first half of the year, the RMB29,564 million from distribution of dividends on ordinary shares, preference shares and perpetual bonds as well as net proceeds of RMB29,997 million raised by the issuance of perpetual bonds.

Composition of Equity

In millions of RMB, except for percentages

Item	As at June 30, 2022		As at December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Share capital	92,384	10.98	92,384	11.61
Other equity instruments – preference shares	47,869	5.69	47,869	6.02
Other equity instruments – perpetual bonds	139,983	16.64	109,986	13.83
Capital reserve	125,486	14.92	125,486	15.77
Other comprehensive income	9,654	1.15	12,054	1.52
Surplus reserve	50,105	5.96	50,105	6.30
General reserve	157,451	18.72	157,367	19.78
Retained earnings	216,792	25.76	198,840	24.99
Equity attributable to equity holders of the Bank	839,724	99.82	794,091	99.82
Non-controlling interests	1,514	0.18	1,458	0.18
Total equity	841,238	100.00	795,549	100.00

Off-Balance Sheet Items

The Bank’s off-balance sheet items primarily include derivative financial instruments, contingent liabilities and commitments.

Derivative financial instruments mainly include interest rate contracts, exchange rate contracts and others. For details of contractual/notional amount and fair value of derivative financial instruments, please refer to “Notes to the Condensed Consolidated Financial Statements – 15 Derivative financial assets and liabilities”.

Contingent liabilities and commitments mainly consist of lawsuits and claims, capital commitments, credit commitments, collateral and commitments on redemption of government bonds. For details of contingent liabilities and commitments, please refer to “Notes to the Condensed Consolidated Financial Statements – 38 Contingent liabilities and commitments”. Credit commitments consist of loan commitments, bank acceptances, guarantees and letters of guarantee, letters of credit, and unused credit card commitments.

Components of Credit Commitments

In millions of RMB, except for percentages

	As at June 30, 2022		As at December 31, 2021	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Loan commitments	124,699	18.61	152,623	24.18
Bank acceptances	66,513	9.92	36,158	5.73
Guarantees and letters of guarantee	48,091	7.18	42,859	6.79
Letters of credit	51,265	7.65	32,209	5.10
Unused credit card commitments	379,630	56.64	367,441	58.20
Total credit commitments	670,198	100.00	631,290	100.00

Analysis of Cash Flow Statement

During the reporting period, net cash inflow from operating activities of the Bank was RMB146,914 million, a year-on-year decrease of RMB21,163 million, mainly due to the increase in cash paid for loans to customers and deposits with banks during the period compared to the same period last year, and the decrease in cash received from financial assets sold under repurchase agreements as compared to the same period last year.

During the reporting period, net cash outflow from investing activities of the Bank amounted to RMB157,257 million, representing a year-on-year increase of RMB81,914 million, primarily due to the increase in cash paid for investments in debt securities compared to the same period of the prior year.

During the reporting period, net cash inflow from financing activities of the Bank amounted to RMB42,954 million, representing a year-on-year decrease of RMB9,492 million, primarily due to the increase in cash paid during the period for the redemption of previously issued tier 2 capital bonds as compared to the same period last year.

Other Financial Information

Explanation of Changes in Accounting Policies

There were no significant changes in accounting policies of the Bank during the reporting period.

Explanation of Differences in Financial Statements Prepared Under Domestic and International Accounting Standards

There was no difference between the net profit and the equity in the condensed consolidated financial statements prepared by the Bank under PRC GAAP and the corresponding statements prepared by the Bank under IFRSs.

Information on Debt Securities

During the reporting period, the Bank did not issue any corporate bonds, enterprise bonds or debt financing instruments of non-financial enterprises that need to be disclosed in accordance with the Standards Concerning the Contents and Formats of Information Disclosure by Companies Publicly Offering Securities No. 3 – Contents and Formats of Interim Reports (Revision 2021) and the Management Measures for the Information Disclosure of Corporate Credit Bonds.

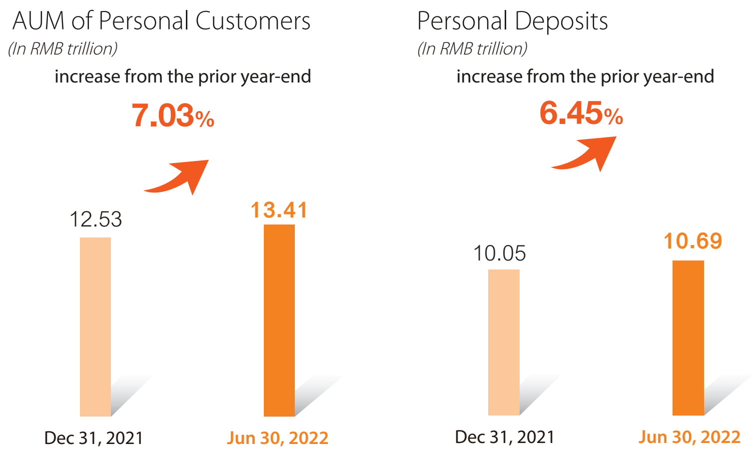
Business Overview

Capability Building

Retail Banking Business

The Bank served more than **640 million** personal customers, including more than **4 million** affluent customers. It had more than **RMB13.4 trillion** AUM of personal customers, an increase of nearly **RMB900 billion** compared with the prior year-end.

Income from personal banking business grew by **13.27%** year on year, accounting for **71.88%** of operating income, up **2.04 percentage points** year on year.



The Bank implemented the strategy of "building a first-tier large retail bank", focused on "creating value for customers", and continuously strengthened internal momentum for business development. It made long-term planning for carrying out the new development concept, sped up the transformation and development, delivered China's economic development benefits to more customers, and improved both customer value and the Bank's operating results. During the reporting period, the income from personal banking business rose by 13.27% year on year, and accounted for 71.88% of the operating income, up 2.04 percentage points year on year. Personal deposits stood at RMB10,693,773 million, representing an increase of RMB648,138 million over the prior year-end. Personal loans amounted to RMB3,952,229 million, an increase of RMB196,076 million over the prior year-end. The Bank served 644 million personal customers, including 46,248.0 thousand VIP customers and 4,060.2 thousand affluent customers, with more than RMB13.41 trillion in assets under management (AUM) of personal customers, a rise of RMB881,224 million over the prior year-end.

[1] Our customer segmentation is primarily based on each customer's personal financial assets and loan balances with us (collectively as consolidated assets). We usually classify customers with consolidated assets of RMB100,000 or more as our VIP customers and customers with consolidated assets of RMB500,000 or more as our affluent customers.

The Bank continuously strengthened its ability to provide professional services for its customers. It provided services based on customer grouping and segmentation, selected products with outstanding performance across the market, and met customers' all-round and lifecycle asset allocation needs with professional capabilities. It worked to ensure smooth channels for customers to obtain financing, improved active credit extension capacities, promoted credit card product innovation, and enhanced the lifecycle management of customers. It built a financial ecosystem closer to customers, strengthened scenario development and business district expansion, enhanced customers' online service experience, developed offline outlets into a platform of creating value for customers, and endeavored to become a bank in the neighborhood and at hand.

The Bank worked to develop its capability of driving development through technology. It optimized the customer relationship management system (CRM platform) and wealth management system to provide more targeted services for customers. It upgraded the service functions of the mobile banking, optimized the self-service asset allocation experience, and achieved wider customer coverage. It reshaped the functions of the performance system, unleashed the employees' potential in operation, and achieved more precise management. It improved the quality and efficiency of intensive and digital operation, streamlined the credit approval process, enhanced the capability for risk control, and achieved higher operational efficiency. It innovated digital operation models, realized full coverage with "online platform + offline business district + remote services", and achieved better customer experience.

Retail Banking

The Bank constantly expanded the boundaries of customer services. Centering on the transformation of customer service models and by applying financial technology, it enriched the multi-dimensional portraits of customers, worked to understand customers and their needs from multiple aspects, and made efforts to provide targeted, professional, convenient and integrated financial services for a wider range of customers.

Personal Deposit Business

The Bank persistently pursued the high-quality development of personal deposit business. Leveraging the development opportunities brought by the peak season of the Spring Festival, it continued to provide targeted services for the customers with deposits approaching maturity, offered differentiated follow-up plans, intensified collaboration, and expanded the sources of personal demand deposits. Taking the opportunities brought by summer grain purchase, it reinforced its deposit advantages at counties through measures such as precision marketing, frequent visits, category-based policies, etc. It vigorously promoted payroll agency business, developed a "payroll plan" service scheme, deepened the collaborated marketing between public and private sectors and improved the ability to serve payroll customers. As at the end of the reporting period, personal deposits amounted to RMB10,693,773 million, representing an increase of RMB648,138 million over the prior year-end.

Debit Card Business

The Bank continuously innovated debit card products and promoted the refined management of customer base. For young customers, it launched the "I am not a fat tiger" IP co-branded debit card and the "To the best of you" theme debit card with customized card design. It officially launched a veterans preferential treatment card for military customers and the "U+ card" for new urban residents, which provides favorable postage, fee reduction and exemption for the card holders by integrating resources of China Post Group. It kept upgrading service of key cards such as the "shining card" and Meituan co-branded card, launched benefit campaigns related to streaming platforms, music, food, etc., selected online payment scenarios convenient for the public, carried out the "Happy Weekend" theme marketing activities, and increased the scale and activity of debit card transactions. During the reporting period, the spending via debit cards posted RMB3.96 trillion.

Promotional poster and sample of "I am not a fat tiger" IP co-branded debit card

Scan the QR code to watch the "colorful life" video by PSBC

Personal Settlement Business

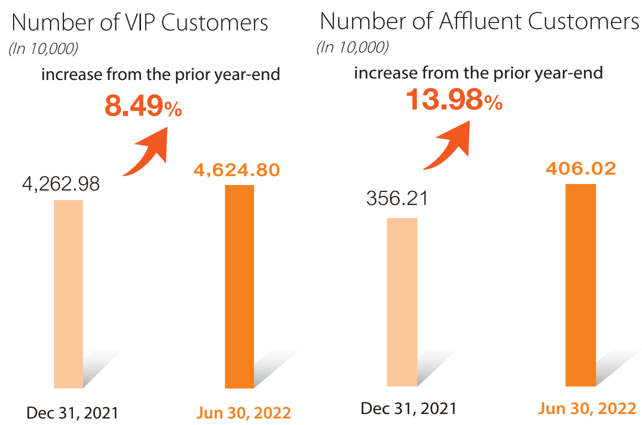
The Bank provides agency collection and payment services and various settlement services to customers. The agency collection and payment services primarily include payment of salary, benefits and allowances, collection of utility fees, and collection and payment of fiscal funds, social security pension, etc. During the reporting period, the Bank's agency collection and payment business developed steadily, with the agency collection and payment amounting to RMB308,740 million and RMB796,618 million, respectively. Specifically, social security pension collected on an agency basis amounted to RMB31,914 million, and pension payment on an agency basis amounted to RMB440,349 million.

The Bank provided individual customers with various international settlement services such as cross-border telegraphic transfer (T/T) and Western Union money transfer as well as domestic foreign currency settlement services. During the reporting period, the number of transactions for personal foreign currency settlement was around 236.2 thousand, with a transaction volume of USD352 million.

Wealth Management

Wealth Management System

With the core philosophy of "creating value for customers", the Bank consistently improved the comprehensive competitiveness in wealth management. It developed a differentiated service system based on grouping and segmentation, conducted diverse marketing activities such as asset increase, outstanding referrals, etc., and facilitated the upgrading of customer assets. It launched the live streaming activities with the theme of "24 Solar Terms • Wealth" for medium and high-end customers, and carried out omni-channel investor education activities such as "Weekly Wealth Lecture" and "Investment Knowledge". It proactively introduced best performing products, continuously expanded the exclusive product line for affluent customers, and provided customers with diverse tools for asset allocation. It built a "specialized, professional and dedicated" wealth management team, introduced a differentiation-based training system, implemented the scheme of "strengthening the middle office for improving the productivity", and maximized the frontline professional competency and production capacity. The Bank increased IT investment, constantly pressed ahead with online customer wealth checkup and iteration and optimization of asset allocation process, and empowered the frontline employees to provide asset allocation services in an all-round and full-process manner. As at the end of the reporting period, the Bank had 46,248.0 thousand VIP customers, an increase of 8.49% over the prior year-end; the number of affluent customers reached 4,060.2 thousand, an increase of 13.98% over the prior year-end.



Wealth Management Product Line

For the purpose of providing customers with satisfactory asset allocation services, the Bank put customer interests first and established a diversified wealth management product system to help customers maintain and increase the value of their assets. During the reporting period, in terms of bancassurance, the Bank carried out structural transformation, returned to the original purposes of protection, and provided lifecycle insurance protection services for customers. The new regular premiums amounted to RMB51,509 million, and the premiums of new policies for protection-oriented products amounted to RMB67,339 million. As for personal wealth management, the Bank selected outstanding products, launched exclusive wealth management products for customer groups such as payroll customers and affluent customers, and introduced products from wealth management companies of partner banks. The balance of personal wealth management stood at RMB870,417 million. The Bank took proactive steps regarding equity funds, and built the brands of "Enjoy Fixed Income+" and "Privilege Equity", and provided superior after-sales supporting services to effectively improve the profitability experience of customers. Its agency sales of funds amounted to RMB69,632 million, among which non-monetary funds stood at RMB61,978 million. Regarding asset management products, the Bank mainly focused on absolute return strategies such as fixed income, fixed income+ and private placement FOF, and enriched high-quality private placement products for mid and high-end customers. The assets under the existing asset management plans (including trust plans) amounted to RMB58,548 million, a rise of 41.53% over the prior year-end. Moreover, the Bank optimized the functions of savings bond transactions via mobile banking, and constantly promoted the campaigns of "Making Government Bonds Available in the Countryside". The agency sales of savings bonds amounted to RMB11,553 million. It improved the physical precious metal product system, carried out offline tours and online rewarding activities, and provided customers with more investment options. Precious metal transactions amounted to RMB4,466 million.

Column

Accelerating the Transformation and Upgrading of Wealth Management Business

Adhering to the concept of "creating value for customers", the Bank focused on the need of customers for comprehensive wealth management and constantly pushed ahead with the implementation of wealth management strategy. The Bank grounded its efforts in customer operation based on segmentation, improved asset allocation capabilities, created a better future through technological innovation and extensive investor education, and won customers through professional services.

Making Progress in the Management of Affluent Customers

The Bank continued to deepen the differentiated management of customers, and launched a close service model of wealth managers for affluent customers, so as to encourage wealth managers to diligently perform their responsibilities and focus on providing services for customers. For special customers such as enterprise owners and high-end credit card holders, it developed differentiated service strategies and service package to further upgrade customer assets. During the reporting period, more than 40% of the Bank's increased assets of individual customers comes from affluent customers, who are now a strong engine for the growth of the Bank's AUM.

Rapidly Improving the Professional Competency of Teams

The Bank highlighted the leading role of investment and research, established an investment and research system for allocation of major categories of assets, and developed Bank-wide unified market concepts and allocation strategies. It put in place a PASS (Product-Analysis-Service-Sales) position-based tiered training system, rolled out more than 100 excellent courses and improved the ability of teams to sell complex products in a systematic way. As at the end of the reporting period, the proportion of long-term regular premiums of insurance products increased by 7.16 percentage points over the prior year-end, the scale of equity-centric hybrid funds increased by 4.64% over the prior-end, and the scale of net-value wealth management products purchased by individual customers increased by 12.52% over the prior-end. The assets under the existing asset management plans (including trust plans) went up by 41.53% over the prior year-end.

PASS Training System

- Professional KYC (Know Your Customer) and marketing skills
- Standard service process and service etiquette

- Analysis framework and discrimination thinking of complex financial products
- Learning and application of economic and financial knowledge

	P (Product)	A (Analysis)	S (Service)	S (Sales)
Main knowledge categories	Fund, insurance, RMB wealth management, asset management plan, trust plan	Macro economy and finance, stocks, bonds,etc., assets allocation and product portfolio	Customer relationship management capability Presentation and communication skills Teamwork capability Organizational and communication skills	Demand identification capability Product marketing capability Dispute-handling capability Information gathering capability

Enriching the Wealth Management Product System

The Bank redoubled efforts in product innovation, and formed an exclusive, multi-dimensional and full-coverage product line covering customer base, strategy, etc. for affluent customers. It strengthened risk management, and implemented full-process risk monitoring on products. It upgraded tailored services for individual customers, family trust and other services and improved the ability to serve high-net-worth individuals. During the reporting period, non-savings assets accounted for nearly 40% of new AUM of affluent customers.

Accelerating the Development of Digital Service Capability

The Bank vigorously expanded the asset allocation scenarios for customers, launched four scenarios of elderly care, children's education, house purchase and car purchase as well as whole-life and multi-objective wealth management planning. It expanded the coverage of online services, launched the mobile version of wealth analysis service 2.0, upgraded functions such as account analysis and optimization, personalized recommendation, etc., to provide asset allocation services to a wider range of customers. During the reporting period, the Bank promoted digital application and provided wealth analysis for 637.4 thousand customers, formulated asset allocation plans for 114.8 thousand customers, up nearly 60% year on year.

PSBC Wealth • Wealth Management Center

PSBC Wealth • Pension Plan, Children's Education Plan and Whole Life Wealth Planning Proposal

Retail Credit

The personal consumer loans amounted to **RMB2.70 trillion**.

The retail credit factory model covered **36 branches** across the country.

The personal micro loans surpassed **RMB1 trillion**, an increase of over **RMB160 billion** compared with the prior year-end.

Consumer Credit Business

The Bank thoroughly implemented the national requirement on quality and efficiency of the real economy development by credit services and increased the support of consumer credit to boost the real economy. As at the end of the reporting period, personal consumer loans stood at RMB2.70 trillion.

The Bank strictly implemented the government's guiding policies for housing credit, and upheld the principle of "different policies for different cities" to meet the needs of first-time home buyers and improvement needs. Meanwhile, it fulfilled responsibilities as a major bank, and provided policy support to housing loan customers in areas heavily hit by the pandemic to alleviate their difficulties. It leveraged its network advantages and provided home loan services to county-level residents in urban and rural areas. It improved the online service capability, created a convenient and efficient service experience and provided customers with home loan services with a human touch. As at the end of the reporting period, the residential mortgage loans amounted to RMB2.23 trillion.

The Bank took an all-round digital transformation path for the consumer credit business, pushed ahead with the all-round transformation and development of digital services, digital marketing, digital operation and digital risk control, and provided consumers with higher-quality, more convenient financial services. Focusing on developing the acceptance system and mobile terminals and leveraging its extensive outlet channel resources, it provided customers with an accessible digital service experience with online-offline integration. Through the "two-wheel drive" of reinforcing external scenario development and further tapping internal potentials, the Bank made intelligent tailor-made recommendation of consumer credit for different customers, precisely met consumers' finance needs, provided them with various multi-scenario services, and carried out digital precision marketing. It kept optimizing the centralized operation model of retail credit factory, further standardized operations, constantly enhanced intensive operation, and provided customers with high-quality and efficient service response, with the retail credit factory model covering 36 branches across the country. In addition, it made unremitting efforts to optimize the digital risk control system, promoted the application of automatic pre-lending approval and decision-making through internal and external data integration and new fintech, implemented refined management of post-lending early warning, and continuously strengthened the whole-process digital risk control system featuring "big data + scorecard + new technology".

Micro Loan Business

The Bank sped up technological empowerment, promoted the integration of traditional service models and emerging technologies, constantly reinforced the core competitiveness of online and offline integration and further boosted the high-speed and high-quality development of micro loan business. It consistently developed the rural credit system, explored innovative online loan products for creditworthy households, actively conducted external data cooperation with governments and other third parties, and established a more efficient and targeted active credit extension mechanism characterized by "small amount, wide coverage". It continuously optimized the functions of online products such as Speedy Loan, and basically realized the whole-process digital operation of micro loans based on mobile business terminals. Relying on the express lending platform called PSBC E Chain, the Bank integrated financial services into all kinds of scenarios such as agricultural industry chains and agro-related business communities. It strengthened cooperation with governments, associations and guarantee companies, and proactively provided comprehensive financial services for individually-owned businesses, micro and small enterprise owners, ordinary farmers and other micro and small groups. It increased financial services for new urban residents, introduced exclusive micro loan products for them, provided preferential interest rates, convenient fast tracks and other supporting policies, and offered them with higher-quality, more convenient financial services. As at the end of the reporting period, the personal micro loans amounted to RMB1,078,499 million, an increase of RMB163,145 million over the prior year-end.

Credit Card Business

21.02% year-on-year increase in credit card income

42.59 million credit cards in circulation

Consumption of **RMB568.3 billion** via credit cards

During the reporting period, the Bank was committed to increasing the active customers of credit card business, focused on scenario development, spared no effort to improve comprehensive marketing and refined management capabilities, accelerated process optimization and digital empowerment, and maintained reasonable business expansion and steady increase in operating results. During the reporting period, the number of newly issued credit cards was 3,308.1 thousand, and the number of credit cards in circulation was 42,589.3 thousand, an increase of 2.48% over the prior year-end. Consumption via credit cards amounted to RMB568,261 million, a year-on-year increase of 5.43%. The income from credit card business recorded a year-on-year increase of 21.02%. The NPL ratio of credit cards was 1.82%, an increase of 0.16 percentage point over the prior year-end.

Advancing Product Innovation and Improvement of Comprehensive Marketing Capability

During the reporting period, with cross-selling among existing customers as the focus, the Bank gathered pace in product innovation for key customers, stepped up the integration of marketing channel resources and improved quality of customer expansion. It continuously improved the comprehensive marketing capability of outlets, strengthened outlet management, promoted the standard process for credit card marketing, deepened collaboration with agencies in card issuance and boosted the steady growth of customer scale. It intensified efforts in model innovation and optimization, and promoted the one-stop marketing of "real-time card issuance + real-time activation + real-time first swipe" to better meet customers' consumption needs in different scenarios. It intensified product innovation, successively rolled out Renyin Tiger Year zodiac card and serviceman-theme boundless card, upgraded the card with the rural revitalization theme, and adopted the model of virtual card conversion into physical card to support scenario-based marketing. It issued the Rolife Nanci theme card to further enrich the credit card products with youth IPs. It launched the first customized product of "My Card", offered the service of self-selecting the card design and card number and constantly enriched customer benefits.

Improving the Capabilities for Customer Engagement and Refined Management

During the reporting period, the Bank actively responded to changes in the pandemic and the trend of consumption recovery and development, continuously strengthened the expansion of scenarios and business districts, increased support for consumption recovery and the real economy to promote the steady growth of consumption. It increased business district and scenario cooperation, and conducted online cooperation with well-known internet platforms to carry out scenario marketing activities to support consumer demand during the pandemic. Offline, it cooperated with catering brands such as coffee, milk tea, hot pot to carry out marketing activities such as hot pot festival, dessert and milk tea festival, etc., and created the brand of "Joyous Family Day" through the credit card APP. It strengthened the ongoing management of customers, deepened the building of a lifecycle management system for customers, steadily promoted the innovation of instalment business, and bolstered the continuous optimization of instalment structure. It comprehensively strengthened the basic capacity building of credit card business, accelerated the building of the new generation core system projects of credit card, and enhanced refined management and service capabilities.

Rolife Nanci Theme Card

Scan the QR code to apply for a PSBC credit card

Column

Credit Card Business Supporting the Pandemic Containment and Boosting Rural Revitalization

In recent years, the Bank made proactive efforts to promote the high-quality development of credit card business, took the initiative in the aspects of serving the pandemic prevention and control, consumption recovery and implementation of the rural revitalization strategy, innovated products and marketing models, and provided customers with financial services with a human touch.

Enriching Consumption Scenarios to Cater to Needs During the Pandemic

Since the outbreak of the pandemic, some consumption scenarios have been severely impacted, and the Bank has been committed to providing "offline plus online" integrated credit card services. For the pandemic-stricken regions, it focused on setting up online scenarios, and cooperated with online merchants to roll out special offer activities with the theme of "Offers for Life at Home" based on the rigid needs of customers. For regions without Covid-19 cases, it conducted offline merchant campaigns, launched the special offer activity of "50% Discount on Saturday of Joyous Family Day" together with nationwide catering and retail chain merchants, providing card holders with diversified financial services. Those activities have attracted more than one million participants, which played an important role in continuously boosting social consumption vitality and building the brand of PSBC credit card.

Meanwhile, the Bank effectively performed the responsibilities of care for card holders affected by the pandemic. For the customers who participated in the pandemic prevention or those who lost and losing income due to the pandemic, it provided the deferred payment application service, and promptly applied interest expense reduction/exemption and credit repair for qualified customers. It strengthened online service guidance, provided customers with services with a human touch, which reflected that the Bank fulfilled its social responsibility as a large retail commercial bank in the targeted alleviation of difficulties.

Innovating Products and Risk Control Models to Boost Rural Revitalization

The Bank actively implemented the rural revitalization strategy, explored the rural consumer finance market based on the consumption upgrading needs of rural residents in the counties and the advantages of large-scale and widely distributed retail customers, accelerated product research and development and risk control model innovation, and launched the "Rural Revitalization Theme Credit Card". Through in-depth research of the rural market, it created accurate portraits of customers, and gradually broadened the scope of rural credit card customers on the basis of controllable risks. It deepened the cross-marketing among its existing customers, selected the customers with controllable risks and tendency to apply for cards to form a white list for marketing purposes, formulated special approval and credit policies, and continued to provide high-quality credit card financial services for rural areas in county region.

In the first half of 2022, the Bank completed the upgrading of the rural revitalization theme credit card, added the virtual card issuance model, and supported one-stop marketing in offline scenarios. It added card use protection benefits, and provided a certain amount of compensation for the loss arising from unauthorized use of the card. As at the end of the reporting period, the number of the rural revitalization theme credit cards in circulation exceeded 150,000, providing an important support for practicing PSBC's mission of "delivering accessible financial services in both urban and rural areas" and serving the national strategy.

Upgrading of Rural Revitalization Theme Credit Card

Corporate Banking Business

The number of corporate customers maintained rapid growth, with a net increase of **158.3 thousand**, and the aggregate number increased by **10.22%** over the prior year-end.

Corporate loans increased by **11.76%** over the prior year-end.

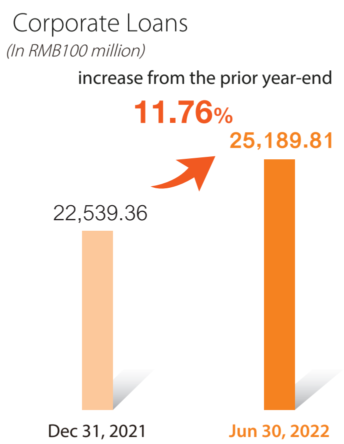
Corporate deposits increased by **9.21%** over the prior year-end.

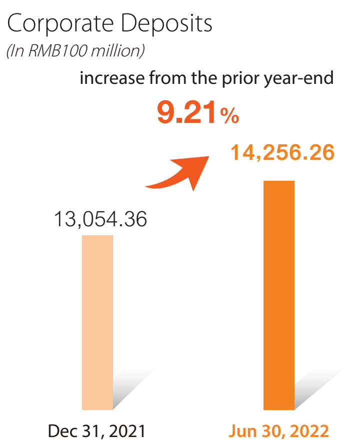
The intermediary business income of corporate banking increased by **30.23%** year on year.

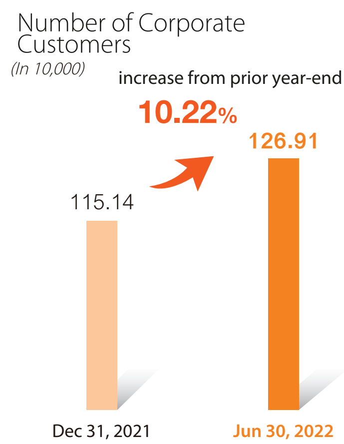
The Bank's corporate banking segment proactively served national strategies and supported the development of the real economy. Adhering to its strategic positioning, the Bank established a new "1 plus N" operation and service system, with the quality and efficiency of financial service provision stepping up to a new level. As at the end of the reporting period, the aggregate number of corporate customers was 1,269.1 thousand, representing an increase of 10.22%, which included 158.3 thousand newly acquired clients. Corporate loans amounted to RMB2,518,981 million, an increase of RMB265,045 million or 11.76% over the prior year-end. Corporate deposits amounted to RMB1,425,626 million, an increase of RMB120,190 million or 9.21% over the prior year-end, of which 67.45% were demand deposits. The income from corporate banking business reached RMB26,563 million, outperforming the same period of last year.

The Bank improved the multi-dimensional stratification system of corporate customers, implemented category-based policies and provided specialized services. It provided in-depth and quality service for strategic customers, key customers and institutional customers, expanded core customer groups and provided them with specialized services, targeted at acquiring specialized and sophisticated enterprises that produce new and unique products as well as sci-tech enterprises, provided practical and meticulous services to long-tail micro and small enterprises, and made a breakthrough in marketing services for key customer groups.

It strengthened the integration of business and technology, and promoted the application of technological innovation, in a bid to advance business development. First, the Bank focused on cultivating customer group-based industry scenarios involving public life, government institutions, public resources, education and healthcare, as well as consumption related to people's livelihood. It relied on technology output to provide comprehensive solutions, and created paradigms serving smart government affairs, smart campus, smart healthcare, smart court, smart travel and other services. Second, the Bank strengthened the empowerment by the management system. Multi-dimensional functions were newly applied on the customer relation management platform, so as to unlock the value of data and enable refined online management. The integrated marketing performance management system realized multidimensional statistics and special calculating functions, which helped to improve quality and efficiency for comprehensive marketing.







Corporate Loans

The Bank proactively implemented the government requirement that on "the epidemic must be contained, the economy be stabilized, and the development be safe", continuously stepped up credit support to corporate customers, and effectively improved the quality and efficiency of services provided to the real economy. As at the end of the reporting period, corporate loans amounted to RMB2,518,981 million, an increase of RMB265,045 million or 11.76% over the prior year-end, with the market share on a continued increase. The asset quality remained stable, and the NPL ratio was 0.56%, a decline of 0.22 percentage point compared with the prior year-end.

First, the Bank implemented the country's regional development strategies by providing more credit resources to the Beijing-Tianjin-Hebei region, Xiongan New Area, Yangtze River Delta, Yangtze Economic Belt, Guangdong-Hong Kong-Macao Greater Bay Area, Chengdu-Chongqing economic circle and other strategic regions. The proportion of corporate credits granted to key areas in total corporate credits reached 73.30%. Second, the Bank embraced the development philosophy of serving the real economy with financial services, and provided more support to key projects such as transportation, energy, and water conservancy as well as manufacturing industry, green credit, rural revitalization, private enterprises and other sectors. In terms of the manufacturing industry, while tapping into traditional manufacturing industries, the Bank explored advanced manufacturing enterprises with strong innovation and growth potential. The medium and long-term loans to the manufacturing industry increased by 19.23% over the prior year-end. In terms of green credit, the Bank supported achieving the national carbon peaking and carbon neutrality goals by granting more green credits to clean energy, emission reduction and other key areas. The balance of wholesale green loans reached RMB380,628 million, representing an increase of 14.95% over the prior year-end. In terms of rural revitalization, the Bank supported the leading agricultural industrialization enterprises and the rural infrastructure construction. The balance of agro-related corporate loans reached RMB235,574 million, representing an increase of RMB27,820 million over the prior year-end. In addition, more financial services were provided to private enterprises. During the reporting period, the number of private enterprise customers for loan service increased by 12.92%, and the proportion of loans newly granted to private enterprises increased by 1.07 percentage points over the same period of the previous year. Third, the Bank focused on key customer groups and strengthened cooperation with them relying on the "1 plus N" comprehensive service teams. As at the end of the reporting period, the balance of loans to strategic customers at the Head Office level reached RMB681,539 million, representing an increase of RMB52,305 million or 8.31% over the prior year-end, with no non-performing loans. The coverage of credit to core target customers reached 58.21%, with a loan balance of RMB108,051 million. For specialized and sophisticated enterprises that produce new and unique products, the Bank formulated work plans and developed a special survey report and review analysis model. The balance of wholesale loans to specialized and sophisticated enterprises that produce new and unique products rose by 24.41% over the prior year end.

Corporate Deposits

The Bank provides safe, efficient, convenient and flexible fund management services to corporate customers, including time and demand deposit services in Renminbi and foreign currencies. The Bank adhered to the value-oriented concept, strengthened customer group management, and promoted the high-quality growth of corporate deposits. It pushed forward the fund supervision in depth, realized forward-looking & precise marketing and fund penetration management. It strengthened marketing efforts to acquire institutional customers, reinforced the technology empowerment and scenario-based customer acquisition, and proactively expanded customer groups in medical treatment, medical insurance and pharmaceutical industry, civil affairs, education, military and police forces. It made breakthroughs in key qualifications, optimized the structure of institutional deposits and achieved a steady growth in deposit size. As at the end of the reporting period, corporate deposits reached RMB1,425,626 million, representing an increase of RMB120,190 million or 9.21% over the prior year-end. The Bank maintained structural advantages, and the corporate demand deposits accounted for 67.45% of total corporate deposits.

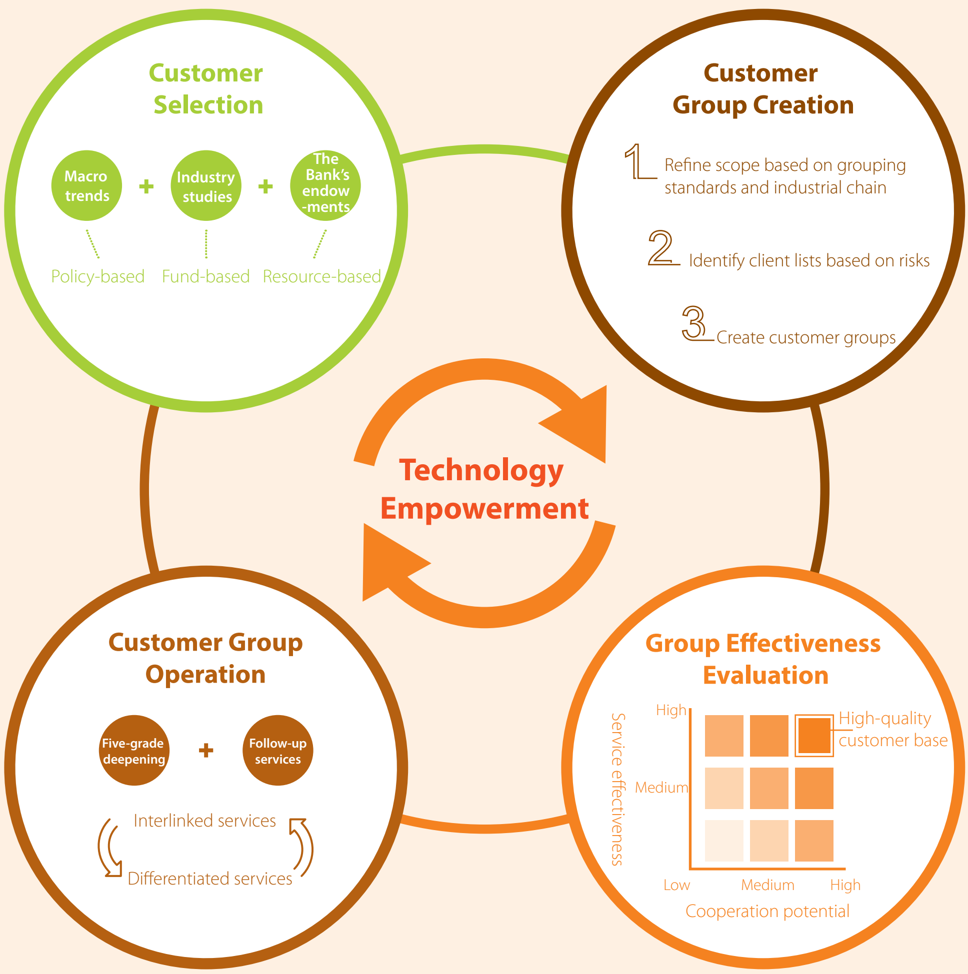
Corporate Wealth Management

The Bank built a specialized and comprehensive corporate wealth management system based on customer needs, focused on agency business and agency sales, financing and financing trust, and account settlement, so as to enhance the customer management capabilities and comprehensive customer service experience. The Bank enriched its product system, tapped into the potential needs of customers, and provided a diversified portfolio of agency business and agency sales products. It promoted the exclusive customization of corporate wealth management products and scenario-based marketing of corporate insurance products to improve customer service capability. It expanded financing channels, ensured the smooth matching between funds and assets, promoted the innovation of non-credit assets collaborative businesses, and formed a closed-loop chain of assets and funds. It created a stronger foundation for settlement services, built a smart settlement service system, strengthened refined management, and enhanced the differentiated management of accounts and customers. During the reporting period, the intermediary business income of corporate banking achieved a year-on-year growth of 30.23%, and its proportion in operating income from corporate banking kept increasing.

Column

Developing Key Customer Groups by Technology Empowerment

The Bank built a standardized corporate banking customer management system, implemented the strategies to better serve key customer groups with technology, and improved the quality and efficiency of professional services. First, the Bank formulated scientific grouping standards. Based on the three key factors of policies, funds and resources, the Bank classified corporate customer groups according to their characteristics, and comprehensively optimized the layered and classified corporate customer management and service system by adopting the "standard four-step method", which is study and selection of customer groups, group creation, management and evaluation. Second, the Bank implemented customer group tracking service. The Bank created operation and management tasks through the information systems, improved the quality and efficiency of value data conversion, deepened customer group management at levels of the Head Office, branches and sub-branches, and facilitated precise services, refined management and circular interaction of customer groups. Third, the Bank adhered to the high-quality development orientation. It assessed the quality of customer group management from two dimensions, i.e. service effectiveness and cooperation potential, adjusted and improved the differentiated service plans, developed typical cases in providing comprehensive service for key customers under the guidance of the Head Office, and thus improved the overall service experience of customer groups.



Transaction Banking

The Bank is committed to releasing the potential of digitalization, strengthened refined management of business, promoted professional support, system support and integrated development capabilities, improved the services of digital platforms, and advanced the high-quality development of transaction banking. As at the end of the reporting period, the intermediary business income of transaction banking registered RMB676 million, a year-on-year increase of 57.21%.

In terms of settlement and cash management, the Bank made solid gains in developing the new-generation core system for corporate banking, improved the integration of all factors as well as the integration of business and technology, and constantly improved and enriched payment and settlement products and channels to enhance customer experience. As at the end of the reporting period, the number of cash management accounts reached 571,143, representing an increase of 97,927 or 20.69% over the prior year-end; 20.2 thousand corporate settlement cards were issued during the year, with a transaction amount of RMB3,748 million. The number of group customers with direct bank-enterprise link was 1,463, an increase of 272 over the past six months. The accumulated transaction amount registered RMB4.47 trillion, representing a year-on-year increase of 65.90%. Active bill payment customers on the open bill payment platform reached 17,465, a year-on-year increase of 91.97%; the cumulative transaction amount reached RMB70,893 million, representing a year-on-year increase of 135.81%. The transaction amount of open bill payment platforms in county areas reached RMB27,770 million, of which the transaction amount of utility bill payment reached RMB5,364 million, covering 75.63% of the county areas.

In terms of supply chain business, by building scenarios and the ecosystem and using digital technologies, the Bank further cultivated its businesses in key industries through product innovation, model innovation and technology empowerment, and fostered a new growth driver by the industrial chain business, thereby enabling multi-scenario, multi-industry, multi-channel and fast-process supply chain financial business. Focusing on core enterprises on industrial chains such as the transportation enterprises and high-end manufacturing enterprises, the Bank had provided financing services to more than 10,000 upstream and downstream suppliers on a cumulative basis. The Bank enhanced business innovation in digital supply chain. It launched "U Xin", a standardized electronic certificate of creditor's rights that can be split, circulated and financed, which helps transfer the accounts payable of core enterprises to payment, settlement and financing tools, enables issuance, multi-level circulation and financing functions, and provides SMEs with readily available, convenient and low-cost supply chain financing services through the credit circulation between core enterprises. Meanwhile, the Bank upgraded the core system for supply chain finance, continued to improve functional modules such as big data risk control, customer portraits, automatic transaction background verification, electronic contracting, and artificial intelligence recognition, to realize fund disbursement in "T+2" hours. It developed a digital industry-finance ecosystem with standardized interface for third parties, realizing quick deployment and alignment with third-party systems, and providing multiple channels for on-the-chain enterprises to obtain convenient and efficient supply chain financing services. During the reporting period, the transaction volume of the digital supply chain business reported a year-on-year increase of 39.32%.

In terms of domestic trade finance, the Bank further consolidated its customer base, optimized processes, expanded scenarios, and worked to improve the level of digitalization. It improved customer acquisition and activation through regional, industry-based, and scenario-based channels, enhanced customer service, and adopted multiple measures to increase its customer base. It optimized the process of trade finance, enhanced customer service experience, improved the efficiency of business processing and provided more effectual financial support for the real economy. The Bank continued to explore new business models for domestic trade finance and build up new drivers of business growth. With a focus on key scenarios, it promoted the full-process online migration of electronic letters of guarantee and the electronic transformation of letters of credit, and accelerated the digital transformation of domestic trade finance.

In terms of cross-border finance, the Bank improved its capability of managing the exchange rate risk, and promoted the development of cross-border Renminbi business. It accelerated portfolio innovation of treasury business on behalf of clients, and successfully signed a number of derivative products such as "ratio forwards", "calendar option", "capped forwards", so as to help customers prevent exchange rate risk. It continued to develop cross-border RMB settlement business to serve the real economy. During the reporting period, the accumulative settlement amount of the cross-border RMB business achieved a year-on-year increase of 151.50%.

Column

Serving Rural Revitalization with the Open Bill Payment Platform

In 2022, the Bank continued to improve the service capability of the open bill payment platform, further expanded the service scenarios, and provided stronger support to rural revitalization. The number of bill collection agencies in counties and towns increased by 10,392, a year-on-year increase of 104.85%.

It optimized product functions to improve customer experience of bill payment service in counties and towns. The Bank upgraded the third-party payment cashier to a 2.0 system version, launched H5 e-CNY bill payment product, and developed the "Agro-Connect" service terminals. Through the integration of online and offline payment methods, the Bank basically realized all product compatibility and full channel coverage, and effectively extended the service radius in county areas, providing convenient services to bill payment customers in county areas. During the reporting period, the Bank served more than 26 million bill payment customers.

It upgraded the service model to facilitate the IT transformation of fee collection agencies. The Bank upgraded the client functions of bill payment platforms, and fulfilled the standardized needs of small and medium bill collection agencies in county areas. It promoted the cloud platform for regulation over tutoring institutions, SaaS cloud services for the utility bill payment and the integrated alignment model, and provided one-stop solutions to address the the key issues that currently constrain the development of small and medium bill collection agencies in business operation such as customer management, reconciliation management, and system alignment. With the exclusive function development and solutions, the Bank worked to meet the specific business needs of medium and large enterprises customers. During the reporting period, the Bank implemented more than 1,000 system alignment projects.

It expanded service scenarios to develop a smart livelihood service system for county areas. The Bank focused on the needs of basic livelihood services such as government, medical care, and public payment, and made industry-specific marketing plans. During the reporting period, the Bank implemented 42 non-tax, social security, and electricity projects at provincial levels, covering all the county areas in 21 provinces. It extended services to the healthcare and education sectors in county areas, introduced online bill payment plus offline "payment by facial recognition", "Online QR code" and similar modes to develop the "smart healthcare" and "smart campus" scenarios in county areas.

Investment Banking

The Bank kept promoting the high-quality development of investment banking business. It intensified the awareness of serving national strategies, and fully implemented major strategic arrangements in respect of low-carbon development, ensuring stable production and sufficient supply, etc. It emphasized a value-oriented mindset, and worked to create more values by adopting new concepts, boosting the capability and increasing returns. It enhanced the customer awareness, focused more on core customer groups, developed specific customer groups, and nurtured potential customer groups. Different businesses of investment banking achieved steady development. During the reporting period, the investment banking business recorded RMB1,172 million of intermediary business income, a year-on-year increase of 38.37%.

Strengthening asset creation and transaction turnover. The Bank had made solid headway in asset securitization. The Bank took the lead in launching PSBC's residential mortgage-backed securities (RMBS) program and the program of securitization of non-performing assets in credit card business.

Cooperating with other banks to support major infrastructure development. As at the end of the reporting period, the balance of syndicated loans amounted to RMB435,911 million, representing an increase of RMB49,923 million over the prior year-end, of which loans for the transportation industry accounted for 48.54%.

Earnestly responding to national policy guidance. Seizing the systemic opportunities and merger and reorganization window of the industry, the Bank successfully launched M&A loans for the purpose of easing the difficulties of developers and M&A loans of Real Estate Investment Trust (REITs).

Focusing on business innovation and securing multiple "first-of-its-kind" projects. The Bank underwrote and issued the first "sustainability-linked plus energy supply" debt financing plan in China, the first batch of technological innovation notes in the market, the Bank's first sustainability-linked medium-term notes, and the Bank's first panda bond, which is also China's first debt financing tool listed in Macao Stock Exchange.

Column

Participating in the Underwriting of the First Batch of Technological Innovation Notes in the Market Providing Targeted Support to Facilitate the Development of Sci-tech Enterprises

On June 8, PSBC issued technological innovation notes for an electronic holding group company in Sichuan as the independent lead underwriter, raising funds of RMB0.5 billion. The program, which was among the first batch of technological innovation notes launched in China's interbank market, reflected that PSBC implemented the guidance of China's 14th Five-Year Plan on "pursuing innovation-driven development, building strong new economic pillars", and that the Bank stepped up its support for the technological innovation and provided targeted support to promote the development of sci-tech enterprises.

Technological innovation note is a debt financing instrument issued by sci-tech enterprises to raise funds for technological innovation. This batch of technological innovation notes are launched by the National Association of Financial Market Institutional Investors (NAFMII) to improve the financial support system for technological innovation, channel innovation factors to enterprises, and better serve the strategy of pursuing innovation-driven development.

Next, the Bank will step up financial support to technological innovation, continue to enrich financial products, optimize service models, and build a professional team. It will provide targeted financial services according to different business and development needs of sci-tech enterprises at different growth stages, and make greater contributions to the implementation of the national strategy of pursuing innovation-driven development as well as the economic and social development.

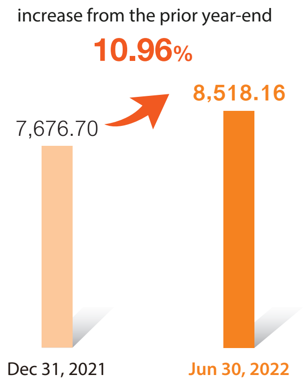
Treasury and Asset Management Business

812 new customers were acquired through the interbank ecosystem.

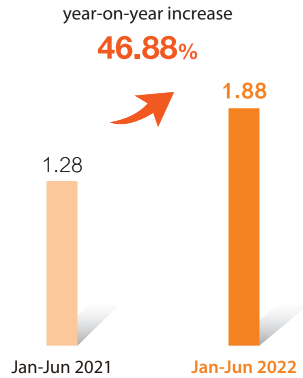
The scale of net-value wealth management products amounted to **RMB851,816 million**, an increase of **10.96%** over the prior year-end.

The total trading volume of bill repurchase amounted to **RMB1.88 trillion**, an increase of **46.88%** over the same period of the prior year.

Scale of Net-value Wealth Management Products
(In RMB100 million)



Trading Volume of Bill Repurchase
(In RMB trillion)



For the treasury and asset management business, the Bank followed the principle of "led by investment analysis, driven by innovation, guaranteed by risk control". It closely monitored market trends, optimized asset allocation, deepened the building of the inter-bank ecosystem, and further enhanced the comprehensive service capability. The main achievements were as follows: first, the trading strategy proved to be prudent and effective. The Bank continued to intensify transactions of the financial market business, resulting in significant growth in trading volume of bonds, derivatives and precious metal. For the bill trading business, the Bank tapped into customer needs and achieved a significant year-on-year increase in trading volume and greater market influence. During the reporting period, the trading volume of the bill trading business with counterparty outside the Bank increased by 64.05% over the same period of the prior year. Second, business innovation was advanced in an orderly manner. The Bank stepped up efforts to promote the online interbank deposit business, and adopted the new business model of asset-backed commercial paper (ABCP). It provided custody service for the first interbank certificate of deposits index funds, and the proceeds of its initial issue outperformed most funds launched in the same period. Third, the number of customers maintained steady growth. During the reporting period, the number of interbank ecosystem customers increased by 812. While expanding the coverage of interbank customers, the Bank promoted in-depth business cooperation with them. Fourth, the quality and efficiency of services were further improved. The online services of billing business were greatly improved, accounting for 99.52% of discounted bills. Through direct connection services including electronic instructions and electronic reconciliation of Shenzhen Securities Communication Co., Ltd. (SSCC), the service capability of custody businesses was enhanced.

As at the end of the reporting period, financial investments amounted to RMB4.56 trillion, an increase of 4.78% over the prior year-end. The assets under custody amounted to RMB4.51 trillion, among which the assets of mutual funds under custody amounted to RMB638,639 million, an increase of RMB15,690 million over the prior year-end. The investment in wealth management products amounted to RMB922,632 million, among which the net-value products amounted to RMB851,816 million, an increase of 10.96% over the prior year-end.

Interbank Business

Interbank Investment and Financing Business

During the reporting period, the market interest rate fluctuated downwards. The Bank continued to strengthen market analysis and prediction, and adopted a package of measures to mitigate the impact of market trends on interbank asset allocation. As for interbank financing, it increased allocation to interbank financing at high interest rates, which included interbank borrowings and online interbank deposits with high interest rates, resulting in a year-on-year increase of 180.86% in online interbank deposits, while constantly expanding the coverage of interbank customers and improving the sophistication of business. In terms of interbank investment, the Bank vigorously developed corporate asset securitization products, explored new business models of asset securitization products, and launched the first asset-backed commercial paper (ABCP) products. It kept promoting the coordinated development between investment and custody business, and drew on its investment strength to increase the scale of custody business, which achieved satisfactory results and enlarged its overall contributions.

Billing Business

The Bank embraced the concept of "integrated development", and continuously promoted the digitalization of the billing business and the transformation of trading. During the reporting period, efforts were made to improve the online customer experience of discounted bills. The number of customers increased by 2,792 or 47.00% over the same period of the prior year. The online bill discounting amounted to RMB339,398 million, accounting for 99.52% of the bill discounting business, signaling a higher level of online operation. The Bank kept expanding the two-way trading of the bill re-discount business, with the trading volume with counterparty outside the Bank reaching RMB629,045 million, a year-on-year increase of 149.60%. It tapped into the financing needs of bill repurchase customers, with the trading volume reaching RMB1.88 trillion, a year-on-year increase of 46.88%. The Bank leveraged the high transaction activity feature of re-discount and repurchase businesses and persistently enhanced loyalty of interbank customers, especially small and medium-sized banks, securities firms, and finance companies. During the reporting period, the number of interbank customers of the Bank's bill trading business reached 1,036, an increase of 125.54% year on year.

Treasury Depository Business

The Bank provides diversified depository and settlement services for securities, futures, insurance, gold, etc. During the reporting period, the Bank further strengthened the treasury settlement business with interbank customers and expanded its participation in the capital market. As at the end of the reporting period, the number of accounts contracted with the securities fund depository business increased by 6.92% over the prior year-end, and the balance of treasury accounts of securities companies increased by 18.19% over the prior year-end. The Bank has established depository and settlement partnership with 85 securities companies and 18 futures companies.

Financial Market Business

In terms of the financial market business, the Bank proactively responded to challenges, actively seized market opportunities, dynamically optimized asset allocation, and continuously strengthened risk management. As a result, its profitability, trading capacity and core competitiveness were steadily improved.

Trading Business

The Bank proactively provided liquidity to the interbank market, facilitated the transmission of the monetary policy, and properly operated funds in RMB and foreign currencies. It strengthened active trading and investment and steadily improved the efficiency of fund use and liquidity management on the basis of ensuring the safety of the Bank's positions and liquidity. During the reporting period, the money market transactions in RMB and foreign currencies amounted to RMB25.34 trillion in total.

The Bank stepped up efforts to improve its bond portfolio management capability. It promoted the in-depth application of FinTech in the trading business, improved the pricing tactics and execution capability. It planned to launch an electronic trading system embedded with functional modules of domestic leading level, including curve trading, profit and loss attribution, automated ordering, real-time risk control, etc. within the year, laying a solid foundation for the automated, programmed and intelligent transformation of the trading business.

The Bank maintained the market activity of the bond lending business, effectively put existing bonds to better use and increased the return on investments. The scale of bond lending amounted to RMB211,484 million. The Bank also expanded the precious metal business with greater endeavor. With precious metal leasing and interbank lending as the focus, it exploited market opportunities to increase market activity and influence. The trading volume of precious metals in the domestic market was 1.8 times of the total trading volume in 2021.

Bond Investments

The Bank stepped up its efforts to serve major national strategies, supported the development of the real economy, increased investment in local government bonds, and facilitated rural revitalization, regional development and economic stability in all dimensions. Upholding the concept of green development, the Bank facilitated the green transformation of the real economy, prioritized support for key areas such as energy conservation and environmental protection, green transportation and renewable energy, and the new investment in green bonds maintained steady growth. The Bank has been awarded the title of "Excellent Institutional Investor of ChinaBond Green Bond Index" for three consecutive years.

The Bank strengthened the investment research, tracked interest rate trends on a continuous basis, and seized market opportunities. It made scientific business strategies, optimized the structure of bond portfolio and the pace of investment, adjusted the position and portfolio duration of bond investments in a flexible manner, guarded against credit risks, and realized good returns despite the low interest rate environment. As at the end of the reporting period, the scale of the Bank's bond investment business stood at RMB3,372,497 million, an increase of RMB135,054 million or 4.17% over the prior year-end.

Asset Management Business

The Bank seized opportunities to develop the asset management business, took high-quality development as the main task, adhered to high standards, deepened reform and innovation, and lost no time to promote differentiated and unique development for its wealth management businesses.

As at the end of the reporting period, the scale of the Bank's wealth management products amounted to RMB922,632 million. The scale of net-value products amounted to RMB851,816 million, an increase of RMB84,146 million or 10.96% over the prior year-end. The share of NAV-based products reached 92.32%.

Custody Business

The Bank took active steps to respond to fluctuations in the capital market and unfavorable market conditions of mutual funds issuance. It accelerated the launch of innovative custody products, and leveraged its advantages of funds as well as channels to promote the steady growth of custody business. As at the end of the reporting period, the Bank's assets under custody reached RMB4.51 trillion, an increase of RMB42,498 million over the prior year-end. The mutual funds under custody amounted to RMB638,639 million, an increase of RMB15,690 million over the prior year-end, among which the newly issued mutual funds under custody in the first half of 2022 stood at RMB49,553 million, ranking 4th among domestic banks providing custody service. The Bank successfully brought the first batch of interbank certificate of deposits index funds in the market under custody, with the assets under custody exceeding RMB10 billion, ranking at the forefront among the funds issued in the same period. Insurance funds under custody amounted to RMB608,254 million, an increase of RMB51,663 million over the prior year-end. In the first half of 2022, the Bank brought an additional 33 asset securitization products under its custody, which were worth RMB61,379 million, and the custody scale of such products increased by 41.57% year on year. Among these, seven were auto asset-backed securities (Auto ABS) under the custody of the Bank, which were worth RMB37,841 million, with a market share of 29.95%. During the reporting period, the Bank's custody fee income posted RMB593 million, a year-on-year increase of 15.15%.

Adopting a customer-centric philosophy, the Bank continued to optimize its systems, and extended custody services for innovative products such as the interbank certificate of deposits index funds and the SSE interbank bond exchange-traded fund (ETF). At the same time, it worked to mitigate the impacts of Covid-19, enhanced the quality and efficiency of custody services and ensured business continuity.

Inclusive Finance

The balance of inclusive finance loans to micro and small enterprises exceeded **RMB1 trillion**.

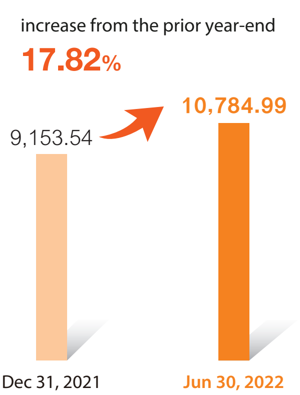
The balance of agro-related loans surpassed **RMB1.7 trillion**, maintaining a leading position among major state-owned banks.

304.1 thousand creditworthy villages were built and **4,861.5 thousand** creditworthy households were rated, an increase of **1,225.1 thousand** compared with the prior year-end.

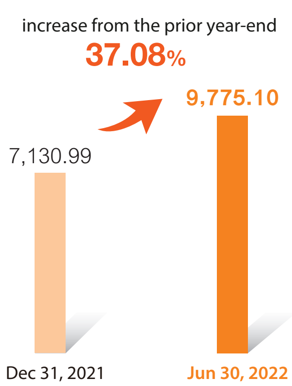
The outstanding online loans to micro and small enterprises amounted to **RMB977,510 million,** with an increase of **37.08%** compared with the prior year-end.

The number of specialized and sophisticated enterprises that produce new and unique products and sci-tech enterprises to which loans were extended was greater than **20 thousand**.

Personal Micro Loans
(In RMB100 million)



Outstanding Online Loans to Micro and Small Enterprises
(In RMB100 million)



As an advocate, forerunner and promoter of inclusive finance, the Bank earnestly implemented the decisions and plans of the CPC Central Committee and the State Council on developing inclusive finance, serving rural revitalization and supporting micro and small enterprises. It continued to increase credit supply to key entities and fields of rural revitalization, actively helped to consolidate and expand the achievements of poverty alleviation, and supported rural revitalization on all fronts. It coordinated efforts to prevent and control the pandemic and promote economic and social development. While fully helping ease the difficulties of market entities such as micro and small enterprises and self-employed individuals, the Bank actively explored the micro and small enterprise finance market and achieved the sustainable development of inclusive finance. The Bank continuously improved the system and mechanism of inclusive finance and accelerated the transformation and upgrading of inclusive finance. As at the end of the reporting period, the balance of inclusive finance loans to micro and small enterprises stood at RMB1,092,905 million, and the number of accounts with outstanding loans reached 1,797.3 thousand. The balance of agro-related loans was RMB1.72 trillion.

Rural Revitalization

With promoting the digital transformation of Sannong finance as a major task, building a rural credit system as the focus and the intensive operation reform of Sannong financial businesses as the support, the Bank stuck to collaboration with China Post Group and urban-rural collaborative development, constantly reinforced the core competitive advantages of online and offline integration, and continuously enhanced technological empowerment, product innovation, risk management and team building. It further boosted the high-quality development of Sannong financial businesses to comprehensively promote rural revitalization and built a digital ecosystem bank serving rural revitalization. As at the end of the reporting period, the balance of agro-related loans reached RMB1.72 trillion, an increase of RMB104,264 million over the prior year-end, with the balance accounting for about one quarter of the total loans to customers, ranking high among major state-owned banks in China. The balance of personal micro loans amounted to RMB1,078,499 million, an increase of RMB163,145 million over the prior year-end.

Stepping up Top-level Design

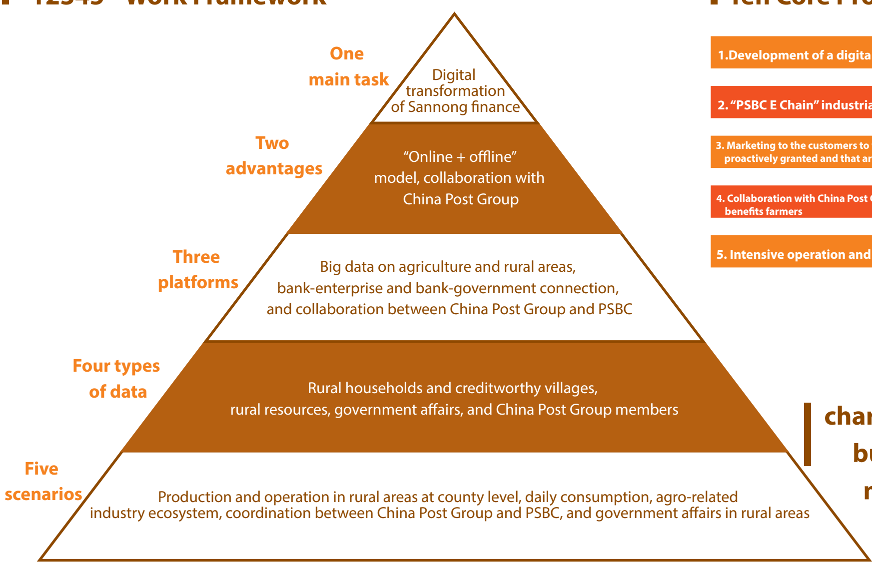
The Bank formulated the Opinions of Postal Savings Bank of China on Implementation of Key Tasks of Rural Revitalization in 2022, clarified the "12345" work framework, and put forward "Ten Core Programs" for serving rural revitalization. It accelerated the technology empowerment for the digital transformation of Sannong finance, pushed forward the integration of traditional service models and emerging technologies and formed four characteristic business models serving rural revitalization. At the same time, the Bank promoted the establishment of a task force on serving key industries in rural revitalization, and further promoted financial services for key industries in rural revitalization, such as grain, seed, pig, beef cattle, dairy industry and countryside leisure tourism. The Bank put in place a strong supporting policy system covering performance appraisal, special credit scale and differentiated credit extension, allocated more resources to key fields and weak links of agricultural and rural development, so as to better meet the needs of rural areas for financial services.

Consolidating and Expanding the Achievements of Poverty Alleviation to Promote Rural Revitalization

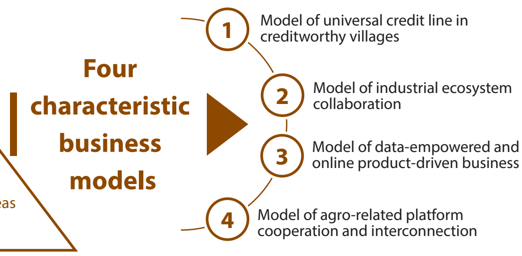
The Bank maintained the overall stability of existing supporting policies. It strictly implemented the requirements of continued poverty alleviation responsibilities, assistance, policies and oversight after poor counties were removed from the poverty lists. In the transition from poverty alleviation to rural revitalization, the Bank maintained the overall stability of supporting policies such as internal funds transfer pricing, credit review and approval and diligent performance and liability exemption. It incorporated the efforts to consolidate and expand the achievements in poverty alleviation as one indicator of performance appraisal of tier-1 branches, specified targets and key tasks, and held branches accountable for results.

The Bank increased financial support for areas lifted out of poverty. It strengthened communication and cooperation with local governments, conducted businesses such as micro credit for people lifted out of poverty, guaranteed loans for startups, etc., and helped them increase income through development and production. The Bank increased the support to key counties receiving assistance for rural revitalization, gave priority to industries and enterprises which employ the people lifted out of poverty and increase the income of such people, explored innovative product and service models, expanded the scope of collateral, and supported the key counties receiving assistance for rural revitalization to develop businesses that leverage local strengths. The balance of various loans granted by the Bank to areas lifted out of poverty (832 counties which have been lifted out of poverty) totalled RMB395,928 million, an increase of RMB37,870 million from the prior year-end.

"12345" Work Framework



Ten Core Programs Serving Rural Revitalization



Consistently Empowering Rural Revitalization with Financial Technology

The Bank enhanced technology empowerment, gave full play to the leading role of the demonstration program of empowering rural revitalization through FinTech, kept moving ahead with "Ten Core Programs" for serving rural revitalization, accelerated the digital transformation of Sannong finance, and initiated a new stage of high-quality and efficient services for rural revitalization.

Firstly, the Bank continued to promote universal credit line in creditworthy villages. It relied on scientific and technological means to give full play to the advantages of "manual + digital" methods. On one hand, it made use of mobile business development terminals to collect information on site, actively built creditworthy villages and rated creditworthy households offline, and innovated online loan products for creditworthy households. On the other hand, the Bank proactively carried out external data cooperation with governments, data companies and other third parties, and explored the model of developing creditworthy villages with the help of government recommendation and digital means. It established a more efficient and targeted proactive credit granting mechanism with small amounts and wide coverage, conducted and steadily promoted the pilot project of universal credit line for households, and strove to pursue the dream of "making credit from PSBC accessible to the vast majority of rural households". As at the end of the reporting period, 304.1 thousand creditworthy villages were built and 4,861.5 thousand creditworthy households were rated.

Secondly, the Bank developed a new model driven by online products and services with data empowerment. Through technologies such as big data and mobile internet as well as online and offline integration, the Bank realized scenario-based customer acquisition, digital credit granting, online marketing, mobile operations and intelligent post-lending services, providing efficient and convenient financial services for micro loan customers. It continuously optimized the functions of online products such as Speedy Loan, and basically realized the full-process digitalization of micro loans based on mobile business development terminals. As at the end of the reporting period, nearly 95% of micro loans were extended online, and the balance of Speedy Loan products was RMB417,671 million, representing an increase of RMB140,291 million compared with the end of the previous year.

Thirdly, the Bank pressed ahead with the reform of building an intensive operation system for Sannong finance. It promoted the intensive review and approval reform and conducted trials of centralized review and approval. It continued to optimize and upgrade the review and approval model, improved the automatic approval rate, and facilitated the formation of a centralized, multi-level factory-based review and approval system. Meanwhile, the Bank sped up the reform of the post-lending operation system, optimized the post-lending management rules and strategies, and launched trials for centralized post-lending management. It expanded the application of intelligent outbound calls and mobile business development terminals. It promoted self-service post-lending management among customers, further improved the quality and efficiency of post-lending management, and promoted the establishment of a centralized operation system with differentiated post-lending management for micro loans featuring collaboration among the Head Office, branches and sub-branches.

Fourthly, the Bank ramped up risk prevention and control efforts. It worked out a risk management and control plan for micro loans in 2022, perfected the risk control strategy for key products, strengthened differentiated guidance for key institutions, and properly mitigated and resolved risks. It extracted data from the risk warning model, screened businesses with high-risk features, and conducted in-depth off-site risk screening. It strengthened the monitoring of employee behaviors, and imposed restrictions on the access of operators who made serious violations. As at the end of the reporting period, the NPL ratio of micro loans was 1.71%.

Consistently Providing Financial Services for Key Areas of Rural Revitalization

Firstly, the Bank supported the efforts to ensure sufficient supply of grains and other important agricultural products. It strengthened credit policy support and formulated designated credit policies for seed, agriculture, forestry, animal husbandry, fishery, grain processing and other industries. It issued marketing guidelines for corporate finance in the grain industry, and increased support for key areas such as food security and modernization of the seed industrial chain. It focused on key areas of spring farming and preparation, increased credit supply, built a "green channel" of credit services, and offered preferential interest rates.

Secondly, the Bank supported the development of a modern agricultural operation system. Focusing on the characteristic of core enterprises linking upstream and downstream businesses, it developed an express business lending platform called PSBC E Chain, which integrated financial services into all kinds of scenarios such as agricultural industrial chains and agro-related business districts, and provided better customer experience. It integrated resources from different segments of China Post Group to provide a package of comprehensive services such as delivery, e-commerce, and finance to rural customers. It strengthened the cooperation with governments, associations, and guarantee companies, actively participated in the campaign of "express credit for agricultural business entities" led by the Ministry of Agriculture and Rural Affairs, and proactively provided comprehensive financial services for new types of agribusiness, innovation personnels and entrepreneurs in rural area, and ordinary rural households. It increased financial services for new urban residents with exclusive micro loan products and supporting policies such as preferential interest rates and green channels, offering them with more high quality and convenient financial services.

Thirdly, the Bank supported the rural development initiative. It rolled out innovative products such as loan for energy conservation and environmental protection, garbage disposal loan, loan for water utilities, photovoltaic loan, and loan for the development of happy and beautiful new villages, so as to fully support the development of rural areas. It issued the Notice on Further Strengthening the Support for Rural Infrastructure Development to further improve the quality and efficiency of its support for rural infrastructure development in terms of product innovation, policy optimization, and risk management, with a focus on living infrastructure, improvement of living environment, public livelihood services, rural distribution system, etc.

Fourthly, the Bank optimized the products and services with rural revitalization characteristics. It prioritized the establishment of new outlets in key counties receiving assistance for rural revitalization, further improved self-service equipment to provide better services and optimized the outlet operation model. It launched the Rural Revitalization-themed Credit Card to gradually expand its rural customer base of credit card business while working to control risks. It launched the second campaign of "Car Purchase Season with PSBC Services for the Countryside" to serve the credit needs of residents in counties and towns for car purchase with solid steps. It optimized the functions of mobile banking, promoted the development of the new generation mobile banking for Sannong, and further stepped up the promotion of mobile banking in counties. With the strategic plan of "Millions of Merchants in Thousands of Counties and Towns via Ten Major Scenarios" as the main task, the Bank started the mobile payment acceptance environment construction project to expand the coverage of mobile payment in county-level rural areas. It sped up the construction of the agricultural industry ecology that supports e-CNY, and further promoted the deep integration of rural revitalization strategy and e-CNY application scenarios. As at the end of the reporting period, the Bank put in place 97.3 thousand sets of self-service equipment in the areas at county level and below, and the number of rural revitalization-themed credit cards exceeded 150 thousand.

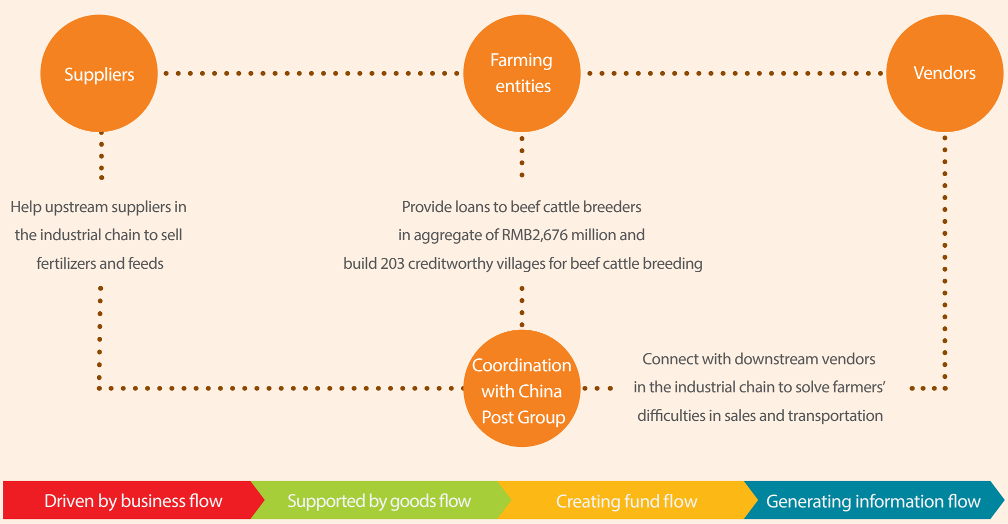
Column

Providing Support for the “Stalk to Beef” Project and Facilitating Rural Revitalization

Jilin Province is a major agricultural province with large output of crop stalk in wide distribution and of many kinds, which has long been a valuable resource for farmers’ production and life as well as the development of animal husbandry. In order to solve a series of environmental problems caused by the random discarding and incineration of stalk, accelerate the utilization of stalk as feed and convert stalk resources into beef and milk, the Bank, taking the supply-side structural reform in animal husbandry as the main task, helped Jilin Province build a new pattern of coordinated development over the whole chain of agriculture and animal husbandry by driving the implementation of the “stalk to beef” project, making it an important way to develop the beef cattle industry into a new advantage of Jilin's agriculture industry, promote high-quality and high-efficiency agriculture, and to make farmers prosperous.

In accordance with the general principle of “stabilizing the fundamentals of agricultural market”, the Bank focused on its main business and continually increased its support to the real economy. Under the collaboration with China Post Group, the Bank started with the development of the beef cattle industry, and expanded the scale of “PSBC Supporting Agriculture” campaign, constantly offering financial resources to the beef cattle industry. Firstly, based on the basic characteristics of “small scale and large group” of the beef cattle breeding industry in Jilin Province, and focusing on major types of cattle such as “breeding cows” and “beef cattle”, the Bank introduced eight models including “PSBC Easy Cattle Loan”, and formulated service plans on “one household, one policy” basis to meet the differentiated financial needs of beef cattle farmers. Secondly, leveraging the integrated flows of business, goods, funds and information of China Post Group, the Bank improved its service quality and efficiency for the beef cattle industry, solved difficulties of sales, logistics and financing for farmers and jointly promoted cooperative projects benefiting farmers in the beef cattle industry to establish a service ecosystem for the beef cattle industry, which is widely recognized by beef cattle farmers. Thirdly, the Bank established a beef cattle credit service system with technology empowerment. The Bank has deeply integrated the development of a rural credit system and online transformation with the development of beef cattle industry, and introduced the big data of the beef cattle industry. It incorporated all high-quality farmers into the list of “instant online approval”, jointly built digital creditworthy villages with the local PBOC branch, and actively created a model of “village-based credit granting”. As of the end of the reporting period, the Bank’s Jilin Branch had granted a total of RMB2,676 million in cattle-related loans to meet the financing needs of 13 thousand farmers and successfully established 203 creditworthy villages for beef cattle breeding. During the reporting period, RMB1,229 million of cattle-related loans were granted to 6,696 farmers, a net increase of RMB848 million, up by 126%. The Bank’s specific measures to serve the beef cattle industry with “small-amount, high frequency and collateral-free credit featuring instant approval and disbursement and village-based credit granting” have been highly recognized by all sectors of the society, achieving remarkable results in serving rural revitalization.

In the next step, the Bank will consolidate the core competitiveness in serving the rural revitalization and the beef cattle industry based on the characteristics of the “small scale and large group” of the beef cattle breeding industry and with a focus on small and medium-sized farmers. It will accelerate the construction of creditworthy villages for beef cattle breeding to facilitate the leap-frog development of beef cattle industry, building a landmark project for rural revitalization.



Column

Focusing on Farming and Pastoral Areas to Facilitate Rural Revitalization

In order to devote more efforts to the key areas of rural revitalization, support the development of the countryside, improve basic financial services and rural credit environment, and comprehensively boost rural revitalization through financial means, the Bank took solid steps to develop the rural credit system, increased financial support for farming and pastoral areas, and boosted local economic development.

Firstly, it carried out concentrated information collection during the farm slack season. In order to avoid interrupting the farming season, in the farm slack season from July to August every year, PSBC Inner Mongolia Branch provided "one-to-one" information collection service for farmers and herdsmen in villages, and made preparations for credit granting, so that funds were accessible to them in the farming season. Secondly, it conducted customer segmentation and stratification to provide targeted products. Based on farmers' and herdsmen's business scale, payment cycle, capital needs, ratings and other factors, it categorized creditworthy households. For ordinary farmers, the Bank offered them online products such as online creditworthy household loans and Speedy Loan. Such loans could be handled on mobile banking throughout the whole process, which was convenient and fast, and with better customer experience. For new types of agribusiness such as specialized households and family farms, the Bank provided them with suitable offline products such as secured loans and guarantee products with large amount to meet their capital needs. Thirdly, it provided comprehensive financial services to enhance customer experience. While rating creditworthy households, it issued cards for farmers and herdsmen in batches, and open accounts for mobile banking, credit card, wealth management and other business, so that they could enjoy comprehensive financial services without visiting bank outlets.

Focusing on farming and pastoral areas as well as farmers and herdsmen, the Bank developed a rural credit system and tried to boost rural revitalization through creditworthy villages and households. As at the end of the reporting period, PSBC Inner Mongolia Branch built 8,765 creditworthy villages, rated 183 thousand creditworthy households, and provided a total of RMB17.2 billion of financial support to 91 thousand customers in the creditworthy villages. The Bank will continue to increase its loans to the field of Sannong and Sanmu (animal husbandry, pastoral areas, and herdsmen) and speed up the development of a rural credit system by means of an online and offline integrated service model.

Customer managers went to a creditworthy village to survey the operation of customers

Microfinance

The Bank faithfully implemented the decisions and plans of the CPC Central Committee, the State Council and regulators on financial support for the relief and development of micro and small enterprises and other market entities, comprehensively deepened the financial services for micro and small enterprises, further strengthened system and mechanism guarantee, and actively helped micro and small enterprises to overcome difficulties and recover. It continuously enriched the financial product system for micro and small enterprises, steadily increased credit supply, accelerated the digital and intelligent transformation and development, improved service quality and efficiency, expanded service coverage, served the new type of high-quality micro and small customers at the source, and grew and made progress together with customers. As at the end of the reporting period, the balance of the Bank's inclusive loans to small and micro enterprises was RMB1,092,905 million, accounting for more than 15% of the total loans to customers, ranking in the forefront of major state-owned banks. The number of households with loan balance was 1,797.3 thousand, a net increase of 86.6 thousand from the beginning of the year.

Consolidating the Foundation for Developing Microfinance

The Bank continued to optimize the long-term mechanism of "having the courage, will, ability and means to grant loans" to micro and small enterprises and promoted the sustainable development of microfinance. The Head Office, tier-1 branches and tier-2 branches set up the Inclusive Finance Business Department (SME Finance Department), continuously strengthened the professional team building and the transmission of inclusive finance strategy, and enhanced the capability of inclusive finance services. It allocated more resources to microfinance through the means of internal funds transfer pricing, performance appraisal guidance and special incentive fees to stimulate the endogenous development of microfinance. It further optimized the system to ensure that those who have fulfilled their duties are not held accountable, gave full play to the role of guidance and warning, and boosted the confidence to grant loans. Adhering to the customer-centric philosophy, the Bank provided comprehensive financial services for micro and small enterprises, and enhanced the ability of providing services for customers. It built a financial service system for science and technology innovation, and provided special financial services for specialized and sophisticated enterprises that produce new and unique products as well as sci-tech enterprises.

Helping Micro and Small Enterprises to Overcome Difficulties

The Bank thoroughly implemented the national policies on helping enterprises to ease the difficulties, and adopted targeted policies to fully support micro and small enterprises to tide over difficulties. It carried out the financial service campaign themed "Enterprise Difficulty Alleviation by PSBC" for micro, small and medium-sized enterprises in 2022, and provided warm, professional and targeted financial services to meet their financial needs in the process of work and production resumption, innovation and development. The Bank increased financial support for pandemic prevention and goods supply enterprises, provided policy support such as green channel for loan approval for enterprises producing and supplying anti-pandemic medical materials, residents' living materials and agricultural products as well as related logistics and transportation enterprises, implemented the special central bank lending policy for transportation and logistics industry, and fully supported "two types of enterprises and two types of individuals"[1] in the road freight industry to alleviate their difficulties. For micro and small enterprises, self-employed individuals and micro and small enterprise owners in temporary difficulties due to the pandemic, the Bank took relief measures such as deferral in repayment of principal and interest, renewal and extension of inclusive finance loans to micro and small enterprises, and adopted "one policy for one customer" and "multiple policies for one customer" to help those in difficulty, effectively easing the capital turnover pressure on customers. It strictly implemented relevant requirements for fee cut and interest concessions, strengthened the management of credit financing fees and service fees for micro and small enterprises, and effectively reduced their comprehensive financing costs. The average interest rate of inclusive finance loans to micro and small enterprises granted this year was 4.92%, down 27 BPS from the previous year.

Making Persistent Efforts to Enrich the "Online + Offline" Product System

The Bank extensively connected to external data, and continuously expanded service scenarios of digital products such as "Easy Small and Micro Loan" and micro "Speedy Loan" to provide convenient and efficient credit services for micro and small enterprises. As at the end of the reporting period, the Bank's outstanding online MSE loans stood at RMB977,510 million, a rise of RMB264,411 million or 37.08% over the prior year-end. The Bank launched Industry E Loan, an innovative online industrial chain financing product. It realized comprehensive information sharing through cooperation with core enterprises in the industrial chain, and provided unsecured loan support for micro and small enterprises throughout the industrial chain by relying on multi-dimensional data inside and outside the Bank such as historical transaction data, tax payment information and credit reference information of core enterprises. It energetically developed e loan using government information, made full use of diverse government data such as taxation, government procurement bid winning, patent, provident fund and social security, tapped the government information assets of enterprises, and connected with nearly 20 local government information platforms. Focusing on key specialized and sophisticated enterprises that produce new and unique products and sci-tech enterprises, the Bank continuously enriched its financing products, launched the exclusive credit product "Science and Technology Innovation E-Loan" for sci-tech enterprises, and entered into strategic cooperation agreements with the Torch High Technology Industry Development Center of the Ministry of Science and Technology to offer targeted support.

Empowering Transformation and Development through Technology

The Bank continued to promote the digital and intelligent transformation of microfinance, and kept exploring the development path of technology-empowered microfinance. It promoted the digital credit factory mode for micro and small enterprises and put it into practice in 24 tier-1 branches, and improved business efficiency and offline loan application experience of customers through standardized operations. In the "PSBC SMEs Partner Application" mobile banking APP, the Bank set financial service scenarios including credit financing, reserved account opening, business opportunity matchmaking and industrial & commercial inquiry, and conducted a series of benefit activities such as "registration gift", "creation gift", "credit line measurement gift" and "loan application gift". Since the launch at the end of 2021, more than 130 thousand users have registered in the "PSBC SMEs Partner Application" mobile banking APP. The Bank continued to carry out intelligent risk control, improved the "event-triggered" post-lending management model, built a post-lending risk control model and strategy through digital means, conducted in-depth analysis of multi-dimensional internal and external data, carried out post-lending management in a tiered and category-based manner, and accurately identified credit risk of customers.

1 Two types of enterprises refer to road freight transport enterprises and logistics and delivery enterprises, and two types of individuals refer to self-employed individuals of general road freight and individual owners of general freight vehicles.

Column

Establishing a Financial Service System for Sci-tech Enterprises

Centering on specialized and sophisticated enterprises that produce new and unique products and sci-tech enterprise customers, the Bank grasped the characteristics of enterprises, focused on the demand characteristics of enterprises in different growth cycles, developed a financial service system focusing on "specialization, sophistication, uniqueness, and innovation" for science and technology innovation , and built specialized institutions and teams. It established a refined marketing system, provided unique products and services, launched new special supporting policies, and stimulated the innovation and entrepreneurship momentum of the real economy. As at the end of the reporting period, the number of specialized and sophisticated enterprises that produce new and unique products and sci-tech enterprise customers of the Bank to which loans were granted was more than 20 thousand.

Strengthening system and mechanism protection. The Bank set up leading and special groups for the work related to specialized and sophisticated enterprises that produce new and unique products and sci-tech enterprises, developed an action plan, put forward differentiated supporting policies, actively created an ecosystem, closely conducted bank-securities companies collaboration and provided integrated investment and commercial banking services for them.

Improving the exclusive loan product library. On the basis of traditional credit products, the Bank optimized product elements and raised the upper limit of unsecured loans for single customers to RMB50 million. It launched the innovative product "Science and Technology Innovation E-Loan" exclusive for sci-tech enterprises, cooperated with the Torch High Technology Industry Development Center of the Ministry of Science and Technology, and took the "innovation bonus points" as a factor for granting credit to provide targeted support to specialized and sophisticated enterprises that produce new and unique products and sci-tech enterprises. The Bank commenced the project for the development of science and technology industrial chain, analyzed the science and technology industrial chain in depth, and created the list of enterprises in the science and technology industrial chain based on their patent information.

Extensively building cooperation platforms. The Bank established and refined a long-term mechanism for government-bank-enterprise collaboration, and actively communicated with competent government departments of industry and information technology, science and technology, finance and intellectual property rights at all levels. It strengthened commercial cooperation with various industrial investment funds, venture capital funds, guidance funds and special funds. The Bank closely carried out bank-securities companies collaboration, and cooperated with China Post Securities to provide integrated investment and commercial banking services for specialized and sophisticated enterprises that produce new and unique products and sci-tech enterprises. On June 16, 2022, PSBC Guangdong Branch worked with Guangdong Province Service Center for Small and Medium-sized Enterprises as well as China Post Securities Guangdong Branch to hold the investment and financing matchmaking event for specialized and sophisticated enterprises that produce new and unique products with the theme of "PSBC Creates a Bright Future for Enterprises in Guangdong", and signed the Letter of Intent for Investment and Financing Cooperation with Specialized and Sophisticated Enterprises that Produce New and Unique Products with 80 such enterprises, providing long-term financial support to boost their healthy development through building a bank-enterprise cooperation platform.

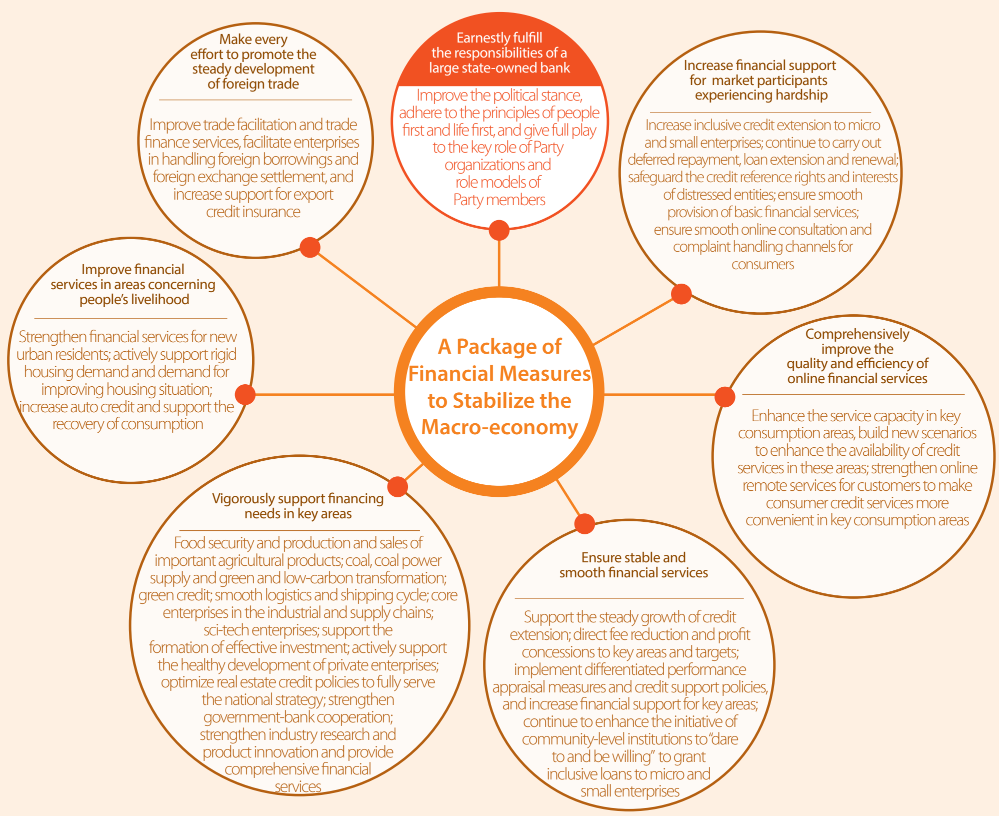
Column

Actively Conducting the Campaign Themed "Enterprise Difficulty Alleviation by PSBC"

In order to thoroughly implement the decisions and plans of the CPC Central Committee and the State Council on providing financial services for pandemic prevention and control, economic and social development, as well as stabilizing growth and keeping the operations of market entities stable, the Bank issued the Notice on Delivering Financial Services for Pandemic Prevention and Control and Economic and Social Development, launched a package of financial measures to help stabilize the macro-economy, and organized the financial service activities themed "Enterprise Difficulty Alleviation by PSBC".

During the campaign, the Bank and the SME Institute jointly organized a series of training activities on the theme of "PSBC Helps Micro and Small Enterprises". Well-known experts were invited to give lectures covering five major sectors, namely policy interpretation, financial management, marketing management, strategy formulation and human resources, elaborating on the policies for benefiting enterprises and helping them overcome difficulties. During the reporting period, two training sessions were held, covering more than 6,000 person-times. In order to gain an in-depth understanding of the effect of policies and measures supporting the development of micro and small enterprises, the Bank teamed up with the SME Institute to carry out a special questionnaire survey on micro and small enterprises across the country by relying on the cloud survey system for the micro and small enterprises operating index, and collected about 2,700 sample questionnaires from seven major industries, including manufacturing, wholesale & retail and construction. The survey showed that the policies for stabilizing economy and expectations have produced significant effect, the tax credit refund and phased deferred payment of social security fees brought benefits to a wide range of enterprises, and the financing support offered by financial institutions to micro and small enterprises produced remarkable results.

At the same time, the Bank continued to redouble financial relief efforts, activated special emergency procedures for enterprises that produce anti-pandemic materials and ensure sufficient and smooth supplies, and provided anti-pandemic emergency loans to effectively meet the financing needs of pandemic prevention and control enterprises. The Bank optimized the business process during the pandemic, and implemented differentiated business processes such as pre-lending investigation, contract signing and post-lending management to improve the availability of financial services in the areas where the pandemic risk was medium/high or lockdown was imposed. The Bank strengthened financial support for enterprises suffering liquidity difficulties. For those who are willing and able to make repayment, the Bank alleviated their repayment pressure through reasonable measures, such as credit extension, change of interest repayment period and change of repayment plan.



DISCUSSION AND ANALYSIS

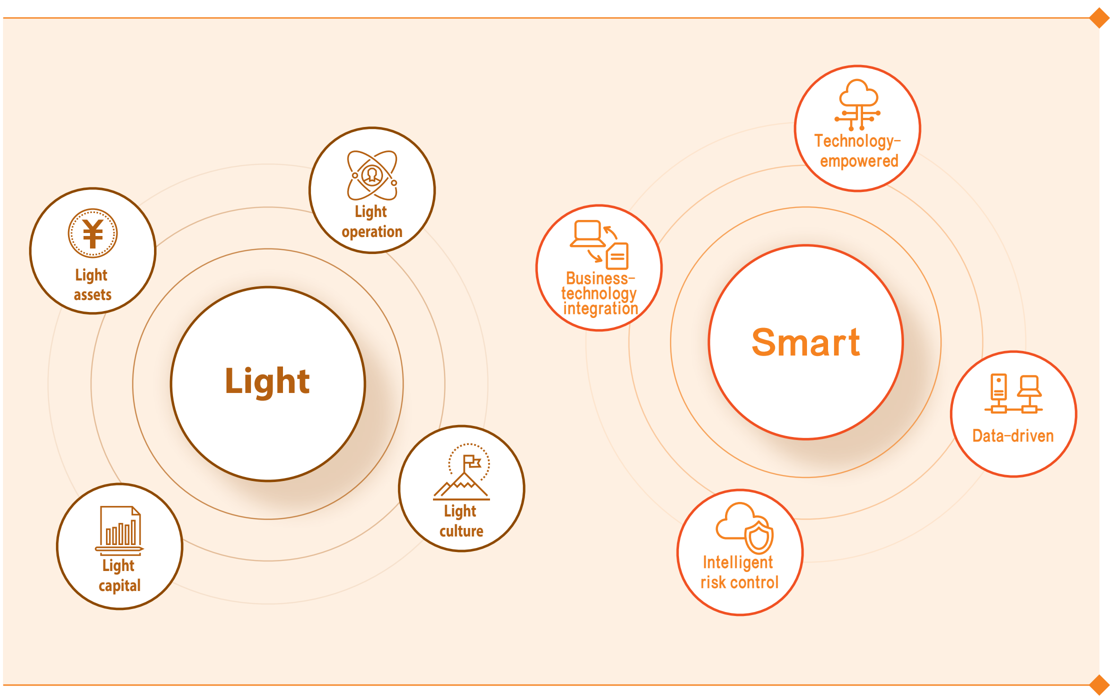
Majority-Owned Subsidiaries

YOU⁺ BANK

YOU⁺ BANK was established on January 7, 2022, with a registered capital of RMB5 billion, in which the Bank holds a 100% stake. Its business scope is: absorbing deposits from the public, individuals and MSEs mainly; providing short, medium and long-term loans mainly to individuals and MSEs; domestic and foreign settlement through electronic channels; electronic bill acceptance and discount; issuing financial bonds; buying and selling government bonds and financial bonds; interbank lending; buying and selling foreign exchange by itself or as an agent; bank card business; agency collection and payment of funds and bancassurance; other businesses approved by the banking regulatory authority of the State Council. As at the end of the reporting period, YOU⁺ BANK had total assets of RMB4,980 million and net assets of RMB4,968 million. During the reporting period, it realized operating income of RMB68 million and recorded a net profit of minus RMB32 million.

On June 30, 2022, YOU⁺ BANK held a kick-off meeting to announce its official opening and launched the first batch of products. The establishment of YOU⁺ BANK is an important move for PSBC to actively implement the requirements of financial reform and accelerate its digital transformation. Taking "serving Sannong customers, facilitating micro and small businesses, and delivering benefits to the general public" as its mission, and "coordination, connectivity and innovation" as the development strategy, YOU⁺ BANK strives to build a "light and smart bank" and focuses on building four business platforms, namely scenario-based finance, inclusive credit, mass wealth management and digital village. The first batch of products such as Sinochem Agricultural Suppliers Loan, Distribution Loan and Wealth Management Supermarket have been officially launched, and the digital village platform focusing on rural government affairs scenarios is being steadily promoted on a trial basis in some counties.

Building a Light, Smart Bank



Agricultural Suppliers Loan is a featured product jointly developed by YOU⁺ BANK and Sinochem Group to provide services to target farmers in the Sinochem agriculture service system. It is designed around various aspects of agricultural production such as planting, fertilization, pesticides, agricultural materials, agricultural tools, agricultural technology and agricultural insurance and takes into consideration of different crop planting cycles, so as to provide customers with targeted financial support. Meanwhile, YOU⁺ BANK and Sinochem Group jointly launched another product named Distribution Loan, which mainly provides services to distributors along the industrial chain to ease their capital turnover pressure during ordering and purchase, in a bid to actively explore industrial financial services based on the big data of core enterprises and the industrial chains.

Majority-Owned Subsidiaries

Agricultural Suppliers Loan

Extending financial services to more scenarios of agricultural materials procurement, from the inside to outside of the system, and developing from a single brand to multiple brands.

Agriculture | **Pesticides** | **From fertilizer to agricultural machinery** | **Service** | **Insurance**

Distribution Loan

Providing a credit payment product for distributors based on the procurement relationship between producers and distributors.

Serving the real economy | **Industrial upgrading** | **Four flows in one**

Agricultural & Sideline Products | Food | Wine | Drink | Dairy Products | Daily Chemicals | Electrical Appliances | Clean Energy

Wealth Management Supermarket, a farmer-benefiting wealth management platform for customers in counties and lower-tier markets launched by YOU+ BANK, has been cooperating with a number of wealth management subsidiaries including PSBC Wealth Management. It offers low-risk wealth management products with moderate returns such as cash management and regular open-end wealth management products as well as petty cash wallet service for flexible use of money to improve financial service experience of customers while lowering the threshold of wealth management for the public.

Wealth Management Supermarket

Building a farmer-benefiting wealth management platform for customers in counties and lower-tier markets

Specializing in management of petty cash and prudent wealth management products, generating stable income for customers

Recommending appropriate products to customers in appropriate scenarios based on online digitalized operation

The corporate governance system has been improved and the leadership of the Party further strengthened. The board of directors, the board of supervisors and senior management are in place, and an internal management system featuring full coverage, interconnection, collaboration and clear responsibilities was established.

YOU+ BANK continuously consolidated the foundation of IT development, and built a technology system focusing on micro services and distributed ecosystem and with digital banking features. At the initial stage, it launched 13 sets of information systems including core banking, credit, agency sales of wealth management products and unified payment, and built the basic systems of security governance, data governance and other IT governance systems. It took seriously and enhanced personal financial information security, and gradually built an information security management system that covers the entire life cycle, all links and all scenarios.

YOU+ BANK continued to develop and improve its comprehensive risk management system. It established a big data-based intelligent risk control system, consolidated the second line of defense with intelligent risk control, and applied big data to realize lifecycle credit management. Focusing on core products launched at its opening ceremony, YOU+ BANK fully utilized the characteristic data generated during the business operation of agricultural enterprises, and quickly iterated the risk control model to ensure the balance between business development and risk control.

An agile, efficient and experienced professional team has been expanded, and an organizational structure featuring agile front office, strong middle office and streamlined back office has taken shape. As at the end of the reporting period, there were 203 employees at YOU+ BANK, with an average age of 33. Near 50% of them possess a master's degree or above, over 60% of them are IT or data personnels, 70% of them are 35 years old or below, 90% of them are from social recruitment, and a market-oriented performance management and remuneration incentive mechanism has been initially established.

In the future, YOU+ BANK will take advantage of abundant resources of its shareholder, earnestly implement regulatory requirements, continuously explore collaborative development modes, and employ financial technology to embed financial services into daily production and life scenarios. It will improve the efficiency and reduce the costs of financial services, increase the supply of financial services for Sannong, and serve customers more efficiently and accurately.

Educational background

Nearly 50% hold a Master's degree or above

Technical background

Over 60% are IT or data personnels

Age structure

70% are 35 years old or below

Social recruitment

90% are from social recruitment

Portal for sending résumé to YOU+ BANK

QR code for downloading mobile banking app of YOU+ BANK

PSBC Wealth Management

PSBC Wealth Management Co., Ltd. was established on December 18, 2019, with a registered capital of RMB8 billion, in which the Bank holds a 100% stake. Its business scope is: public issuance of wealth management products to the general public, investment and management of entrusted assets for investors; non-public issuance of wealth management products to eligible investors, investment and management of entrusted assets for investors; financial advisory and consulting services; and other businesses approved by the CBIRC. As at the end of the reporting period, PSBC Wealth Management Co., Ltd. had total assets of RMB11,669 million and net assets of RMB11,149 million. During the reporting period, it realized operating income of RMB1,019 million and recorded a net profit of RMB671 million.

The year 2022 is the first year of the formal implementation of the new rules on asset management. PSBC Wealth Management adhered to the operating principles of "stabilizing growth, promoting reform, controlling risks, enhancing capability and pursuing high-quality development with high standards", improved its comprehensive competitiveness in all aspects and explored a differentiated development path with its own features.

Majority-Owned Subsidiaries

PSBC Wealth Management bore in mind the country's most fundamental interests, served the real economy, developed inclusive finance and facilitated the development of elderly care. It earnestly supported the development of green finance. In March 2022, PSBC and PSBC Wealth Management held the PSBC Green Finance Forum and the launch event for STOXX PSBC China A ESG Index. PSBC Wealth Management actively supported infrastructure construction, and invested RMB366 million in infrastructure REITs on an accumulative basis, which included the incremental RMB219 million during the reporting period. It promoted inclusive finance and rural revitalization and launched 19 products to benefit farmers, raising a total of RMB7,684 million. It also made plans of financial services for old-age care, prepared for the application and issuance of wealth management products for elderly care, and supported the development of third-pillar pension plans. During the reporting period, PSBC Wealth Management generated a total income of about RMB11 billion for customers.

PSBC Wealth Management put customers at the core, with the scale of net worth products expanding continuously, and the product mix significantly improving. It established the "Zhong You Hong" product system, targetting its major customer group while taking into account the needs of other customers. It increased fixed income plus and fixed income-centric hybrid products, and developed equity-centric hybrid products, equity products and customized index products. As at the end of the reporting period, the scale of net worth products of PSBC Wealth Management reached RMB851,816 million, an increase of 10.96% over the end of the previous year. The products were mainly fixed-income products, with its scale up RMB115,034 million from the prior year-end, and its scale accounted for 89.13% of the total. The proportion of fixed income plus products maintained an upward trend.

PSBC Wealth Management adhered to the customer-oriented principle, served the wealth management needs of individual and institutional customers, and the number of customers continued to increase. It gave full play to the advantages of synergy between China Post Group and PSBC as well as the extensive network, and continued to carry out marketing, promotion, training and roadshow activities. As at the end of the reporting period, the number of individual wealth management customers reached 5,954.5 thousand, an increase of 6.63% over the end of last year. PSBC Wealth Management integrated internal resources, streamlined the collaboration mechanism, provided customers with exclusive and competitive wealth management solutions, and formed three major customer groups, namely central and state-owned enterprises, top internet companies and listed companies with abundant cash flows. It had 6,829 institutional customers, representing an increase of 36.91% from the end of last year.

PSBC Wealth Management enhanced its investment analysis and risk control capabilities to drive its high-quality development. It vigorously promoted the establishment of the investment analysis system, formed an integrated decision-making mechanism for investment analysis and a multi-asset and multi-strategy asset allocation system, and continuously optimized the investment analysis team. It further optimized and reengineered the investment analysis business process, restructured the authorization system, enhanced the IT management to empower the front office, and continuously improved the core professional capabilities of investment analysis. As at the end of the reporting period, multiple fixed income products of PSBC Wealth Management performed well. It continued to enhance its risk control and compliance capability, focused on product performance evaluation and risk appetite management, strictly controlled retracement and advanced comprehensive risk management. Furthermore, PSBC Wealth Management actively implemented regulatory requirements on rectification and transformation of wealth management business, product issuance and sales, investment operation, information disclosure, valuation management and risk management to ensure a clean start of wealth management business.

PSBC Consumer Finance

PSBC Consumer Finance Co., Ltd. was established on November 19, 2015, with a registered capital of RMB3 billion, in which the Bank holds a 70.50% stake. Its business scope is: granting personal consumer loans; accepting deposits from shareholders' domestic subsidiaries and domestic shareholders; borrowing from domestic financial institutions; issuing financial bonds upon approval; domestic interbank funding; advisory and agency services related to consumer finance; agency sales of insurance products related to consumer finance; investment in fixed income securities; asset securitization business; other businesses approved by the CBIRC. As at the end of the reporting period, PSBC Consumer Finance Co., Ltd. had total assets of RMB43,514 million and net assets of RMB5,135 million. During the reporting period, it realized operating income of RMB2,943 million and recorded a net profit of RMB191 million.

2022 is a crucial year for the high-quality development and transformation of PSBC Consumer Finance. The company further advanced the main tasks of "expanding users, adjusting structure, controlling risks, improving efficiency and strengthening empowerment". Adhering to the business principle of "making progress while ensuring stability", it actively implemented the national macro-financial policies, resisted the downward pressure on the economy, and overcame the adverse impact of the pandemic. It continued to serve people with low and middle income to help promote consumption, expand domestic demand and advance the resumption of work and production with financial assistance, fulfilling its mission and responsibility of promoting financial inclusion.

PSBC Consumer Finance actively performed its social responsibilities and earnestly protected the legitimate rights and interests of consumers. First, it reduced loan interest rates and borrowing cost for customers. In the first half of the year, the price of newly granted loans fell by 1.41 percentage points from the same period of last year. Under the adverse circumstances of rising downward pressure and persistent impact of the pandemic, it continued to reduce interest rates to benefit consumers. Second, it released 49 short videos themed "Rational Consumption" and "Protection of Consumer Rights and Interests", which attracted more than 120 thousand likes, and helped create a social environment featuring reasonable borrowing and rational consumption. Third, it implemented financial relief policies for easing the difficulties of 19 thousand customers hit by the pandemic, including special interest and fee reduction, repayment deferral, credit support program and mediation service. A total of over RMB49 million of interest and fees were reduced to help customers weather the difficult period.

In the first half of 2022, PSBC Consumer Finance continuously adjusted its business structure and strengthened business transformation in response to the ever-changing external environment and market competition, and achieved expected results. First, it continuously optimized operation management, reduced customer acquisition costs and attracted higher-quality customers. It reached customers online through multiple scenarios, focused on acquiring high-quality users and resources and trialed the use of high-value user models, cutting customer acquisition costs by 23%. Second, it made greater efforts to tap the potential of existing users, enhanced user activity, introduced telemarketing, and improved the conversion rate of customers throughout the life cycle. Third, it pushed forward digital operation and improved data-driven decision-making and operating capability.

PSBC Consumer Finance continued to make new breakthroughs in the coordinated development with PSBC and China Post Group. First, it promoted the development of "PSBC Your Loan" in cooperation with PSBC mobile banking. By managing existing users through smart telemarketing and private domain operation in WeCom, it further tapped into the capacity of "PSBC Your Loan". Second, it vigorously promoted the referral and marketing of agency outlets, and boosted customer acquisition through SMS marketing, gifts for new customers and referral by old customers. Third, it strengthened cooperation with the express delivery and logistics segment and carried out joint operation with the e-commerce segment of China Post Group, further promoting coordinated development and achieving good results.

Financial Technology

The new generation core system for personal banking business was put into operation on all fronts.

90 data service items were launched on the data middle-office platform, providing support for rural revitalization, e-CNY, etc.

FinTech innovation and application layout featuring "platform + capability + application" was formed.

The Bank followed the guidance of its IT Planning for the 14th Five-Year Plan period, the five-year big data planning, the cybersecurity planning, etc., focused on high-quality development empowered by technology, accelerated the development of IT empowerment capability, deepened data governance, promoted FinTech innovation and application, and strengthened IT risk prevention and control capability, so as to lay a solid technological foundation for the digital transformation of the Bank.

IT Team Building

Attaching great importance to the development of the IT team, the Bank recruited IT personnel on a regular basis and steadily promoted refined management of IT recruitment. It made continuous efforts to expand the IT team and build a young and professional IT team. As at the end of the reporting period, 81.41% of IT personnel[1] were under 35 years old. The Bank organized and held a series of IT training, accelerated the development of a three-level talent echelon of "youth, backbone and leader", and further refined the incentive and restraint mechanism for IT personnel. Those efforts effectively improved the professional abilities of the IT team.

Column

Focusing on the Integration of Business and Technology to Improve the Value of Innovation

The Bank stepped up efforts to promote coordination between business and technology. Through the implementation of the four "new generation" systems, ten major programs and 100 key projects, the Bank further strengthened the development of the enterprise-level sharing platform, promoted agile R&D in depth, and put the IT team close to the business frontline, to support the digital transformation of the Bank at a faster pace.

Improving business management and control capability

Through the **new generation credit business platform**, the Bank continued to promote the development of intelligent credit business by introducing intelligent inquiry, visual data panel, etc., to support business development in all respects and at all levels. Firstly, a new mode of zero-contact service is provided. With acceptance of business application, review and approval, investigation, post-lending services, etc. being brought online, customers can get business done within doors. Secondly, the platform has addressed customers' difficulties in capital turnover. The policy of deferring repayment in an apportioned model has effectively eased customers' pressure as their solvency decreases due to the impact of the pandemic. Thirdly, the platform has provided unique service support to relieve difficulties for special customer groups, increased support to the real economy, and worked faster to develop featured products. For the logistics and freight industry, the Bank has added the loan product for purchase of operational vehicles to help truck drivers and logistics and transportation business owners solve their financing difficulties.

As for the **CRM platform (corporate banking)**, the Bank kept enriching and refining the customer tag library and indicator system. It built a visual dashboard of customer groups, realized tracking across the whole process of marketing tasks and penetrating marketing throughout the capital chain, and empowered the primary-level employees in precision customer marketing. During the reporting period, the platform served 2.84 million corporate customers, with an account binding rate of 94.46%. It had more than 400 customer groups under refined management, completed 137 thousand reservations for corporate account opening, and effectively improved work efficiency of account managers.

1 Including personnel of the Head Office's Information Technology Management Department, Financial Technology Innovation Department, Information Management Department, Software Research and Development Center and Data Center.

Improving service support capability

As for the **new generation core system for personal banking business**, the Bank optimized business process, improved efficiency and cut processing time for customers. The average transaction time of international remittance was reduced by 50%, and the average response speed of deposit transactions improved by 22%. The system provided customers with a panoramic view which is shared across all channels at enterprise level and provides strong support to its business development, analysis and statistics. It can match with different business scenarios, support quick business innovation, and improve capability of developing personalized, differentiated and customized products and services for the market and customers at a faster pace. The Bank also enriched and improved the anti-fraud function of the system and further improved its operational risk controllability and compliance management capability.

Regarding the **new generation core system for corporate banking**, the Bank adopted the enterprise-level modeling approach and distributed micro-service architecture that fully connect customers, products and channels, and helped improve six capabilities, namely, customer services, product innovation, data integration, risk management and control, intelligent operation, and personalized demand, promoting the high-quality development of the corporate banking business.

Through the **personal wealth management system**, the Bank built a unified wealth system centering on products, customers, teams, marketing, and channels to improve digitalization of wealth management. It strengthened the development of the "macro policy – market – portfolio – product" asset allocation system to further improve professional wealth management capability.

Enhancing innovation and expansion capability

The **e-CNY business system**, with its flexible architecture and stable performance, supports the Bank's innovation of e-CNY products, scenarios and ecosystem. During the reporting period, the Bank refined 179 functions of products and rolled out many innovative products including e-CNY Consumer Loan, Corporate Umbrella Wallet, etc. It explored a variety of distinct, frequently-used application scenarios including Party fee payment, refueling payment with hardware wallet, payment of social security contributions, utilities payment, etc.

The Bank improved its **open bill payment platform** featuring greater openness and cooperation, and enabled its access to channels such as mobile banking, WeChat banking, WeChat, Alipay, etc. During the reporting period, it had 17,465 active fee collection users, up 91.97% year on year; the transaction amount recorded RMB70,893 million, up 135.81% year on year; payment service users reached 26,195.8 thousand, up 195.08% year on year, a leading position in the industry.

The **new generation intermediary business platform** adopts the "standardized plus personalized" services and Head Office-branch cooperation mode. It opens APIs to provincial branches and supports them in providing personalized agency payment and collection services such as opening of payment service, distribution of social security funds, fund supervision, etc. through assembled service flow. The daily average transaction volume surpassed 10 million with daily average transaction amount over RMB10 billion.

The **Sichuan-Tibet Railway fund supervision system** is a FinTech product with technology output capability independently developed by the Bank. The system mode has been promoted to Hubei and Jiangxi. The Nanchang-Jiujiang High-speed Railway fund supervision system and High Speed Railway along the Yangtze River (Hubei Section) fund supervision system have been completed. The total bid-winning amount was nearly RMB60 billion.

Enhancing organizational management capability

The **integrated marketing performance management system (corporate banking)** went live on June 8. A total of 190 performance evaluation programs have been created, covering institutions at all levels across the country. By building the online "bonus points plus balanced scorecard" evaluation mode, the system achieved "one file for one person, automated score generation and timely evaluation", providing all-scenario management support to the Bank in conducting precision evaluation and improving marketing performance.

Column

Realizing Independence and Controllability of Key Technologies and Putting into Full Operation the New Generation Core System for Personal Banking Business

On April 23, 2022, PSBC's new generation core system for personal banking business was put into full operation. The system is the first core system for personal banking business among large banks, which is built using both enterprise-level business modeling and distributed microservice architecture. It adopts a distributed core system solution with proprietary intellectual property rights through universal servers and cloud platform deployment. This is an important practice of achieving independent control of key financial technologies in the Chinese banking sector.

The new generation core system for personal banking business is a significant achievement in the Bank's efforts in tackling key technology problems. The system has the following features. First, following the design thought of "decoupling – reconstruction – reuse", it has made things simpler through enterprise-level business modelling. By reshaping core transaction procedures, it has improved user experience. Second, it has developed and assembled nearly 5,000 "building block-like parts", realizing flexible assembly of products and reducing code development. With technology agility driving business agility, it can meet personalized, differentiated and customized product innovation needs. Third, it has independently developed solid and reliable distributed technology platform and operation maintenance platform, which can be dynamically stretched and flexibly expanded when needed. With such platforms, business transactions can be tracked through the whole chain from front end to back end and from service interfaces to internal components. Fourth, it has realized customer-unconscious switch using online migration, ensuring business continuity, reducing switch risk and creating a new switch-to-online mode of core systems of large banks.

The successful launch of the new generation core system for personal banking business marks a striking upgrade in the Bank's core technology capability and realization of independent control of key technologies. It has opened up a transformation path with a distributed platform serving over 600 million customers and a new chapter of the Bank's FinTech development. It has injected new vitality into the digital transformation, created a new engine for building a first-tier large retail bank, and provided important reference for the Chinese banking sector in the transformation of core system architecture.

Enhanced Independence and Controllability

The Bank stepped up efforts in independent R&D, and completed independent R&D of 98 systems including new generation anti-money laundering system, comprehensive risk management system and credit anti-fraud system. It accelerated the transformation and upgrading of the distributed architecture and optimized basic development platforms, which effectively supported key projects such as the new generation mobile banking and personal wealth management system, improved the quality and efficiency of project R&D, and realized accumulation, sharing and reuse of software assets across the Bank.

The Bank continued to strengthen the standardized and militarized management of operation and maintenance. It actively promoted automated scenario building and implementation of the four major basic platforms for operation and maintenance and realized the integration of monitoring, management and control functions, achieving further improvement in the automation of operation and maintenance.

The Bank realized the efficient coordination between the Head Office and local centers. In the face of pandemic outbreaks, local centers promptly filled the gap to ensure the safe and stable operation of information systems across the Bank. No significant systemic failure or information security risk incident occurred.

Strengthened Data Capabilities

Guided by the new round of five-year planning for big data, the Bank continued to strengthen data capability building to support its digital transformation. It deepened data governance by building a professional and standardized governance system. It established and put into operation the data asset management system with PSBC's characteristics, built a unified data asset view, and formed a data asset operation ecosystem. Meanwhile, the Bank put into place relevant laws and regulations including the Data Security Law and the Personal Information Protection Law, fostered a data security culture, and built the "moats" and "safety valves" for data security in multiple dimensions.

The Bank further strengthened the foundation of big data platform. It integrated data of 142 important business systems of the Bank, refined the ten major themed financial data models and six big data marts including customer data mart and risk data mart, and provided efficient and quality data support to various business scenarios including reporting to regulators, risk control and business analysis. Meanwhile, it sped up the establishment of the data middle-office, strengthened data service output capability, realized functions like real-time service monitoring and metadata management, and brought online 90 data service items, which supported key fields in business development such as rural revitalization and e-CNY.

The Bank kept promoting the application and dynamic management of big data analysis in different scenarios. During the reporting period, it launched 33 analysis projects which cover the key fields of customer analysis, risk monitoring, marketing management, regulatory compliance and basic services. With a focus on priorities of the country, it developed special data dashboards such as "retail" and "Sichuan-Tibet Railway", as well as light data products such as "outlet portrait". In the field of rural revitalization, it established accumulated data for five key customer groups, namely, "villages, communities, households, enterprises and shops", which identified customer needs, effectively improved analysis efficiency and supported marketing reach. The Bank also pushed for the lifecycle management of data analysis models and managed models concerning marketing, risk monitoring, etc. by automated workflow, which further improved management efficiency.

Column

Holding the Third Data Modeling Competition to Energize Innovation

The Third Data Modeling Competition of PSBC was jointly sponsored by the Trade Union of National Defense, Post and Telecommunications of China and China Post Group and was organized by PSBC. The Competition was open to staff in the financial sector of China Post Group across China, aiming to improve employees' digital skills and set up a three-in-one big data platform that integrates "data modeling, innovative practice, and communication & training", so as to support enterprises in speeding up their digital transformation.

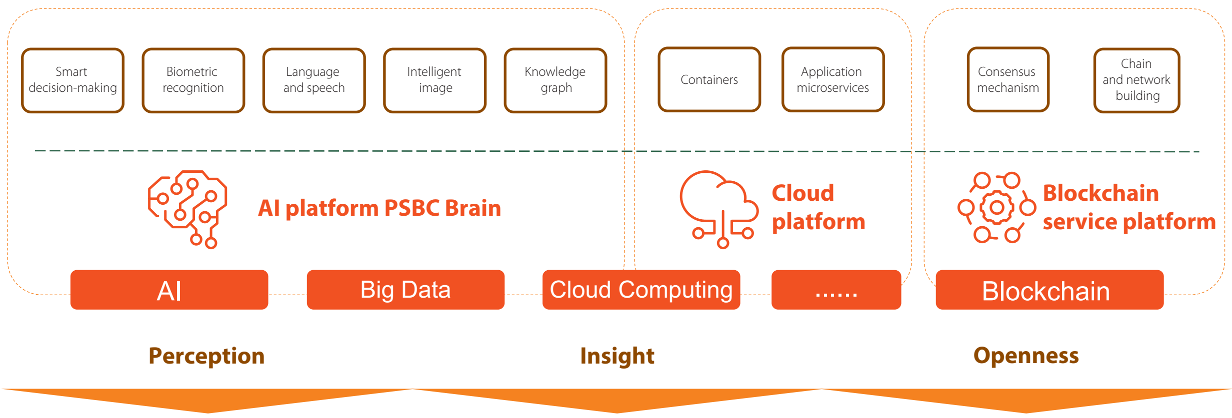
The competition has two events, namely, "data modeling" and "data application", forming a closed loop of analysis and application. The "data modeling" tests competing teams' problem analysis and model R&D capabilities, while the "data application" focuses on scenario design and application based on model R&D. A total of 1,664 people in 314 teams signed up for the "data modeling" event. They were from 82 institutions including China Post Group and PSBC. With a focus on the four major fields of retail banking, rural revitalization, serving the real economy, and risk compliance, the competing teams selected modeling topics that directly address the pain points, difficulties and hot topics in business development, including not only subjects on business development solutions but also analysis on reasons for imbalanced regional development. The synergy between business segments was highlighted, and over 70% of the teams were formed by employees across institutions and business lines. The top 100 teams of the competition will compete in the semi-final and final in the second half of the year. At the same time, the Bank actively promoted the application of excellent modeling cases from previous events. The winning cases in the first two competitions have been promoted nationwide.

The Bank has always adhered to the digital transformation and development strategy. Through data modeling competitions, it continued to stimulate creativity across the Bank, further strengthened data thinking and cultivated data culture. It actively created a sound atmosphere of digital transformation, promoted digital awareness, encouraged institutions at all levels to meet business needs with data means, promoted the improvement of management and efficiency, and boosted the digital transformation and development of the Bank.

Number of people signing up for the first, second and third Data Modeling Competition
(in person)

Application of New Technologies

Adhering to innovation-driven development, the Bank continued to deepen innovative application of new technologies. It improved the AI platform PSBC Brain, enriched the functions of the six major capability clusters including intelligent image and knowledge graph, and accelerated the application and incubation of innovation projects, forming a "platform + capability + application" FinTech innovation and application landscape. By deepening application of the new technologies in the key fields of AI, blockchain and cloud computing and expanding the application in all areas, it built a bank-wide FinTech innovation capability output platform, and continued to promote the application of new technologies in business fields.



AI capability

- The intelligent language and speech system is embedded in the credit card APP, new generation mobile banking, telephone banking, etc. and empowers 12 business scenarios including voice broadcast, voice input, fuzzy search, past due payment reminder, repayment reminder, account change confirmation, customer service assistant, etc. The system assisted remote banking centers in completing speech-to-text processing of **0.16 million** recordings every day, with an accuracy of over **85%**. It covered **100%** of the call center recordings in the "two centers in three locations" of the Bank.

Cloud technology

- The Bank optimized the cloud computing architecture and promoted the cloud platform to extend from IaaS layer to PaaS and SaaS layers.
- The Bank optimized the functions of the cloud management platform and completed the migration and expansion of the cloud management platform, which can meet the growth needs of cloud resources within three years.
- **190** systems including mobile banking, online banking, mobile business terminals, etc. were provided with a private cloud platform.
- The daily transaction volume of the cloud platform reached **521 million**, accounting for **93%** of the total transaction volume.

Blockchain+

- Closely following the development of mainstream blockchain technologies, the blockchain service platform completed the transformation of a number of underlying open source architectures, and served the expansion and improvement of the management layer and the building of the U chain access layer.
- The "U chain supply chain" system granted **over RMB3.5 billion** loans and served more than 100 small and medium enterprises.
- The cross-border financial blockchain system processed **4,685** transactions in total, with a total financing amount exceeding **RMB9.9 billion**.

DISCUSSION AND ANALYSIS

Distribution Channels

Through physical outlets covering urban and rural areas, efficient and convenient e-banking channels and remote service channels, the Bank provides customers with high-quality products and satisfactory services.

Physical Distribution Channels

During the reporting period, the Bank put the concept of inclusive finance into practice, made consistent efforts to improve the marketing and service capabilities and image of outlets, improved the service environment of outlets, enhanced comprehensive service support and optimized customer journey at the outlets, and strived to improve customer satisfaction.

In order to enhance the marketing and service capabilities of outlets, the Bank adhered to the customer-centric philosophy, promoted refined and differentiated customer management, and built a professional and efficient talent team to improve customer service capability. Leveraging its outlet resources, the Bank has been organizing the investor education salon "Wealth Management Weekly Lecture" to popularize the concept of making investment and wealth management with scientific methods, turning outlets into a platform to create value for customers. Taking the comprehensive evaluation of institutions and the performance evaluation of customer managers as the core, the Bank strengthened the transmission of strategies from the Head Office, and developed a process-based marketing management mechanism to coordinate marketing resources and improve the comprehensive service capability of outlets.

Efforts were taken to improve the image of outlets, strengthen comprehensive service support, optimize customer journey at outlets and boost customer satisfaction. Firstly, the Bank improved the image and service environment of outlets. As at the end of the reporting period, more than 20,000 outlets installed the new signboard. Meanwhile, the Bank further clarified the content for modularized renovation of interior design at outlets, and gradually promoted the standardization of both indoor and outdoor images of outlets through micro-renovation and overall transformation. Secondly, the Bank continuously optimized outlet channels to strengthen comprehensive service support capability. It expanded convenient functions on self-service equipment such as pension insurance and social security card services, and improved the service for businesses with local characteristics. It promoted the integrated operation of counters, self-service equipment and intensive operation centers, launched a pilot "Cloud Counter" model, and explored face-to-face remote financial services to reduce the operating costs of outlets. By deploying more mobile business development terminals and expanding their functions, it facilitated customer acquisition through field marketing, lobby services and mobile-based authorization for outlets, so as to better meet the needs of customers for business services. Thirdly, the Bank consistently focused on the optimization of the customer journey at outlets to improve customer satisfaction. It established a "Touching Services" system at outlets to provide more considerate and proactive services. It also simplified the business processes at outlet counters and on self-service equipment, improved the interactive experience and enhanced business handling efficiency. It trialed on combined responsibilities of tellers and lobby managers, increased reuse of human resources at outlets, and increased the elasticity of the operational organization, thus enhancing the quality of customer services.

Upholding the inclusive finance philosophy, the Bank allocated more outlet resources to national key counties receiving assistance for rural revitalization. As at the end of the reporting period, a total of 1,775 outlets were established in national key counties receiving assistance for rural revitalization and throughout Xinjiang and Tibet, where the supporting policies for key counties receiving assistance for rural revitalization also apply.

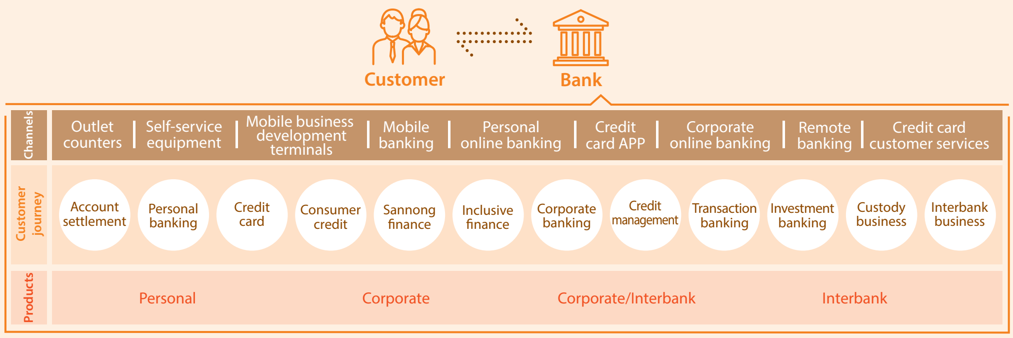
As at the end of the reporting period, the Bank had a total of 39,579 outlets, including 7,821 self-operated outlets and 31,758 agency outlets. The existing self-service equipment numbered 142,234, among which the number of intelligent teller machines (ITMs) was 50,257, accounting for 94.76% of non-cash business equipment. There were 56,546 sets of internet-connected mobile business development terminals.

Column

Driving Customer Journey Optimization through Innovation and Improving Service Quality and Efficiency with Technology Application

The Bank remained committed to its original aspiration of serving the people, upheld the service philosophy of "pouring our heart and soul for customer satisfaction", and regarded enhancing customer experience as a major bank-wide project for development.

At the enterprise level, the Bank established a service quality management framework covering all customer groups, products and channels, leading the entire bank to shift from the transaction mindset to the customer journey mindset. With the purpose of improving customer experience, the Bank established 54 customer journey maps across the Bank and adopted a systemic design for the overall business planning and ecosystem of the Bank, which defined a new banking service logic and new customer experience, and put ourselves in the shoes of customers to perceive and change the Bank's product logic, service mode and interactive design throughout the entire process.



Types of customer journey

The Bank strengthened its capability to empower services with FinTech. Through comprehensive digital remodeling and optimization of the customer journey, it promoted the application of new technologies such as artificial intelligence, blockchain, cloud computing, big data, internet of things, etc. The digital transformation rate of customer journey reached 75.94%.

Enhance the application of big data

- The daily transfer limit for personal account on mobile banking was raised to RMB **500,000**
- The processing time for opening a corporate account was shortened by **83%**
- More than **97%** of online loans of retail credit factory were reviewed and approved automatically
- **99%** of credit card applications was done electronically
- The processing time for online Easy Small and Micro Loans was shortened by **50%**

Deepen digital technology empowerment

- The counter processing time for business in addition to personal account opening was shortened by **60%**
- The processing time for customers buying their first offline personal wealth management products was shortened by **29%**
- The "Intelligent Instant Discounting" was successfully launched, shortening the disbursement time to **seconds**
- The bill issuance time for bill acceptance was shortened by **60%**

Promote mobile internet

- **80%** of Sannong customer managers offered "Cloud Studio" service
- Sannong loans with online collateral registry covered **67%** of tier-2 branch areas
- The disbursement time for Sannong loans with online collateral registry was shortened to **T+0**

Outcomes of customer journey optimization

With retail banking as the breakthrough point, the Bank launched an automated monitoring system for customer journey with active information collection, automated diagnosis, precise location, and continuous optimization, contributing to a more convenient and efficient process and more considerate financial services.

Customer journey indicator system

Electronic Banking Channels

The Bank continues to strengthen technology empowerment to improve customer experience and enhance the service efficiency of electronic banking channels. As at the end of the reporting period, 96.83% of its transactions were completed via personal electronic banking, representing an increase of 0.78 percentage point over the prior year-end.

Column

Leveraging the Advantage of Online-Offline Collaboration to Promote Digital Service Upgrading

Optimizing the mobile payment acceptance environment in county areas. With serving the economic development in county and rural areas as its purpose and ultimate goal, the Bank carried out the "Two improvements" campaign for merchant services in counties and rural areas, i.e. improving the acceptance level of mobile payment and optimizing the customer experience of mobile payment. It centered around the strategic plan of "Millions of Merchants in Thousands of Counties and Towns via Ten Major Scenarios", which focused on the county-level finance ecosystem, and continuously enriched scenarios and developed ten major scenarios including supermarket & convenience store, catering, medical & healthcare, culture, tourism & hotel, transport & travel, and education. Differentiated policies were applied to different counties, so as to empower the digital upgrading of merchants in county areas. As at the end of the reporting period, the number of county-level merchants in cooperation with PSBC reached 1,217.6 thousand, accounting for 55.5% of the Bank's total merchants, with the transaction amount exceeding RMB71.25 billion. A total of 418 demonstration counties for mobile payment acceptance had been developed. Among them, the Bank established smart tourist sites in Anhui, Jiangsu, Zhejiang, etc. to promote mobile payment services for rural tourism, covering various mobile payment scenarios.

Developing the scenario-based solutions of "life plus finance". On the basis of mobile banking, the Bank established the "Smart plus" platform with two smart scenarios of "campus and canteen". Upholding the concept of cooperation and collaboration, the Bank connected its service platform to those of its partners, and integrated their vertical industry applications with the comprehensive financial service capability of the Bank to form a smart ecosystem. It enhanced the integrated online and offline management capability of campus and canteen scenarios, assisted the customers in digital transformation and lowered the threshold for customers to promote IT development, forming a scenario-based service ecosystem covering all channels, all scenarios and the entire chain. As at the end of the reporting period, the number of customers acquired from education industry and canteen scenarios reached nearly 500.

Developing an "outlet + business circle" ecosystem. Relying on its extensive channel resources covering urban and rural areas, the Bank took outlets as the center and digital operation tool as the focus to build an integrated ecosystem featuring "offline PSBC business circles plus online mobile business circles". The offline business circles are based on the "PSBC Pay" acquiring services, covering catering, retail, culture and tourism and other livelihood service scenarios. As for online business circles, relying on PSBC Pay merchants and mobile business circle platforms, the Bank conducted marketing activities such as reward points redemption, cashback/immediate discount upon purchase, etc. for businesses and consumers. Through online-offline interaction, the Bank transformed the outlet marketing model to scenario-based customer acquisition, and established a new digital service platform featuring "outlets plus business circles". As at the end of the reporting period, the Bank established 4,480 standard business circles, covering 56% self-operated outlets and serving more than 100 million customers.

Mobile Banking

During the reporting period, the Bank focused on customer experience and optimized the functions of each section to improve mobile banking in terms of service capability and quality. It was dedicated to building mobile banking into a comprehensive online financial service platform to provide customers with personalized services with a human touch. As at the end of the reporting period, the number of mobile banking customers reached 335 million. The transaction amount of mobile banking was RMB6.75 trillion, with more than 49 million monthly active users (MAUs) of mobile banking.

Online Banking

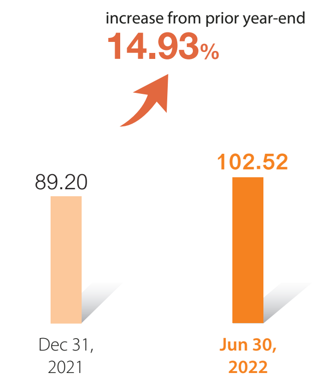
Personal Online Banking

During the reporting period, the Bank continued to enrich the personal online banking service system, strengthened the wealth management capability, improved multiple functions such as automatic investment plans, purchase of wealth management products, etc., and optimized functions such as bank transfer query, online customer service, etc. As at the end of the reporting period, the number of personal online banking customers reached 249 million.

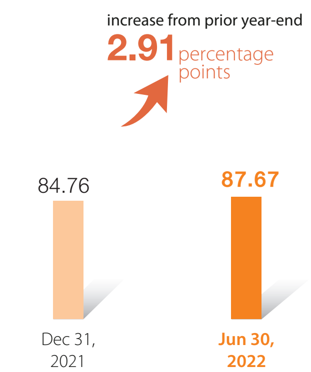
Corporate Online Banking

During the reporting period, the Bank focused on improving the overall online experience of corporate customers, and launched online corporate banking 3.0 with streamlined operation procedure, faster system response, more user-friendly features and smart services. As at the end of the reporting period, the number of corporate online banking customers exceeded 1 million mark to reach 1,025.2 thousand, an increase of 14.93% over the prior year-end; and 87.67% of corporate customers opened online banking accounts, an increase of 2.91 percentage points over the prior year-end.

Number of online corporate banking customers
(In 10,000)



Percentage of corporate customers with online banking accounts
(percentage)



Credit Card APP

During the reporting period, the Bank launched the PSBC Credit Card App 4.0, and developed a core online platform for the credit card business. By enriching financial services and introducing new functions such as large-font interface, customer service lobby and installment payment by scanning the QR code of merchants, the Bank worked to enhance the service experience of different customer groups. It adopted a new UI design, released themed skins and supported personalized visual effects, creating a youthful and superior visual style. It expanded consumption scenarios by adding new features such as a brand promotion section and event calendar, and optimized the display effect of marketing scenarios such as local special offers and coupons, which led to a higher level of immersion for users and an exclusive marketing experience for customers. As at the end of the reporting period, the number of PSBC Credit Card APP users reached 10,886.2 thousand, an increase of 42.63% over the prior year-end. The accumulated number of bank cards linked to PSBC Credit Card APP amounted to 13,440.1 thousand, an increase of 48.80% over the prior year-end.

The PSBC Credit Card APP 4.0 went live

Remote Service Channels

Remote Banking Center

The Bank relied on FinTech empowerment to improve customer services and boost customer experience. Through intelligent model training and big data analysis, it worked to provide more targeted and intelligent services and enhance customer satisfaction. It enriched video customer service scenarios, and realized "video + audio + text" multimodal interaction to provide customers with a greater interactive experience. In addition to ensuring service delivery for regular epidemic prevention and control, the Bank provided e-CNY customer services and support during the Winter Olympics, opened a direct-dial hotline dedicated to servicemen, and enhanced the experience of featured customer groups.

Credit Card Customer Service Hotline

During the reporting period, the Bank focused on digital transformation of the credit card customer service hotline, promoted the upgrading and iteration of intelligent customer services, and expanded the intelligent service scenarios. As a result, the percentage of intelligent customer services increased to more than 79%, with the accuracy rate of intelligent recognition reaching 94.77%. The customer service hotline maintained steady operation. The manual response rate reached 95.91% with customer satisfaction for manual services reaching 99.69%. Customer experience was continuously improved. In order to strengthen consumer rights protection, the Bank explored new modes of consumer rights protection in the context of digitalization, developed a diversified dispute resolution mechanism and expanded case acceptance channels of the consumer rights protection hotline.

Column Facilitating the Pilot Research of E-CNY in an Orderly Manner

PSBC participated in the 3rd Western Digital Economy Expo

In the first half of 2022, as a designated operator of e-CNY, the Bank made full use of its unique resources to strengthen product R&D and scenario development, in a bid to further promote the e-CNY pilot program. Upholding the decisions made by the PBOC, the Bank expanded pilot programs in an orderly manner, developed featured scenarios including postal and delivery services and launched e-CNY application scenarios in medical & healthcare, transport & travel, culture & tourism, rural revitalization, and department store & retail sectors in new pilot cities, so that the Bank could get in on the ground floor of e-CNY businesses and improve its financial ecosystem. As at the end of the reporting period, the number of personal wallets opened through the e-CNY APP ranked first among the authorized operators, and the Bank was in the forefront of the authorized operators in terms of accumulated e-CNY transactions, which reached over 85.86 million.

Enhancing the guiding role of innovation and promoting scenario development. The Bank proactively developed e-CNY retail transaction scenarios, worked with PSBC Consumer Finance to launch the first innovative practice of full-process online e-CNY loan application and repayment, and cooperated with China Sports Lottery Administration Centre to launch the first domestic scenario that supports the purchase of sports lottery with e-CNY in the sports lottery sales system in Fuzhou. In terms of the government service scenarios, the Bank supported social security and medical insurance payment with e-CNY in Changsha and Xi'an, and enabled e-CNY tax payment in Hainan, Changsha, Suzhou and Xi'an. In order to expand bill payment scenarios, the Bank leveraged its open bill payment platform to provide e-CNY bill payment services for 361 fee collection agencies in pilot cities.

Strengthening cooperation with external partners and expanding application areas. The Bank proactively promoted interbank e-CNY cooperation. It signed cooperation agreement on e-CNY services with around 80 banks, and successfully exported e-CNY service capabilities to peer institutions including wallet management, red packet consumption coupons, gateway payment and protocol payment. It also cooperated with 27 professional SaaS providers on e-CNY payment services for merchants, providing professional services to more than 5,000 premium merchants in retail, hotel, catering and medical sectors, thus forming an ecosystem for e-CNY application.

Stepping up marketing efforts to build customer awareness. The Bank launched e-CNY APP promotional videos and e-CNY educational videos to prevent telecom and cyber fraud, and leveraged online and offline channels such as WeChat official account, Weibo and outlet lobbies to popularize e-CNY knowledge among customers and show them how to use e-CNY properly. By participating in the 3rd Western Digital Economy Expo and China (Guangzhou) International Finance Expo (GIFE), the Bank was able to present its achievements in e-CNY product R&D and scenario application to the public. It also took part in the e-CNY red packet consumption coupon campaign organized by the local governments of Shenzhen, Chengdu, Xiamen and Ningbo, etc. The Head Office launched a unified marketing program featuring cash back upon purchase on Ule.com, while the branches organized more than 30 e-CNY marketing events with local characteristics, attracting more than 600 thousand people to participate in the activities.

Human Resources and Institution Management

Human Resources Management

In terms of talent team building, the Bank thoroughly implemented the 3-year talent development plan, and took a combination of measures to ensure the supply of high-quality talent resources for its transformation and development. As of the end of the reporting period, 81.28% of its employees held a bachelor's degree or above. Through the implementation of the key talent program, the Bank increased the proportion of talents in strategic key areas such as IT and marketing in an orderly manner and optimized the structure of the talent team. It accelerated the selection and training of Head Office-level professionals and effectively gave play to the exemplary role of high-end talents. It continued to push for the building of Pilot Project talent pools, actively seeking and reserving excellent young management personnel and building sufficient talent pools of management personnel at all levels with excellent quality. Meanwhile, it carried out two-way exchanges between the Head Office and branches to enrich talents' working experiences in different positions and boost the vitality of the talent team. Based on the "management plus expertise" dual promotion lines for employees, the Bank increased the promotion in terms of rank and continued to strengthen the establishment of core talent teams in key fields.

In terms of talent training, the Bank continued developing and cultivating talents at greater depth and improved the comprehensive capabilities of employees across the Bank. During the reporting period, the Bank closely followed the trends of business management and development and improved a talent training and development system with centralized and remote training as major approaches and Party School training and qualification certification as supplementary ones. By optimizing selected training projects, the Bank improved the quality and effectiveness of training. Meanwhile, it spread the ideas of continuous learning and lifelong learning to urge employees to strengthen their professional competency and grow with the Bank. With the goal of improving the professional competency of employees and based on the position categories, the standards of qualifications for all positions were clearly defined from five key aspects, namely, the formulation of qualification standards, the development of learning resources, the organization of training and learning, the job qualification certification and continuing education. The Bank established the job qualification certification in a systemic way and regularly carried out job qualification certification. The Bank also enhanced the team building of internal lecturers, developed training resources and continuously upgraded its online training platforms, further consolidating the foundation of training. During the reporting period, over 19,000 online and offline training sessions were organized with more than 1.56 million person-times trained.

In terms of remuneration and benefits management, based on its strategy and its human resources management strategy, the Bank highlighted the orientation of performance and value creation, optimized the payroll allocation system and increased labor cost input-output efficiency. It improved the remuneration allocation mechanism, promoted tenure-based remuneration management for executives, stressed the role of market in remuneration allocation, and gradually established a competitive remuneration system for key personnel. Meanwhile, it continued to improve its benefit system and employee benefits package to enhance employees' senses of security, belonging and happiness.

Employees

As of the end of the reporting period, the Bank had a total of 190,222 employees, among which, 175,009 were contracted employees (including 1,421 in majority-owned subsidiaries), and 15,213 were dispatched employees. The number of retired employees of the Bank was 22,858.

The Bank's Employees by Age

Item	Number of employees	Percentage (%)
Under 30 (inclusive)	28,756	16.43
31-40	88,210	50.40
41-50	41,311	23.61
Over 51 (inclusive)	16,732	9.56
Total	175,009	100.00

The Bank's Employees by Education Background

Item	Number of employees	Percentage (%)
Master's degree and above	15,303	8.75
Bachelor's degree	126,938	72.53
Associate degree	28,668	16.38
Others	4,100	2.34
Total	175,009	100.00

Institution Management

The Head Office of the Bank, being the hub for decision-making and management of the Bank, is located in Beijing. The Bank has established tier-1 branches in the capital cities of provinces, autonomous regions, municipalities, and cities with independent planning status. As the operation management center within the corresponding regions, tier-1 branches are responsible for managing all sub-branches in their respective areas and directly report to the Head Office. Tier-2 branches are generally set up in the prefecture-level cities in provinces and autonomous regions. In addition to their operation management functions, tier-2 branches are also responsible for managing lower-level branches and sub-branches, and report to the tier-1 branches in their respective regions. Tier-1 sub-branches primarily undertake the functions of business operation and outlet management, and report to their supervisory tier-2 branches. Tier-2 sub-branches primarily undertake the function of business operation.

During the reporting period, the Bank continued to optimize its organizational structure so it can better serve strategies and business development. It set up the Xiongan New Area Development Service Committee under the senior management of the Head Office, to increase support for the development of Xiongan New Area. Meanwhile, according to the requirements of the central government and regulators, the Bank optimized the bank-wide audit management system, further strengthened the vertical management of audit work, and improved the independence and authority of internal audit to serve the high-quality development of PSBC.

As of the end of the reporting period, the Bank had 8,131 institutions, including the Head Office, 36 tier-1 branches, 324 tier-2 branches, 2,085 tier-1 sub-branches, 5,682 tier-2 sub-branches, and three majority-owned subsidiaries.

The Bank's Branches, Sub-Branches and Employees by Geographical Region and Asset Size

In millions of RMB, except for percentages or otherwise stated

Region	Asset size	Percentage[1] (%)	Number of institutions	Percentage (%)	Number of employees	Percentage (%)
Head Office	6,054,023	31.05	1	0.01	6,282	3.59
Yangtze River Delta	2,078,522	10.66	952	11.71	19,209	10.98
Pearl River Delta	1,342,876	6.89	727	8.94	18,496	10.57
Bohai Rim	2,195,410	11.26	1,125	13.83	26,135	14.93
Central China	4,085,516	20.95	2,382	29.30	44,685	25.53
Western China	2,796,787	14.35	2,126	26.15	40,062	22.89
North-eastern China	942,756	4.84	818	10.06	20,140	11.51
Total	13,426,421[2]	100.00	8,131	100.00	175,009	100.00

1 The proportion of total assets in each region is calculated based on the aggregated data before offsetting.

2 Total assets are the amount after internal offset, and the offset amount is RMB6,069,469 million.

Column

Focusing on Young People and Creating a PSBC Culture IP

Young employees are the backbone and hope for enterprise development. To support the growth and development of young employees across the Bank and create a positive atmosphere in which every young employee can be successful and outstanding, the Bank launched the "PSBC New Youth" project.

With a focus on the young employees of the Bank, the project is committed to creating an exclusive youth culture IP. Starting with the basic traits and cultural preferences of post-90s and post-95s employees, the project connects to young employees through quality contents, carries and extends the connotation of corporate culture with cultural & creative products, builds a communication matrix by integrating different cultural forms such as micro periodicals, comics, short films, derivative cultural & creative products, immersive exhibitions and themed forums, and explores a brand new paradigm for internal communication of corporate culture. The Bank has, via its official WeChat account, released short films We Are the Future and PSBC New Youth and launched the "Stories of 100 PSBC New Youth" column. Featuring short stories about growth, struggles and attitudes towards life told in a vivid tone by young employees of the Bank, the column has shown the innovative and striving spirits of the new-generation youth of PSBC and demonstrated the spiritual connotation of "PSBC New Youth", striking a chord with the broad masses of young employees.

QR Code of the PSBC New Youth stories

QR Code of the PSBC New Youth-themed video

Risk Management

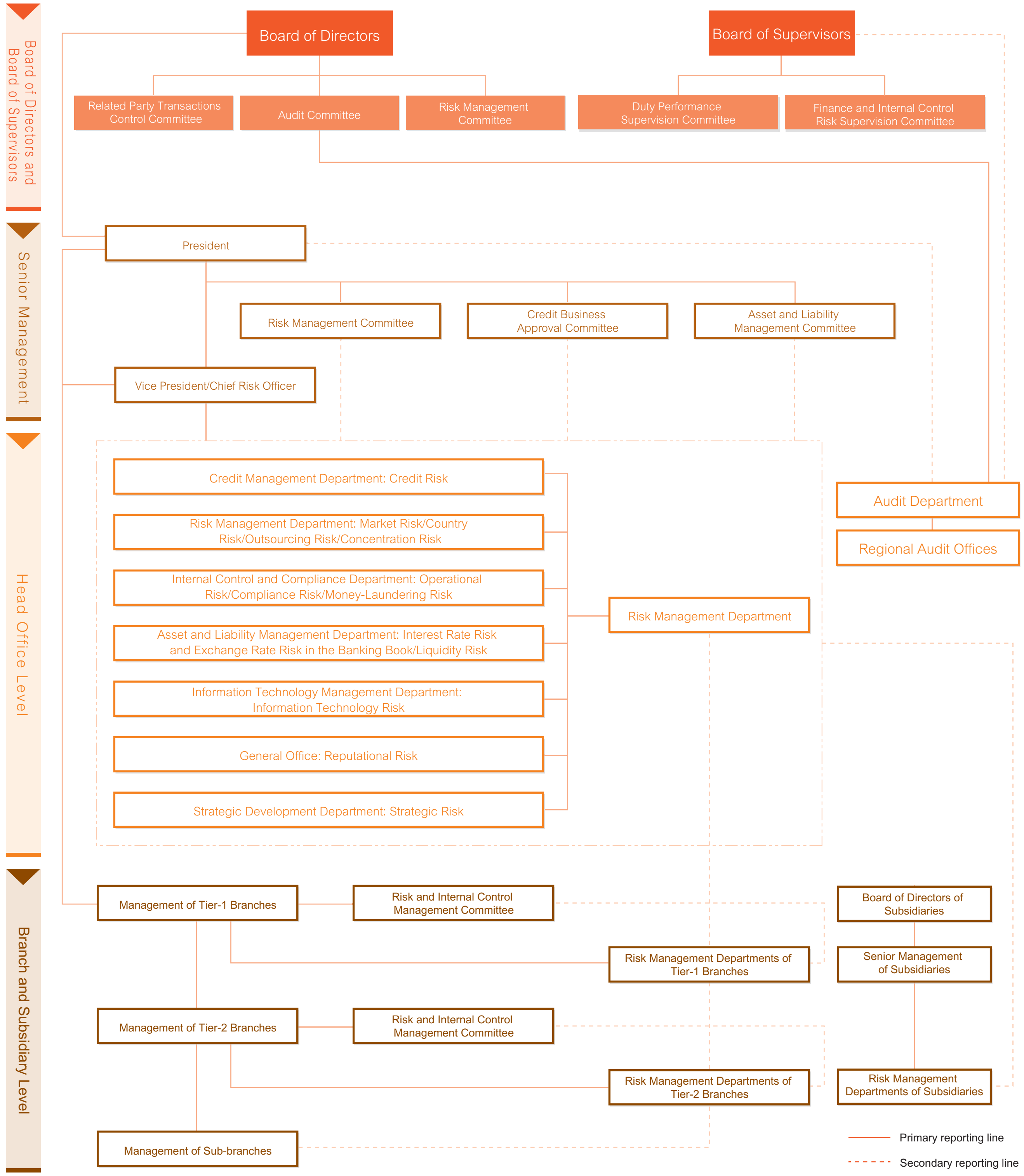
Risk Management Organizational Structure

The Board of Directors assumes the ultimate responsibilities for comprehensive risk management. It is responsible for establishing the risk culture, formulating and approving risk management strategies, setting and approving the risk appetite and ensuring the establishment of risk limits, reviewing and approving major risk management policies and procedures, monitoring comprehensive risk management implemented by the senior management, reviewing comprehensive risk management reports, reviewing and approving disclosure of comprehensive risks and various significant risks, appointing Chief Risk Officer, and performing other duties related to risk management.

The Board of Supervisors assumes the responsibilities for supervising comprehensive risk management, and is responsible for supervising the Board of Directors and the senior management in fulfilling their duties of risk management and urging them to make rectifications.

The senior management assumes the responsibilities for the implementation of comprehensive risk management and execution of the Board's resolutions. It is responsible for setting up the operation and management structure in line with the requirements of comprehensive risk management, clarifying division of responsibilities among departments responsible for comprehensive risk management, business departments and other departments in risk management, establishing an operational mechanism with effective coordination and balanced power across departments, and formulating a clear execution and accountability mechanism to ensure adequate communication and effective implementation of risk management strategies, risk appetite and risk limits. It sets up risk limits according to risk appetite determined by the Board of Directors, including but not limited to dimensions such as industry, region, customer and product. It also formulates risk management policies and procedures, makes regular assessments, with adjustments when necessary, and assesses the management of comprehensive risks and various important risks with reports submitted to the Board of Directors. It establishes a sound management information system and a data quality control mechanism, oversees violations of risk appetite, risk limits, risk management policies and procedures, and deals with them under authorization of the Board of Directors. It also assumes other responsibilities of risk management.

Risk Management Organizational Structure



Note: Other risks not mentioned above have been incorporated into the Bank's comprehensive risk management framework.

Comprehensive Risk Management

Facing the complicated and severe international environment and the impact of domestic COVID-19 cases, the Bank actively fulfilled its responsibilities as a large state-owned bank, implemented national policies and requirements, dynamically monitored changes in internal and external operating environments, and prevented risks in key areas by forward-looking approaches, thereby ensuring no systemic risks arise. During the reporting period, the Bank's risk control condition was sound on the whole, with all risk indicators remaining stable.

The Bank actively implemented the decisions and plans on risk-oriented development, adhered to a prudent and sound risk appetite, continuously improved the comprehensive risk management system, and deepened the application of risk management tools, which has effectively improved the quality and efficiency of risk management. The Bank consolidated the comprehensive risk management. It launched the development of a comprehensive risk management system at the Group level to gradually realize panoramic risk monitoring, analysis and assessment; it constantly strengthened the transmission of the Group's risk appetite, and consolidated and improved the risk isolation mechanism to prevent risk contagion. The Bank promoted the systematization of risk management. It continued to promote the implementation of advanced approaches for capital management and expanded the application of internal rating results; it introduced unified credit management at the Group level, improved the closed-loop management mechanism for monitoring and early warning, and strengthened the forward-looking management and control of asset quality; it continuously consolidated the foundation of internal control and compliance management, optimized the internal control and compliance management model system, and accelerated the centralized monitoring and inspection. The Bank stepped up "digitalization" of risk management. The Bank continued to promote the construction of digital risk control infrastructure, strengthened the reserve of professionals, promoted the continuous application of intelligent risk control, established a data-driven process management model, achieved improvement in both risk management efficiency and effect, and empowered high-quality business development.

Advanced Approaches for Capital Management

The Bank continued to deepen the implementation of advanced approaches for capital management and initiated the plan for a new round of implementation of the advanced approaches on the basis of comprehensive self-assessment. With the goals of "continuously intensifying business support, consolidating the risk management foundation, and improving refined management capability", the Bank continuously optimized the internal rating model, refined model validation mechanism, and strengthened rating process management. It kept refining policies and procedures, promoted system upgrading and improved the quality of data and reports. Moreover, the Bank continuously deepened the application of internal rating in credit approval, differentiated post-lending management, loan pricing, economic capital measurement, risk reporting and other fields.

Risk Appetite

Risk appetite is the type and level of risks that the Bank is willing to bear while pursuing its strategic business objectives, which is decided by the Board of Directors. It represents the balance among income, capital and risk, and enables the Bank to undertake the risk level compatible with its business strategies and management capabilities and to create value through risk management.

During the reporting period, the Bank followed the overall requirements of a prudent and sound risk appetite, aimed at achieving a long-term balance between stabilizing growth and preventing risks, focused on risks in key areas and improved its risk appetite indicators, and set the management objectives for profits, capital and major risk indicators in line with the strategic positioning of the Group, the Bank and its subsidiaries. It continued to strengthen the risk appetite transmission mechanism and supported the stable operation and development of all businesses.

Intelligent Risk Control

The Bank continued to step up the digital transformation of risk management to empower high-quality business development, and formulated the five-year plan for the digital transformation of risk management. For risk control in retail banking, the Bank actively implemented the rural revitalization and inclusive finance strategies and developed exclusive risk control models for characteristic scenarios such as Sannong, consumption and inclusive finance. It strengthened tapping customer value, developed the quality customer identification and selection model, and supported proactive credit granting and cross-selling. It also promoted intensive operation, and implemented automated loan review and approval, accurate warning as well as differentiated collection strategies. For risk control in non-retail banking, the Bank strengthened portfolio risk management, optimized the risk rating model at industry, region and customer levels. Adhering to improving quality and efficiency, it developed the intelligent post-lending management tools for enterprises that can help optimize resource allocation. In terms of model risk management, the Bank established a lifecycle management system of risk measurement models, carried out pre- and post-operation verification of various models in an orderly manner and monitored them regularly to make sure their operation is sound and stable, thus realizing effective control and management of model risk. In terms of the construction of risk control systems, the Bank launched a series of system and platform building including the comprehensive risk management system, risk model laboratory, credit anti-fraud system, enterprise knowledge management system, impairment provision system for financial instruments, etc. It launched the second phase of the risk data mart to further explore the value of data in risk management.

Stress Testing

During the reporting period, the Bank made active efforts to cope with the severe and complicated internal and external risk situations. It kept refining the stress testing system and methodology and carried out comprehensive stress tests at the Group level in a timely manner. It made prudent evaluation and judgment on its asset quality, profitability, and capital and liquidity levels under various assumptions of stress scenarios. As shown in the stress tests, the Bank maintained a strong overall resilience, and was able to take effective measures to maintain steady operation under all stress scenarios.

Three Lines of Defense

The Bank kept improving the mechanism of "three lines of defense" for internal control, classified major risks such as credit risk, market risk and operational risk, and incorporated all institutions and departments into the "three lines of defense".

The first line of defense refers to the operation and management departments, tier-1 and tier-2 sub-branches, and agency branches for relevant risks, all of which bear the primary responsibilities for risk prevention and control. The second line of defense refers to risk management departments, internal control and compliance departments, and leading management departments for relevant risks, which are responsible for coordinating, supervising and reviewing the work related to risk and internal control. The third line of defense refers to the audit and the discipline inspection departments which supervise the first and second lines of defense.

Credit Risk[1]

Credit risk refers to the risk of loss that may arise from the default by, or downgrade of credit rating or weakened capability to fulfill contractual obligations of, an obligor or counterparty. The Bank is exposed to credit risk primarily through its loans, treasury business (including deposits and placements with banks, financial assets held under resale agreements, investments in corporate bonds and financial bonds, interbank investment, etc.) and off-balance sheet credit businesses (including guarantees, commitments, etc.).

The organizational system of the Bank on credit risk management is as follows: the Board of Directors undertakes the ultimate responsibilities for credit risk management, the Board of Supervisors undertakes the supervisory responsibilities for credit risk management, and the senior management undertakes the responsibilities for implementation of credit risk management and is responsible for the implementation of resolutions approved by the Board of Directors on credit risk. Under the senior management, the Risk Management Committee and Credit Business Approval Committee are responsible for credit risk management and approving credit matters within the scope of authorization respectively. Each business department shall bear the primary responsibility for credit risk prevention and control, and implement policies, standards and requirements of credit risk management in its field of business in accordance with the division of functions; departments of credit management, risk management, credit approval, internal control and compliance, legal affairs and others are responsible for the overall planning, supervision and review of credit risk prevention and control, among which the Credit Management Department is the leading department of credit risk management, and internal audit department exercises independent and objective supervision of the performance of duties in credit risk management.

The Bank continued to ramp up credit risk management, optimized credit policies, and made proper monitoring, restriction and re-inspection of credit risk. It improved the disposal efficiency of non-performing assets, pressed ahead with digital transformation, continuously enhanced its risk management capabilities, and maintained stable asset quality.

1 The total loans to customers in the "Credit Risk Analysis" section in this report exclude accrued interest.

Column

Improving the Credit Approval Empowerment Mechanism and Selecting Core Target Customers

The Bank actively practiced the idea of empowerment of risk control, innovated credit approval empowerment mechanism, conducted proactive pre-lending guidance, served the development of its core corporate customer groups, improved the efficiency of customer marketing, and supported the high-quality development of its corporate business.

Determining the specific content of the credit approval empowerment. On the one hand, the Credit Approval Department of the Bank took the lead in selecting core target corporate customers. Leveraging its professional advantages in credit review and approval, based on industry research, the Bank selected core target corporate customers from bottom to top and from top to bottom, improving the effectiveness of customer development at branches and sub-branches. On the other hand, the Bank reviewed and approved the credit for core target customers with scientific methods. Based on risk control responsibilities, the Bank studied its customers' sustainable development capability, increased credit support to core customers, and assisted branches and sub-branches in establishing long-term, close and value-based relationship with customers.

Continuing to extend the list of core target customers. As at the end of the reporting period, on top of the first batch of 974 nationwide core target customers, the Bank instructed its 23 branches to form a list of 963 regional core target customers. In the second half of 2022, the Bank plans to launch the selection of the second batch of nationwide core target customers and urge its 36 branches to establish a list of regional core target customers.

Promoting the effective connection of the list of core target customers with credit review and approval. On the basis of adhering to standard and independent credit review and approval, the Bank continued to increase support to the credit application of the core target customers on the list with priorities in terms of green channel, parallel operation, joint coordination, credit granting method, etc., laying a solid foundation for establishing an even longer-term relationship with customers.

Credit Risk Management

Optimizing credit policy to guide business development

The Bank continuously optimized its credit policy to give full support to the credit demand in key areas, and improve the quality and efficiency of credit support to the development of the real economy. The Bank made proper arrangements for micro, small and middle-sized enterprises, self-employed individuals, truck drivers and individuals affected by the pandemic, including deferring their repayment of principal and interest on their operating loans as well as housing and consumer loans. It ensured the credit support for manufacturers of anti-pandemic supplies, enterprises required for continuous production and operation, key enterprises on industrial chains and supply chains, key foreign investment and trade enterprises. Meanwhile, it increased financial support to the fields of technological innovation, green development, rural revitalization, the private sector, etc. The Bank supported major science and technology tasks by creative means, and better served enterprises working to make breakthroughs in core technologies in key fields, and specialized and sophisticated enterprises that produce new and unique products. It vigorously supported modern service industries including healthcare, health, elderly care, child care, home services, etc., and helped market entities in tourism, transportation, offline retail, accommodation & catering, foreign investment and trade and other fields to ease their difficulties. The Bank optimized the financial services for the real estate industry. It satisfied the reasonable financing needs of high-quality property developers, government-subsidized rental housing, etc., protected housing consumers' legitimate rights and interests, better met the reasonable needs of home buyers, and facilitated the healthy development and positive circulation of the real estate market. Meanwhile, the Bank provided more support to programs which shore up weak links in areas that are important to people's livelihood such as water conservation, transportation, pipeline network and municipal infrastructure, new types of infrastructure such as 5G, Industrial Internet and data centers, and new energy projects such as large wind power and photovoltaic (PV) bases, whole-county distributed PV projects, etc.

Strengthening mechanism development to improve basic management efficiency

The Bank improved the system of credit risk management rules and policies and refined the closed-loop management mechanism of risk warning, improving the effectiveness of monitoring and warning. It strengthened asset quality monitoring, analysis and trend forecast, comprehensively tracked risk problems to their origins, and ensured responsibilities are fulfilled. Meanwhile, the Bank conducted risk screening in key fields and supervision and checks at key links to have a thorough understanding of the risk profile. It also carried out re-examination of business with problems and improved management efficiency.

Expanding NPA disposal channels to improve disposal efficiency

The Bank intensified its efforts in NPA disposal, sped up the write-off process of key businesses, put in place standardized management and professional disposal of NPAs, and advanced NPA securitization projects in an orderly manner. As at the end of the reporting period, the Bank dealt with non-performing loans totaling RMB23,825 million of principal and interest on and off the balance sheet, representing a year-on-year increase of 27.23%, among which, RMB11,239 million of principal and interest was from cash collection, RMB5,239 million of principal and interest from bad debt write-offs, RMB5,579 million of principal and interest from disposal of NPA by way of settling debts with assets, and RMB1,768 million by NPA securitization.

Promoting technology application to advance digital transformation

The Bank enhanced the intelligent and intensive functions of the unified credit management system, strengthened the intelligent monitoring of credit extension for the consolidated statements, and formed a unified risk view with customer at its core. The Unified Credit Management System Based on Intelligent Risk Control Empowers High-quality Business Development was selected as an excellent case study of digital transformation of listed companies in 2021, which is the only case that was commended in the field of risk management at listed banks. The Bank launched the front-end system of the fiscal monitoring platform to inquire about local government debts under the MOF, and continuously promoted the development of the "Jinjing" (Gold Eye) credit risk monitoring system and the "Jindun" (Gold Shield) asset quality management system by optimizing the rules and model of early-warning, and refining the asset quality monitoring function. Additionally, the Bank transformed and upgraded the NPA management system and pushed for the development of the NPA management system 2.0.

Credit Risk Analysis

Non-Performing Loans Structure by Collateral

In millions of RMB, except for percentages

Item	June 30, 2022		December 31, 2021	
	Amount	Percentage (%)[1]	Amount	Percentage (%)[1]
Unsecured loans	19,036	32.89	13,862	26.31
Guaranteed loans[2]	7,631	13.18	8,146	15.46
Loans secured by mortgages[2, 3]	29,593	51.12	24,277	46.08
Loans secured by pledges[2, 4]	1,628	2.81	6,390	12.13
Discounted bills	–	–	10	0.02
Total	57,888	100.00	52,685	100.00

1 Calculated by dividing the balance of non-performing loans secured by each type of collateral by total non-performing loans.

2 Represents the total amount of loans fully or partially secured by collateral in each category. If a loan is secured by more than one form of collateral, the classification would be based on the primary form.

3 Represents loans secured by assets that are still under the possession of the borrower, and mainly includes loans secured by buildings and fixtures, land use right, machinery, equipment and vehicles.

4 Represents loans secured by possession of or registration as the holder of assets, which primarily include movable property, certificates of deposit, financial instruments, intellectual property rights, and the right to obtain future cash flows.

Aging Analysis of Overdue Loan Structure

In millions of RMB, except for percentages

Item	June 30, 2022 Amount	June 30, 2022 Percentage of total loans (%)	December 31, 2021 Amount	December 31, 2021 Percentage of total loans (%)
Overdue for 1 to 90 days	21,221	0.30	18,294	0.28
Overdue for 91 to 180 days	10,369	0.15	10,289	0.16
Overdue for 181 days to 1 year	11,764	0.17	11,440	0.18
Overdue for 1 to 3 years	14,179	0.20	11,936	0.19
Overdue for over 3 years	5,985	0.09	5,400	0.08
Total	63,518	0.91	57,359	0.89

Overdue Loans to Customers by Geographical Region

In millions of RMB, except for percentages

Item	June 30, 2022 Amount	June 30, 2022 Percentage (%)	December 31, 2021 Amount	December 31, 2021 Percentage (%)
Head Office	4,719	7.43	4,200	7.32
Yangtze River Delta	11,557	18.19	10,038	17.50
Pearl River Delta	6,390	10.06	5,503	9.60
Bohai Rim	7,192	11.32	7,320	12.76
Central China	14,627	23.03	14,082	24.55
Western China	14,667	23.09	12,533	21.85
North-eastern China	4,366	6.88	3,683	6.42
Total	63,518	100.00	57,359	100.00

Loan Concentration

In millions of RMB, except for percentages

Top ten single borrowers	Industry	Amount	Percentage of total loans (%)	Percentage of net capital (%)[1]
Borrower A[2]	Transportation, storage and postal services	176,874	2.54	17.37
Borrower B	Transportation, storage and postal services	13,600	0.20	1.34
Borrower C	Transportation, storage and postal services	13,266	0.19	1.30
Borrower D	Transportation, storage and postal services	12,499	0.18	1.23
Borrower E	Transportation, storage and postal services	12,457	0.18	1.22
Borrower F	Transportation, storage and postal services	12,450	0.18	1.22
Borrower G	Leasing and business services	10,415	0.15	1.02
Borrower H	Transportation, storage and postal services	9,905	0.14	0.97
Borrower I	Transportation, storage and postal services	9,054	0.13	0.89
Borrower J	Financial services	8,815	0.13	0.87

1 Represents loan balances as a percentage of the Bank's net capital, calculated in accordance with the requirements of the Capital Rules for Commercial Banks (Provisional).

2 Percentage of loans to the largest single borrower = balance of loans to the largest borrower/net capital x 100%. The largest borrower refers to the customer with the highest balance of loans at the period end. As at the end of the reporting period, China State Railway Group Co., Ltd. was the Bank's largest single borrower. The outstanding loan balance with China State Railway Group Co., Ltd. was RMB176,874 million, accounting for 17.37% of the Bank's net capital. The credit line the Bank extended to China State Railway Group Co., Ltd. includes the legacy credit line of RMB240 billion which was approved by the relevant regulatory authorities. As at the end of the reporting period, the outstanding loan balance under such credit line for China State Railway Group Co., Ltd. was RMB160 billion. After deduction of this RMB160 billion, the Bank's balance of loans to China State Railway Group Co., Ltd. accounts for 1.66% of the Bank's net capital.

Distribution of Loans by Five-Category Classification

In millions of RMB, except for percentages

Item	June 30, 2022 Amount	June 30, 2022 Percentage (%)	December 31, 2021 Amount	December 31, 2021 Percentage (%)
Normal	6,878,604	98.66	6,351,658	98.71
Special mention	35,351	0.51	30,410	0.47
Non-performing loans	57,888	0.83	52,685	0.82
Substandard	18,499	0.27	15,242	0.24
Doubtful	12,129	0.17	11,954	0.18
Loss	27,260	0.39	25,489	0.40
Total	6,971,843	100.00	6,434,753	100.00

As at the end of the reporting period, the Bank's non-performing loan balance amounted to RMB57,888 million, representing an increase of RMB5,203 million compared with the prior year-end. The non-performing loan ratio was 0.83%, representing a slight increase of 0.01 percentage point compared with the prior year-end. The balance of special mention loans amounted to RMB35,351 million, representing an increase of RMB4,941 million compared with the prior year-end. Special mention loan ratio was 0.51%, representing an increase of 0.04 percentage point compared with the prior year-end. The ratio of special mention and non-performing loans was 1.34%, representing an increase of 0.05 percentage point compared with the prior year-end.

Distribution of Non-Performing Loans by Product Type

In millions of RMB, except for percentages

Item	June 30, 2022 Non-performing loan balance	June 30, 2022 Percentage (%)	June 30, 2022 Non-performing loan ratio (%)[1]	December 31, 2021 Non-performing loan balance	December 31, 2021 Percentage (%)	December 31, 2021 Non-performing loan ratio (%)[1]
Personal loans						
Consumer loans						
Residential mortgage loans	11,640	20.11	0.52	9,410	17.86	0.44
Other consumer loans	10,606	18.32	2.27	7,646	14.51	1.55
Personal micro loans	18,336	31.67	1.71	15,274	28.99	1.67
Credit card overdrafts and others	3,172	5.48	1.82	2,894	5.50	1.66
Subtotal	43,754	75.58	1.11	35,224	66.86	0.94
Corporate loans						
Corporate loans[2]	7,729	13.35	0.44	12,642	24.00	0.78
Small business loans	5,292	9.15	1.24	4,643	8.81	1.30
Trade finance	1,113	1.92	0.36	166	0.31	0.06
Subtotal	14,134	24.42	0.56	17,451	33.12	0.78
Discounted bills	–	–	–	10	0.02	0.00
Total	57,888	100.00	0.83	52,685	100.00	0.82

1 Calculated by dividing the balance of non-performing loans in each product type by total loans in that product type.

2 Consist of general corporate loans and advances.

As at the end of the reporting period, the balance of the Bank's non-performing personal loans amounted to RMB43,754 million, representing an increase of RMB8,530 million compared with the prior year-end, and the NPL ratio of personal loans was 1.11%, representing an increase of 0.17 percentage point compared with the prior year-end. The balance of non-performing corporate loans of the Bank amounted to RMB14,134 million, representing a decrease of RMB3,317 million compared with the prior year-end, and the NPL ratio of corporate loans was 0.56%, representing a decrease of 0.22 percentage point compared with the prior year-end.

Distribution of NPL Formation Ratio[1] by Product Type

%

Item	June 30, 2022	December 31, 2021	Change
Personal loans			
Consumer loans			
Residential mortgage loans	0.34	0.26	0.08
Other consumer loans	3.07	2.11	0.96
Personal micro loans	1.74	1.55	0.19
Credit card overdrafts and others	2.94	2.59	0.35
Subtotal	1.17	0.92	0.25
Corporate loans			
Corporate loans[2]	0.04	0.10	(0.06)
Small business loans	1.16	1.31	(0.15)
Trade finance	0.69	0.03	0.66
Subtotal	0.29	0.28	0.01
Discounted bills	–	–	–
Total	0.77	0.60	0.17

1 Calculated by dividing the sum of difference between the NPL balance at the end of the period and the NPL balance at the beginning of the period of each product category and the amount collected and disposed of during the period by the total amount of loans at the beginning of the period of that product category. This is the annualized NPL formation ratio.

2 Consist of general corporate loans and advances.

Distribution of Non-Performing Loans by Geographical Region

In millions of RMB, except for percentages

Item	June 30, 2022		December 31, 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	3,186	5.50	2,898	5.50
Yangtze River Delta	10,736	18.55	7,842	14.89
Pearl River Delta	6,980	12.06	4,991	9.47
Bohai Rim	6,174	10.67	7,424	14.09
Central China	13,165	22.74	14,420	27.37
Western China	13,576	23.45	11,660	22.13
North-eastern China	4,071	7.03	3,450	6.55
Total	57,888	100.00	52,685	100.00

As at the end of the reporting period, the Bank's balances of non-performing loans in Yangtze River Delta, Pearl River Delta, Western China and North-eastern China increased by RMB2,894 million, RMB1,989 million, RMB1,916 million and RMB621 million compared with the prior year-end respectively, and their percentages in total NPLs increased by 3.66, 2.59, 1.32 and 0.48 percentage point(s) compared with the prior year-end respectively. The balances of non-performing loans in Bohai Rim and Central China decreased by RMB1,250 million and RMB1,255 million compared with the prior year-end, respectively, and their percentages in total NPLs decreased by 3.42 and 4.63 percentage points compared with the prior year-end, respectively.

Domestic Non-Performing Corporate Loans by Industry

In millions of RMB, except for percentages

Item	June 30, 2022		December 31, 2021	
	Amount	Non-performing loan ratio (%)	Amount	Non-performing loan ratio (%)
Transportation, storage and postal services	2,373	0.32	7,480	1.06
Manufacturing	3,581	0.93	4,259	1.30
Production and supply of electricity, heating, gas and water	206	0.08	171	0.07
Financial services	–	–	–	–
Wholesale and retail	3,089	1.91	3,415	2.63
Construction	678	0.45	574	0.48
Real estate	1,793	1.01	22	0.02
Mining	9	0.01	9	0.01
Water conservancy, environmental and public facilities management	178	0.15	436	0.39
Leasing and business services	902	0.67	477	0.35
Agriculture, forestry, animal husbandry and fishery	838	6.57	170	1.54
Information transmission, computer services and software	57	0.48	62	0.67
Accommodation and catering	171	4.34	134	3.67
Residential services and other services	71	1.95	72	1.95
Culture, sports and entertainment	27	0.34	36	0.45
Others[1]	161	0.61	134	0.58
Total	14,134	0.56	17,451	0.78

1 Mainly include education, scientific research and technical services, health, social security, etc.

As at the end of the reporting period, due to the risk exposures of a few large corporate customers, the NPL ratio from real estate, leasing and business services, agriculture, forestry, animal husbandry and fishery industries increased; the NPL ratio of the accommodation and catering industry that were hit by the pandemic also increased. The balances and ratios of non-performing corporate loans from transportation, storage and postal services, manufacturing and wholesale and retail all decreased.

Movements of Allowance for Impairment Losses on Loans

Allowance for Impairment Losses of Customer Loans at Amortized Cost

In millions of RMB

	June 30, 2022			
Item	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2022	161,623	7,478	47,799	216,900
Transfers:				
Transfer to stage 1	679	(570)	(109)	–
Transfer to stage 2	(1,685)	3,696	(2,011)	–
Transfer to stage 3	(2,349)	(2,292)	4,641	–
Changes of ECL arising from transfer of stages	(365)	1,327	16,352	17,314
Financial assets derecognized or settled during the period	(48,553)	(2,103)	(10,905)	(61,561)
New financial asset originated or purchased	66,030	–	–	66,030
Remeasurement	(120)	(451)	897	326
Write-offs	–	–	(5,239)	(5,239)
Loss allowance as at June 30, 2022	175,260	7,085	51,425	233,770

Allowance for Impairment Losses of Customer Loans at Fair Value Through Other Comprehensive Income

In millions of RMB

	June 30, 2022			
Item	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2022	3,477	156	10	3,643
Transfers:				
Transfer to stage 1	14	(14)	–	–
Transfer to stage 2	–	–	–	–
Transfer to stage 3	–	–	–	–
Changes of ECL arising from transfer of stages	(11)	–	–	(11)
Financial assets derecognized or settled during the period	(1,832)	(142)	(10)	(1,984)
New financial asset originated or purchased	2,407	–	–	2,407
Remeasurement	(915)	–	–	(915)
Write-offs	–	–	–	–
Loss allowance as at June 30, 2022	3,140	–	–	3,140

Large Exposure Management

The Bank attached great importance to large exposure management, strictly implemented the requirements of Rules on Large Exposure of Commercial Banks (CBIRC Order [2018] No. 1), enhanced the support of the large exposure management system, improved the monitoring and early warning management system for large exposure, strengthened the refined management of large exposure and intensified the management of customer concentration risk, constantly improving credit risk management and control.

Market Risk

Market risk refers to the risk of losses in on- and off-balance sheet businesses arising from adverse movements in market prices (including interest rate, exchange rate, stock price and commodity price). The principal market risks that the Bank is exposed to include interest rate risk and exchange rate risk (inclusive of gold). The Bank actively responded to financial market fluctuations, improved process management of treasury trading business and market risk management system, and advanced consolidated market risk monitoring. During the reporting period, the Bank's market risks were generally under control.

Classification of Trading Book and Banking Book

The Bank classifies on- and off-balance sheet assets and liabilities into banking book and trading book. The trading book includes financial instruments and commodity positions held by the Bank for the purposes of trading or hedging the risks of other items in the trading book, whereas all other positions are included in the banking book.

Market Risk Management for Trading Book

The Bank manages the market risk of trading book by adopting multiple methods including sensitivity analysis, exposure analysis, profit or loss analysis, limit management and stress testing.

The Bank actively conducted forward-looking research and analysis on the external market situations, and conducted timely emergency management of market risk to address the possible impact of fluctuations in exchange rate, interest rate, etc. It pushed forward the development of the internal model approach for market risk, carried out comprehensive validation of models after launch, and conducted the study on the impact of Basel III (FRTB-SA). The Bank optimized the market risk limit indicator system based on the market and business strategy, and further improved the effectiveness and coverage of limit management. It actively identified risks in key links of treasury business, strengthened the risk monitoring of assets related to wealth management businesses, and promoted the healthy development of treasury businesses across the Bank.

Market Risk Management for Banking Book

Management of Interest Rate Risk in Banking Book

Interest rate risk refers to the risk that may cause losses to the Bank due to adverse changes in interest rate and maturity structure, etc., or affect the income or economic value of the Bank, mainly including gap risk, basis risk and options risk. The interest rate risk in the Bank's banking book mainly arises from the mismatch between the repricing periods of assets and liabilities and the inconsistent changes in their pricing basis.

The Bank mainly manages interest rate risk in the banking book through repricing gap analysis, net interest income and economic value sensitivity analysis, limit management, duration management, stress testing and proactive adjustment of asset-liability structure. During the reporting period, it paid close attention to changes in the external interest rate environment, regularly carried out interest rate risk monitoring and analysis, actively studied and judged the trend of market interest rates, and fully carried out special stress tests. It dynamically adjusted risk limits for key businesses, intensified the automatic control of its risk limit system, and continued to improve the refined and intelligent interest rate risk management, thus achieving the steady growth of net interest income. During the reporting period, the overall interest rate risk of the Bank's banking book remained stable, and all risk indicators met the regulatory requirements.

Interest Rate Risk Analysis

Interest Rate Risk Gap

In millions of RMB

Item	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing
June 30, 2022	(2,529,459)	398,516	764,914	385,084	1,156,181	568,739
December 31, 2021	(310,372)	(1,106,093)	(367,905)	731,512	1,293,551	460,174

Interest Rate Sensitivity Analysis

We assume that the market interest rates move up or down in parallel, the repricing cycles of loans, time deposits and other businesses are determined according to the contract and the repricing cycles of non-fixed-term businesses such as demand deposits are set as overnight. Regardless of the risk management activities that may be taken by the management to mitigate interest rate risk, the interest rate sensitivity analysis of the Bank's banking book is as follows:

In millions of RMB

Basis point movements in yield rate	June 30, 2022 Impact on net interest income	December 31, 2021 Impact on net interest income
Increased by 100 basis points	(18,297)	(13,773)
Decreased by 100 basis points	18,297	13,773

Exchange Rate Risk Management

Exchange rate risk refers to the risk of losses in foreign exchange exposure arising from unbalanced foreign exchange assets and liabilities due to adverse movements in exchange rates. During the reporting period, the foreign exchange exposure of the Bank remained relatively stable, relevant indicators of exchange rate risk met regulatory requirements, and the exchange rate risk was controllable on the whole.

During the reporting period, the Bank paid close attention to the international financial situation, actively studied and judged market exchange rate fluctuations, and continuously monitored risk limit indicators related to foreign exchange exposures. It regularly carried out special stress tests, and explored the active management approaches for foreign exchange exposure, so as to ensure that the exchange rate risk of the Bank is within an acceptable range.

For analysis of the Bank's exchange rate risk, please refer to "Notes to the Condensed Consolidated Financial Statements – 41.4 Market risk – Foreign exchange rate risk".

Currency Concentration

In millions of RMB

	June 30, 2022			
Item	USD (in RMB equivalent)	HKD (in RMB equivalent)	Others (in RMB equivalent)	Total
Spot assets	140,940	1,136	13,436	155,512
Spot liabilities	(59,048)	(74)	(1,852)	(60,974)
Forward purchases	96,273	103	4,306	100,682
Forward sales	(109,116)	(614)	(16,138)	(125,868)
Net long/(short) position	69,049	551	(248)	69,352

	December 31, 2021			
Item	USD (in RMB equivalent)	HKD (in RMB equivalent)	Others (in RMB equivalent)	Total
Spot assets	197,842	937	10,371	209,150
Spot liabilities	(47,179)	(85)	(989)	(48,253)
Forward purchases	169,010	3	2,352	171,365
Forward sales	(252,357)	(331)	(12,017)	(264,705)
Net long/(short) position	67,316	524	(283)	67,557

Liquidity Risk

Liquidity Risk Management

Liquidity risk refers to the risk of failure to obtain sufficient funds by commercial banks at a reasonable cost in a timely manner to repay matured debts, fulfill other payment obligations and meet other financial needs of normal operation. Liquidity risk of the Bank may arise from the following events or factors: withdrawal of customers' deposits, drawing of loans by borrowers, overdue payment of debtors, excessive maturity mismatch, difficulties in liquidating assets, and weakening in financing ability, etc.

Governance Structure of Liquidity Risk Management

The governance structure of the Bank's liquidity risk management consists of the systems for decision making, execution and monitoring. Among them, the decision-making system includes the Board of Directors and the Risk Management Committee under it, the senior management of the Head Office and the Asset and Liability Management Committee and Risk Management Committee under it; the execution system comprises the department responsible for liquidity management, leading management departments of on- and off-balance sheet businesses, Risk Management Department, Information Technology Department and Operation Management Department of the Head Office, and relevant departments of branches and sub-branches; the monitoring system consists of the Board of Supervisors, the Audit Department, and departments responsible for legal affairs and compliance, etc.

Strategy and Policy of Liquidity Risk Management

The objective of liquidity risk management of the Bank is to effectively identify, measure, monitor and control liquidity risk via the establishment of a scientific and comprehensive liquidity risk management system, and to ensure the liquidity demand is satisfied and its payment obligation to external parties fulfilled promptly under the normal operation scenario and the stress scenario. The Bank adheres to a prudent and sound liquidity risk management strategy to strike a balance between fund sources and utilization in terms of their amount, maturities and structure. The Bank, in accordance with regulatory requirements, external macro-environment as well as the characteristics of its business, formulates liquidity risk management policies such as those on limit management, intraday liquidity management, stress testing and contingency plans, manages the liquidity risk of the Bank in a centralized manner and clarifies that the subsidiaries assume primary responsibilities for their liquidity risk management. The Bank pays close attention to changes in macroeconomic situation, follows the trend of the monetary policies, closely monitors market liquidity conditions and strictly enforces liquidity risk limits to effectively maintain balance among safety, liquidity and profitability.

Liquidity Risk Stress Testing

The Bank performs liquidity risk stress testing every quarter to test the risk tolerance under stress scenarios and constantly improves stress testing methods based on regulatory and internal management requirements. During the reporting period, the stress testing results indicated that the Bank could pass the minimum viability test under various stress scenario assumptions.

Liquidity Risk Analysis

The Bank's liabilities were stable, as its major source of funds was retail deposits. Its assets were highly liquid, with a relatively large proportion of qualified high-quality bonds. Its overall liquidity position was sufficient, safe and under control. As at the end of the reporting period, the liquidity ratio of the Bank was 80.43%; the liquidity coverage ratio was 244.38%; and the net stable funding ratio was 169.66%, all meeting the regulatory requirements.

Liquidity Gap Analysis

Net Position of Liquidity

In millions of RMB

Item	Overdue	Repayable on demand	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	Total
June 30, 2022	13,539	(3,784,025)	119,622	(209,863)	(2,209,257)	1,756,695	3,873,056	1,184,208	743,975
December 31, 2021	15,192	(3,907,123)	(160,239)	(1,297,519)	(611,470)	1,796,839	3,727,884	1,137,303	700,867

Liquidity Coverage Ratio

In millions of RMB, except for percentages

Item	June 30, 2022	December 31, 2021
High-quality liquid assets	2,427,637	2,337,935
Net cash outflow for the next 30 days	993,367	940,684
Liquidity coverage ratio (%)	244.38	248.54

Net Stable Funding Ratio

In millions of RMB, except for percentages

Item	June 30, 2022	March 31, 2022	December 31, 2021
Total available stable funding	11,567,221	11,377,169	10,819,388
Total required stable funding	6,817,833	6,781,528	6,533,498
Net stable funding ratio (%)	169.66	167.77	165.60

The net stable funding ratio (NSFR) is introduced to ensure commercial banks have sufficient stable sources of funding to meet the needs for stable funding of all types of assets and off-balance sheet risk exposures. According to the minimum regulatory standard set by the Rules on Liquidity Risk Management of Commercial Banks, NSFR should be no less than 100% from July 1, 2018.

The formula for calculating the NSFR is:
Net stable funding ratio = available stable funding (ASF)/required stable funding (RSF) x 100%

Available stable funding refers to the sum of the book value of a commercial bank's all types of capital and liability items multiplied by their corresponding ASF coefficients. Required stable funding refers to the sum of the book value of a commercial bank's all types of asset items and off-balance sheet risk exposures multiplied by their corresponding RSF coefficients.

Operational Risk

Operational risk refers to the risk resulting from inadequate or problematic internal procedures, employees and IT systems, or from external events. The operational risks which the Bank may be exposed to mainly include internal fraud, external fraud, employment rules and workplace safety, customers, products and business activities, damage to physical assets, IT systems, as well as execution, delivery and process management. During the reporting period, the Bank's operational risk and operational risk loss ratio were kept at a relatively low level.

The Bank continuously improved its operational risk management and control. It proactively carried out various operational risk policies and enhanced the all-around operational risk management level. Meanwhile, it shored up the internal control system and optimized internal control measures to ensure its internal control level matches its business scale and complexity. It pushed forward the on-going application of operational risk management tools across the Bank, accurately identified operational risk, gradually realized source control, and effectively improved the refined management of operational risk. The Bank continuously optimized the operational risk management system, reinforced technical support, advanced the digital and intensive transformation of operational risk management. Furthermore, the Bank pushed forward the regular implementation of the operational risk management tools for agency outlets to improve the quality and efficiency of operational risk management. The Bank continued to strengthen the prevention and control of cases, carried out in-depth warning education, and effectively enhanced the awareness of case prevention of employees. It also conducted supervision and inspection on key areas across the Bank, and effectively monitored the moral hazard in employment to identify potential risks in business operation in a timely manner.

Legal Risk

Legal risk refers to the risk of commercial banks suffering from adverse legal consequences including legal liabilities, loss of rights and reputational damage due to violation of laws and regulations or terms of contract of its business operations, non-compliance with laws and breach of contracts of others including the counterparty to the contract, and significant changes in the external legal environment. During the reporting period, the Bank's legal risk was manageable in general.

The Bank continued to improve the legal risk management system, and consistently enhanced the capability for legal risk management, prevention and control. It prepared legal review guidelines, promoted the normalization of standard contract texts, and constantly conducted legal reviews in a more professional and standardized manner. It properly responded to major litigation and legal disputes, and effectively prevented and controlled litigation risks. The Bank stepped up the analysis of losing cases, identified problems in business development and operation management, and further improved the risk prevention capacity. It strengthened authorization management, optimized annual authorization and improved the refined authorization management. It enhanced the administration of intellectual property rights and encouraged technological innovation to facilitate the creation, application and protection of intellectual property rights. Moreover, the Bank actively carried out law publicity to enhance the legal awareness of all employees. It also optimized the legal affairs system and strengthened technical support for legal risk prevention and control.

Compliance Risk

Compliance risk refers to the risk of being subject to legal sanctions, regulatory penalties and significant financial and reputational losses as a result of failure to comply with laws, regulations and rules. The Bank focused on enhancing weak areas, consolidating the foundation, improving capacity and boosting business compliance, actively identified risks, effectively prevented risks, and strove to properly manage and control compliance risk. It has established a relatively complete internal compliance management system. During the reporting period, its risk prevention and control capability has been strengthened steadily, the results of regulatory evaluation continued to improve, and the overall compliance risk was under control.

The Bank further improved the compliance management mechanisms. It kept advancing the compliance review of new rules, new products and new businesses, and took the compliance review as a necessary procedure for the formulation of rules and regulations, the decision-making of significant events, the operation of major projects and other business management behaviors. With a focus on forestalling and mitigating compliance risks from the source and following the requirements for digital risk control, the Bank relied on the corporate knowledge management system and proactively developed intelligent supporting tools for compliance review. It also reviewed bank-wide policies, strengthened lifecycle management on policies, and consolidated the foundation of internal control and compliance management. Meanwhile, the Bank initiated the streamlining of "Policy Tree" to build it into a horizontally classified and vertically tiered one. It followed up the latest changes in relevant laws, rules and guidelines of regulatory authorities as well as the Bank's internal policies in real time, compiled and issued regulatory trends and risk reminders, interpreted new policies and regulations, and strengthened compliance risk monitoring.

Column

Pushing the Continuous Improvement of the Quality and Efficiency of Internal Control and Compliance by Launching a Wide Range of Compliance Culture Building Activities

The Bank pays great attention to internal control and compliance management: internal control responsibilities are clearly defined, internal control measures are being constantly improved, internal control guarantee is further strengthened, and internal control evaluation and oversight are conducted on a continuous basis. It has established a well-functioning internal control system.

The Bank has been continuously improving the quality and efficiency of internal control and compliance and put forward 29 specific measures in six respects, to improve internal control and compliance management capability in all respects and fortify the risk prevention. The Bank made particular efforts in publicity and implementation of the internal control and compliance culture to integrate it with the corporate culture, and organized the 2022 internal control and compliance knowledge contest that covered all employees of postal finance segment, setting off an upsurge in learning regulations and ensuring compliance throughout the country. By setting up models, sharing experience, and promoting learning through contest, the employees' awareness of compliance has been continuously enhanced, and the results of internal control and compliance construction have been further enhanced. The Bank will continually carry out efforts to prevent illegal fund-raising and conduct crime crackdown project, strengthen publicity, education and risk warning. The Bank will strengthen the explanation and publicity of risk prevention knowledge through official WeChat account, at business venues and by other channels. It won the first place among the banking industry in the "Anti-Fraud and Promoting Compliance" Knowledge Challenge organized by the China Banking and Insurance News for preventing financial fraud. Shandong branch promotes the digital transformation of financial services, and set up "post" classes about financial knowledge on the WeChat official account, serving as an online public education zone. Those classes circulated practical financial knowledge to consumers through financial knowledge explanations and cases analysis, which has played a positive role in preventing illegal fund-raising, illegal lending, and financial fraud. Qingdao Branch has established a cooperative relationship with the Association of Certified Anti-Money Laundering Specialists (ACAMS), organized personnel in batches to participate in the Certified Anti-Money Laundering Specialist (CAMS) examination, and 18 persons obtained the CAMS certifications.

Anti-Money Laundering

Money laundering risk refers to the risk arising from illegal activities such as money laundering, terrorist financing and proliferation financing caused by the use of business and products by illegal criminals. During the reporting period, the Bank did not have any significant money laundering incidents, and the risks related to money laundering was overall under control.

In strict compliance with AML laws and regulations, the Bank earnestly upheld the risk-based AML management concepts, and sincerely fulfilled the legal obligations and social responsibilities concerning AML. The Bank pushed for the implementation of new regulatory rules, such as the Management Measures for Customer Due Diligence and Storage of Customer Identify Information and Transaction Records by Financial Institutions, formulated action plans and strengthened the management of customer due diligence. The Bank revised the management measures for classification of risks in customer money laundering and terrorist financing risk, further refined the mechanism for customer money laundering risk classification, and reinforced risk management against money laundering by customers. Meanwhile, the Bank enhanced support in technology and accelerated the development of the new-general AML system. While developing the new system, the Bank conducted AML data governance in depth and improve the quality of anti-money laundering base data to lay the foundation for all work.

Information Technology Risk

Information technology risk refers to the operational, legal, reputational and other risks of the Bank caused by natural and human factors, technological loopholes and management flaws when applying information technology. During the reporting period, the Bank's information systems were in overall stable operation, with no material security incident found, and various monitoring indicators of information technology risk were within a reasonable range.

The Bank continued to strengthen information technology risk management, conducted bank-wide information technology risk identification activities and Phase III campaigns to upgrade the quality of information technology risk management. It gave full play to the "three lines of defense" coordination mechanism for information technology risk, which, through coordinated efforts of the Head Office and branches, effectively improved the overall control of information technology risk. With a focus on improving network security management capability, the Bank implemented the network security plan at a faster pace, optimized technology-enabled security protection means, properly conducted network security review and prediction, and earnestly implemented relevant requirements on data security and protection of personal financial information. In addition, it improved the R&D process management system, strengthened whole-process security efficiency management of projects, improved independent R&D capability, deepened the integration of business and technology, and promoted information technology development with high standards. It also strengthened guarantee for the operation security of information systems and conducted special emergency drills to improve emergency response capability and ensure business continuity.

Reputational Risk

Reputational risk refers to the risk resulting from negative comments from stakeholders, the public, the media and other parties due to the Bank's institutional behaviors, employees' behaviors or external events, etc., which damages the brand value, adversely affects normal operations, and even affects market and social stability. During the reporting period, public opinions about the Bank remained overall positive, and no major reputational incident occurred.

The Bank continued to implement the reputational risk management concept of "addressing both the symptoms and root causes, with a focus on root causes", strictly implemented regulatory requirements, and strengthened reputational risk management. It pressed ahead with the management of reputational risk at earlier steps, made in-depth analysis of potential reputational risk, promptly adopted targeted control measures, and enhanced the reputational risk management foundation. It explored the implementation of an ex ante reputational risk evaluation mechanism and promoted the integration of the evaluation mechanisms into approval procedures for issues requiring decisions according to the Bank's actual conditions. It improved the public opinions database to provide more diversified and targeted data support for in-depth public opinions impact analysis and better public opinions management. Moreover, the Bank improved the closed-loop management mechanism of reputational events, and responded to negative public opinions in a timely and effective manner. With a focus on telling good PSBC stories, the Bank actively showed PSBC's measures and achievements in serving pandemic control and economic and social development, serving rural revitalization, developing green finance, applying FinTech to empower relevant fields, improving customer experience, etc., which further improved PSBC's brand image and social influence.

Strategic Risk

Strategic risk refers to the risk of adverse impact on the Bank's profitability, capital, reputation, market status, etc., arising from improper business and management strategies, deviations in strategy implementation or failure to respond to changes in the external environment in a timely manner. During the reporting period, the Bank's strategies were well implemented, and the management and control system for strategic risks was continuously improved. The strategic risk was generally under control.

Adhering to the customer-centric philosophy, the Bank intensified product and service innovation, deepened digital transformation, accelerated technology empowerment, implemented the strategy of building a strong bank with talent, and promoted coordinated development, further sharpening its core competitiveness. The Bank continuously enhanced the strategic risk management capability through comprehensive assessment of the implementation of strategies, and fully identified, assessed and monitored various risk factors during the implementation of strategies.

Country Risk

Country risk refers to the risk of the inability or refusal of the borrowers or debtors of a country or region to repay their debts owed to the bank, or commercial benefit loss suffered by the bank in that country or region due to changes and incidents occurred in its economy, politics and society. During the reporting period, the Bank's country risk exposure mainly concentrated in low-risk countries or regions, and country risk was generally controllable.

In strict compliance with country risk policies and relevant regulatory requirements, the Bank continuously advanced the building of the country risk management system, and managed country risk through a series of management instruments such as country risk assessment and rating, limit approval and review, risk exposure measurement and monitoring. In the face of the increasingly complicated pandemic developments and the international political and economic situations, the Bank continued to track the changes in country risks of all countries or regions, and regularly monitored and reported the implementation of country risk limit and changes in country risk exposure, thus effectively controlling country risk.

Climate Risk

Climate risk refers to the potential adverse effects of climate change on the natural system and the economic and social system, mainly including physical risks and transition risks. Among them, physical risk refers to the risk of events such as climate anomalies and environmental pollution that may lead to severe damage to the balance sheets of enterprises, households, banks, insurance companies and other market entities, which in turn affects the financial system and the macro economy. Transition risk refers to the risk of repricing of high-carbon assets and financial losses due to relevant policies such as significantly tightening carbon emissions or technological innovations, in order to address climate change and promote low-carbon economic transformation.

The Bank utilized the "Jinjing" (Gold Eye) credit risk monitoring system to strengthen digital empowerment and technology application and deepen environmental and climate risk management. It has conducted ESG and climate risk inspections for six consecutive years. During the reporting period, special investigation was conducted on areas with high energy consumption and high emissions to figure out the bottom line, handle them by category, and prevent and mitigate potential risks. It also actively supported the green and low-carbon transformation and development of traditional industries to support their reasonable financing needs. It resolutely implemented the one-vote veto system for environmental assessment and resolutely curbed energy-intensive projects with high emissions and backward production capacity. The Bank strictly controlled the proportion and growth rate of loans granted to industries with high energy consumption, high pollution and over-capacity. As at the end of the reporting period, the Bank's outstanding corporate loans granted to industries with high energy consumption, high pollution and over-capacity amounted to RMB51,911 million, accounting for 2.06% of total corporate loans, down 0.18 percentage point over the prior year-end. Furthermore, the Bank advanced carbon accounting for corporate customers in an orderly manner, and completed carbon accounting for 1,129 corporate customers. It accelerated the digital transformation of green finance, advanced the development of "Green Credit Services Based on Big Data Technology", a pilot project of the comprehensive application of financial data of the Operations Office (Beijing) of the PBOC, and strengthened environmental and climate risk management.

Risk Consolidated Management

Risk consolidated management refers to the continuous improvement of the comprehensive risk management framework of the Group and its subsidiaries, and the management process of effectively identifying, measuring, monitoring and controlling the overall risk of the Group. According to regulatory requirements, all of the Bank's three subsidiaries were incorporated into its risk consolidated management framework. The overall risks of the Group were manageable.

The Bank strictly followed national policies and relevant regulatory requirements and continuously improved the Group's risk consolidated management system. Based on the Group's risk appetite plan, the Bank strengthened the transmission and application of risk appetite indicator limits to risk management of its subsidiaries, and optimized the risk compliance assessment plan for subsidiaries. It streamlined and improved the consolidated risk information reporting mechanism of subsidiaries, and realized the continuous monitoring, restriction and supervision on their risk levels and risk management status. In strict compliant with new regulatory requirements for wealth management business, PSBC Wealth Management continues to improve risk management; PSBC Consumer Finance constantly improve its big data risk control capabilities, and steadily responds to the impact of the epidemic; YOU^{+} BANK has initially established a scenario-based intelligent risk control system on the basis of financial technology. At the same time, the Bank refined the Group's management requirements for risk isolation, realized the coordination of business collaboration and risk isolation, and ensured that the risks of the Group were controllable in general.

Capital Management

The objective of the Bank's capital management is to maintain a stable and reasonable capital adequacy level, effectively support the sustainable and healthy development of various businesses, and to continue to meet regulatory policies and macro-prudential requirements; comprehensively establish and apply a value management system centered on economic capital, strengthen capital constraints, transmit the concept of value creation, continuously strengthen the Bank's capital, constantly improve the endogenous growth of capital and proactively expand channels for external capital replenishment.

During the reporting period, the Bank continued to improve its long-term mechanism for capital management, deepened refined capital management, steadily improved its internal capital replenishment capacity, advanced capital replenishment by external sources in an orderly manner, and further consolidated its capital strength, thereby effectively supporting the sustainable and healthy development of various businesses. As at the end of the reporting period, the Bank's capital indicators stayed within the reasonable range, and its capital adequacy ratios and the leverage ratio continued to meet regulatory requirements and maintained at a sound and reasonable level.

Capital Adequacy Ratio

According to the requirements of the Capital Rules for Commercial Banks (Provisional) and its supporting policy documents issued by the CBIRC, the Bank measured credit risk by weighted approach, market risk by standardized approach, and operational risk by basic indicator approach. As at the end of the reporting period, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 9.33%, 12.02%, and 14.60%, respectively, details of which are as follows:

Capital Adequacy Ratio

In millions of RMB, except for percentages

	June 30, 2022		December 31, 2021	
Item	The Group	The Bank	The Group	The Bank
Core tier 1 capital – net	650,349	629,516	635,024	619,935
Tier 1 capital – net	838,323	817,368	793,006	777,789
Net capital	1,018,429	996,880	945,992	930,200
Risk-weighted assets	6,973,885	6,934,467	6,400,338	6,363,162
Credit risk-weighted assets	6,469,255	6,440,919	5,892,637	5,866,543
Market risk-weighted assets	93,799	93,799	96,870	96,870
Operational risk-weighted assets	410,831	399,749	410,831	399,749
Core tier 1 capital adequacy ratio (%)	9.33	9.08	9.92	9.74
Tier 1 capital adequacy ratio (%)	12.02	11.79	12.39	12.22
Capital adequacy ratio (%)	14.60	14.38	14.78	14.62

Market Risk Capital Requirements

In millions of RMB

Item	June 30, 2022	December 31, 2021
Interest rate risk	1,930	2,313
Exchange rate risk	5,574	5,437

Leverage Ratio

As at the end of the reporting period, the leverage ratio calculated by the Bank pursuant to the Administrative Measures for the Leverage Ratio of Commercial Banks (Revised) issued by the CBIRC was 6.02%, which met the regulatory requirements. For details of leverage ratio, please refer to "Appendix I: Supplementary Financial Information".

Economic Capital Management

During the reporting period, the Bank continued to improve the refined management of economic capital and effectively communicated and implemented the concept of achieving transformation and development with less capital consumption. It reinforced internal capital constraint and advanced intensive development of capital. The Bank promoted greater application of the capital allocation mechanism with risk-adjusted return on capital (RAROC) as the core indicator, channelled resources to businesses with high returns and strictly controlled the growth of inefficient assets. It continuously strengthened the application of internal rating results in the measurement, allocation and performance assessment of economic capital. The awareness of capital saving and value creation has been further enhanced across the Bank, and business structure continuously improved.

Capital Financing Management

On the basis of replenishing capital from internal sources through retained earnings, the Bank comprehensively utilized external financing tools to replenish its capital.

The Bank publicly issued RMB30 billion write-down undated capital bonds in the national Interbank Bond Market in January 2022, with all proceeds, after deducting the issuance costs, used to replenish additional tier 1 capital in accordance with applicable laws and approval of the competent authorities. The Bank convened a meeting of the Board of Directors on May 30, 2022 to review and approve the Proposal on the Issuance of Write-down Undated Capital Bonds by Postal Savings Bank of China. The proposal was submitted to the Shareholders' General Meeting on June 28, 2022 for review and approval. The Bank proposed to issue write-down undated capital bonds with an aggregate amount not exceeding RMB90 billion(including RMB90 billion) or its equivalent in foreign currency, with all proceeds used to replenish additional tier 1 capital in accordance with applicable laws and approval of the competent authorities.

The Bank plans to fully redeem the US$7.25 billion offshore preference shares issued in 2017 on September 27, 2022. For details, please refer to "Changes in Share Capital and Shareholdings of Shareholders- Offshore Preference Shares".

The Bank issued RMB40 billion tier 2 capital bonds in aggregate in the national Interbank Bond Market in March 2022, with all proceeds, after deducting the issuance costs, used to replenish tier 2 capital in accordance with applicable laws and approval of the competent authorities. Upon approval by the CBIRC, in March 2022, the Bank redeemed in full the tier 2 capital bonds of RMB20 billion issued in 2017.

Focuses of the Capital Market

Net Interest Margin

In the first half of 2022, amidst the increasing complexity, severity, and uncertainty of domestic and international economic environment, the banking industry faced challenges in business development and continued to see overall declines in the net interest margin. In line with the high-quality development strategy, the Bank managed to grasp market opportunities, ensure stable credit supply, and make flexible allocation of non-credit assets, and continued to optimize the structure of assets and liabilities. During the reporting period, the net interest margin of the Bank was 2.27%.

In the second half of 2022, due to the weakening of the domestic pandemic disturbance and the unfolding effect of growth-stabilizing policies, the intrinsic power of economy will be gradually repaired, and the demand for credit is expected to improve compared with the second quarter. The market interest rates are expected to gradually stabilize and the decline in returns on assets will slow down. On the liability side, policies such as the market-based adjustment mechanism of deposit interest rates will help to cut deposit costs down. The overall external environment would be more favorable for commercial banks to operate. The Bank will handle such downturn in net interest margin by measures including giving play to resource endowments, capturing market opportunities, optimizing business structures and so on. Firstly, the Bank will keep pursuing its development goal of building a "first-tier large retail bank", push forward retail businesses transformation, seize the opportunity of rural revitalization and consumption recovery, and will continue to increase the loan-to-deposit ratio and the proportion of loans to entities and retail loans, and stabilize the overall income level. Secondly, the Bank will grasp the opportunity of non-credit asset allocation brought by economic margin restoration, improve the efficiency of fund utilization, and increase the allocation of high-yield assets. Thirdly, the Bank will adhere to the concept of high-quality development of deposits, with "optimizing structure and reducing costs" as the development goal. Besides, the Bank will continue to optimize the liability development mechanism with value deposits as the core, and improve the business system to facilitate a stable proportion of demand deposits in total deposits, while actively promoting the upgrading of wealth management strategies to enhance the virtuous cycle of AUM and deposits, and reducing long-term high-cost deposits to cut the costs of deposits effectively.

Net Non-interest Income

During the reporting period, net non-interest income of the Bank increased by 42.19% year on year to RMB36,518 million, accounting for 21.03% of the operating income, up 4.75 percentage points year on year, reflecting further optimization of the revenue structure. Firstly, the net fee and commission income was RMB17,880 million, representing a year-on-year increase of 56.44%, mainly because that the Bank fully implemented the strategy of boosting the leapfrog growth of intermediary business income, following the concept of "early planning, early reserve, and benefit in advance" for intermediary business, and deployed various businesses in an orderly manner, thus achieved rapid growth in intermediary business income. Secondly, other non-interest net income amounted to RMB18,638 million, representing a year-on-year increase of 30.77%, primarily because the Bank proactively optimized the investment layout, increased investments in securities investment funds and interbank certificates of deposits with tax benefits and less capital consumption, enriched trading strategies by increasing the scale and frequency of trading, which led to a relatively rapid growth in returns on investments and registered increased exchange gains from the appreciation of the U.S. dollar against the RMB.

In the second half of 2022, the Bank will operate around its strategic planning, seek to capture market opportunities, and engage in innovative development, so as to further increase the contribution of net non-interest income. Firstly, the Bank will focus on key sectors to achieve rapid growth in intermediary business income. In terms of wealth management business, we will build a professional capability system to deeply explore the needs of customers, improve professional asset allocation capabilities, create value for customers, and promote the continuous optimization of AUM structure. For the credit card business, the Bank will strengthen customer management and actively deploy offline and online marketing activities to achieve the synergy of "scenario + customer acquisition + customer activation + brand", while driving continuous growth in scale. In terms of electronic payment business, the Bank will continue to expand the size of the card-binding customer base, improve customer payment experience, and carry out diversified marketing activities to further increase market share. With respect to wealth management business, the Bank will enrich the product spectrum and accelerate the issuance of pension wealth management products. At the same time, the Bank will strengthen the collaborative marketing through "self-operated + agency channels", accelerate the expansion of third-party agency sales, and promote the continuous expansion of wealth management scale. For custody business, the Bank will leverage the coordinated development mechanism in banking industry, participate in the construction of the industry-wide ecosystem platform, broaden the range of asset management business such as public funds and insurance funds, and continue to expand the scale of custody business. For investment banking business, the Bank will further expand the market share of bond underwriting, and vigorously expand active syndicated business to enhance overall competitiveness. For transaction banking business, the Bank will promote the scenario-based and online products for settlement business, provide customized trade financing services, and accelerate the transformation from a single product to a comprehensive financial service. Secondly, the Bank will maintain a steady growth of other non-interest business income by following the investment & research-driven approach. It will strengthen macro analysis and study on interest rate trends, closely follow market changes, and flexibly grasp the pace of investment, business types and maturity mix. Also, it will seize the opportunities raised from fluctuation in interest rates and carry out band operations to acquire excess returns. In addition, the Bank will continue to promote the integrated development of bill business, and improve its bill trading business by deepening the linkage of rediscount and discount business.

Asset Quality and Provisioning

In the first half of 2022, the severe and complicated situations of the pandemic in China caused some disturbance to the macro economy. Always adhering to a prudent and sound risk appetite, the Bank intensified efforts in credit risk prevention and asset quality was kept at a good level. In accordance with the normative requirements of the Implementation and Management Measures of the Expected Credit Loss Method Adopted by Commercial Banks, the Bank adhered to the prudent provision policy, and reflected the expected credit losses in an objective and forward-looking way while continuously improving the quality and efficiency of the service provided to the real economy, and maintained adequate capacity to offset risks.

As at the end of the reporting period, the Bank's NPL ratio was 0.83%, representing a slight increase of 0.01 percentage point compared with the prior year-end. The special mention loan ratio was 0.51%, representing an increase of 0.04 percentage point compared with the prior year-end. The overdue loan ratio was 0.91%, representing an increase of 0.02 percentage point as compared with the prior year-end. The allowance to NPLs ratio was 409.25%, representing a decrease of 9.36 percentage points compared with the prior year-end.

The Bank acted in strict compliance with regulatory standards and constantly optimized risk classification rules. Therefore, its asset quality was authentic and reliable. As at the end of the reporting period, the ratio of NPLs to loans overdue for more than 90 days was 1.37, and all loans overdue for more than 60 days as well as 93.36% of loans overdue for more than 30 days were recognized as NPLs, which fully and truly reflected the risk profile of its loans.

The Bank will continue to strengthen credit risk management and control, further improve the credit risk management and control mechanism, and improve the closed-loop management of credit risk; strengthen the risk investigation in key areas and the supervision and inspection of key links to guard the bottom line of risk; improve the asset preservation ability and the quality and efficiency of the disposal of non-performing assets; promote intelligent risk control and strengthen intelligent management of the whole process of credit granting to facilitate a more prospective and refined risk management and control.

Corporate Governance

CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF SHAREHOLDERS

Ordinary Shares

As at the end of the reporting period, the total number of ordinary shares of the Bank amounted to 92,383,967,605, including 72,527,800,605 A shares and 19,856,167,000 H shares, accounting for 78.51% and 21.49% of all shares respectively.

Details of Changes in Shares

share, except for percentages

	As at December 31, 2021		Increase/decrease (+,-) during the reporting period					As at June 30, 2022	
	Number of shares	Percentage (%)	Issuance of new shares	Issuance of bonus shares	Transferred from reserve	Others	Subtotal	Number of shares	Percentage (%)
I. Shares subject to selling restrictions	61,253,339,187	66.30	–	–	–	–	–	61,253,339,187	66.30
1. Shareholdings of the State	–	–	–	–	–	–	–	–	–
2. Shareholdings of state-owned legal entities	61,253,339,187	66.30	–	–	–	–	–	61,253,339,187	66.30
3. Other domestic shareholdings	–	–	–	–	–	–	–	–	–
Including: Shareholdings of domestic non-state-owned legal entities	–	–	–	–	–	–	–	–	–
Shareholdings of domestic natural persons	–	–	–	–	–	–	–	–	–
4. Foreign shareholdings	–	–	–	–	–	–	–	–	–
Including: Shareholdings of foreign legal entities	–	–	–	–	–	–	–	–	–
Shareholdings of foreign natural persons	–	–	–	–	–	–	–	–	–
II. Circulating shares not subject to selling restrictions	31,130,628,418	33.70	–	–	–	–	–	31,130,628,418	33.70
1. RMB ordinary shares	11,274,461,418	12.21	–	–	–	–	–	11,274,461,418	12.21
2. Domestically listed foreign shares	–	–	–	–	–	–	–	–	–
3. Overseas listed foreign shares	19,856,167,000	21.49	–	–	–	–	–	19,856,167,000	21.49
4. Others	–	–	–	–	–	–	–	–	–
III. Total ordinary shares	92,383,967,605	100.00	–	–	–	–	–	92,383,967,605	100.00

Changes in Ordinary Shares

There was no change in ordinary shares of the Bank during the reporting period, nor did any change occur from the end of the reporting period until the disclosure date of this report.

Changes in Shares Subject to Selling Restrictions

share

Name of shareholder	Number of shares subject to selling restrictions at the beginning of 2022	Shares released from selling restrictions in 2022	Increase in shares subject to selling restrictions in 2022	Number of shares subject to selling restrictions at the end of the reporting period	Reason for selling restrictions	Date of release from selling restrictions
China Post Group Corporation Limited	55,847,933,782	–	–	55,847,933,782	Commitments on selling restrictions of initial public offering of A shares	December 12, 2022
	5,405,405,405		–	5,405,405,405	Commitments on selling restrictions of non-public issuance of A shares	March 25, 2026
Total	61,253,339,187	–	–	61,253,339,187	/	/

Number of Shareholders and Shareholdings

As at the end of the reporting period, the Bank had a total number of 168,527 ordinary shareholders (including 165,977 A-share holders and 2,550 H-share holders) and no holders of preference shares with voting rights restored.

The shareholdings of top 10 ordinary shareholders as at the end of the reporting period are as follows:

Shareholdings of Top Ten Ordinary Shareholders

share, except for percentages

Name of shareholder	Number of shares held	Shareholding percentage (%)	Number of shares subject to selling restrictions	Number of shares pledged, marked or locked-up	Nature of shareholder	Type of ordinary shares
China Post Group Corporation Limited	62,244,339,189	67.38	61,253,339,187	–	State-owned legal entity	RMB ordinary shares, overseas listed foreign shares
HKSCC Nominees Limited	19,843,735,510	21.48	–	Unknown	Foreign legal entity	Overseas listed foreign shares
China Life Insurance Company Ltd.	2,179,689,824	2.36	–	–	State-owned legal entity	RMB ordinary shares
Hong Kong Securities Clearing Company Limited	1,321,643,091	1.43	–	–	Foreign legal entity	RMB ordinary shares
China Telecommunications Corporation Limited	1,117,223,218	1.21	–	–	State-owned legal entity	RMB ordinary shares
Shenzhen New Star Investment Management Co., Ltd. — New Star Growth No.1 Fund	147,280,000	0.16	–	–	Others	RMB ordinary shares
Shanghai International Port (Group) Co., Ltd.	112,539,226	0.12	–	–	State-owned legal entity	RMB ordinary shares
Dajia Life Insurance Co., Ltd. — Universal Products	101,864,500	0.11	–	–	Others	RMB ordinary shares
Foresea Life Insurance Co., Ltd. — Self-owned funds	99,999,997	0.11	–	–	Domestic non-state-owned legal entity	RMB ordinary shares
E Fund Management Co., Ltd. — Social Security Fund Portfolio 1104	89,844,176	0.10	–	–	Others	RMB ordinary shares

1 The total number of shares held by HKSCC Nominees Limited as the nominee is the total number of H shares held by all institutional and individual investors registered with the company as at the end of the reporting period, which includes 80,700,000 H shares held by China Post Group Corporation Limited through HKSCC Nominees Limited as the nominee.

2 The total number of shares held by Hong Kong Securities Clearing Company Limited refers to the A shares (Shanghai-Hong Kong Stock Connect) held on behalf of Hong Kong investors and overseas investors as the nominee.

3 HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited (HKSCC). Apart from this, the Bank is not aware of any connected relations among the aforementioned shareholders or whether they constitute persons acting in concert as stipulated in the Administrative Measures for the Takeover of Listed Companies.

4 Except for the unknown situation of HKSCC Nominees Limited, as at the end of the reporting period, the remaining top ten ordinary shareholders of the Bank did not participate in margin trading, short selling or refinancing.

5 The above shareholders do not have special repurchase accounts nor do they involve delegation/entrustment of voting rights, abstention of voting rights, the strategic investors or general legal entities becoming the top ten ordinary shareholders due to placement of new shares.

Shareholdings of the Top Ten Shareholders Not Subject to Selling Restrictions

share

Name of shareholder	Number of circulating shares held not subject to selling restrictions	Type and number of shares	
		Type	Number
HKSCC Nominees Limited	19,843,735,510	Overseas listed foreign shares	19,843,735,510
China Life Insurance Company Ltd.	2,179,689,824	RMB ordinary shares	2,179,689,824
Hong Kong Securities Clearing Company Ltd.	1,321,643,091	RMB ordinary shares	1,321,643,091
China Telecommunications Corporation Limited	1,117,223,218	RMB ordinary shares	1,117,223,218
China Post Group Corporation Limited	991,000,002	RMB ordinary shares	910,300,002
		Overseas listed foreign shares	80,700,000
Shenzhen New Star Investment Management Co., Ltd. – New Star Growth No.1 Fund	147,280,000	RMB ordinary shares	147,280,000
Shanghai International Port (Group) Co., Ltd.	112,539,226	RMB ordinary shares	112,539,226
Dajia Life Insurance Co., Ltd. – Universal Products	101,864,500	RMB ordinary shares	101,864,500
Qianhai Life Insurance Company Limited – Own funds	99,999,997	RMB ordinary shares	99,999,997
E Fund Management Co., Ltd. – Social Security Fund Portfolio 1104	89,844,176	RMB ordinary shares	89,844,176

1 The total number of shares held by HKSCC Nominees Limited as the nominee is the total number of H shares held by all institutional and individual investors registered with the company as at the end of the reporting period, which includes 80,700,000 H shares held by China Post Group Corporation Limited through HKSCC Nominees Limited as the nominee.

2 The total number of shares held by Hong Kong Securities Clearing Company Limited refers to the A shares (Shanghai-Hong Kong Stock Connect) held on behalf of Hong Kong investors and overseas investors as the nominee.

3 HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited (HKSCC). Apart from this, the Bank is not aware of any connected relations among the aforementioned shareholders or whether they constitute persons acting in concert as stipulated in the Administrative Measures for the Takeover of Listed Companies.

4 Except for the unknown situation of HKSCC Nominees Limited, as at the end of the reporting period, the remaining top ten ordinary shareholders not subject to selling restrictions of the Bank did not participate in margin trading, short selling or refinancing.

5 The above shareholders do not have special repurchase accounts nor do they involve delegation/entrustment of voting rights, abstention of voting rights, the strategic investors or general legal entities becoming the top ten ordinary shareholders due to placement of new shares.

Shareholdings of the Top Ten Shareholders Subject to Selling Restrictions

share

Name of shareholder	Number of shares subject to selling restrictions	Conditions for listing and trading of shares subject to selling restrictions: Date on which listing and trading may commence	Conditions for listing and trading of shares subject to selling restrictions: Number of new shares allowed to be listed and traded	Selling restrictions
China Post Group Corporation Limited	55,847,933,782	December 12, 2022	–	36 months since the date of the initial public offering and listing of A shares of the Bank
	5,405,405,405	March 25, 2026	–	60 months since the date of the non-public issuance of A shares of the Bank

Shareholdings by the Directors, Supervisors and Senior Management Members

During the reporting period, the shareholdings by the Directors, Supervisors and senior management members of the Bank remained unchanged. As at the disclosure date of this report, none of the Directors, Supervisors and senior management members of the Bank held any shares of the Bank.

Offshore Preference Shares

Issuance and Listing of Offshore Preference Shares

On September 27, 2017, the Bank issued non-public offshore preference shares totaling USD7,250 million in the overseas market. A total of 362,500,000 shares were issued, each with a face value of RMB100 and an offer price of USD20. The dividend rate is adjusted every 5 years, and remain unchanged within each adjustment period. The dividend rate is the yield on 5-year US treasury bonds in the adjustment period plus a fixed interest spread, and the dividend rate for the first 5 years after issuance is 4.50%. The offshore preference shares of the Bank were listed on the Hong Kong Stock Exchange on September 28, 2017, and net proceeds raised from the issuance were approximately RMB47.8 billion, all of which were used to replenish the Bank's additional tier 1 capital.

Issuance and Listing of Offshore Preference Shares

Stock code of the offshore preference shares	Preference shares abbreviation	Issuing date	Issue price (USD/share)	Initial dividend rate (%)	Issuing quantity (share)	Issuing amount (USD)	Listing date	Permitted trading volume (share)
4612	PSBC 17USDPREF	September 27, 2017	20	4.50	362,500,000	7,250,000,000	September 28, 2017	362,500,000

Number of Offshore Preference Shareholders and Shareholdings

As at the end of the reporting period, the total number of offshore preference shareholder (or nominee) of the Bank was 1. Shareholdings of the top ten offshore preference shareholders (or nominees) of the Bank are as follows:

Number of Offshore Preference Shareholders and Shareholdings

share, except for percentages

Name of shareholder	Nature of shareholder	Class of shares	Change during the reporting period	Number of shares held at the end of the period	Shareholding percentage (%)	Number of shares subject to selling restrictions	Number of shares pledged or locked-up
The Bank of New York Depository (Nominees) Limited	Foreign legal entity	Offshore preference shares	–	362,500,000	100.00	–	Unknown

1 Shareholdings of offshore preference shareholders are based on the information listed in the Bank's register of offshore preference shareholders.

2 As the issuance of offshore preference shares was non-public, the register of offshore preference shareholders presented the information on nominees of placees.

3 "Shareholding percentage" refers to the percentage of the number of offshore preference shares held by offshore preference shareholders in total number of offshore preference shares.

Distribution of Dividends on Offshore Preference Shares

Dividends on the Bank's offshore preference shares are paid annually in cash, with interest-bearing principal as the preferred clearing amount. Dividends of the Bank's offshore preference shares are paid in a non-cumulative manner. Holders of the Bank's offshore preference shares are only entitled to dividends at the prescribed dividend rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution provisions in the offshore preference share issuance plan, the Bank distributed dividends of USD362.5 million (tax inclusive) on the offshore preference shares. According to relevant laws and regulations, when the Bank distributes dividends on the offshore preference shares, the income tax shall be withheld by the Bank at a rate of 10%.

During the reporting period, as per the resolution and authorization of the Shareholders' General Meeting, upon the review and approval at the 6th meeting of the Board of Directors of the Bank in 2022, the Bank was approved to distribute dividends on the offshore preference shares for the period from September 27, 2021 (inclusive) to September 27, 2022 (exclusive) on September 27, 2022, totaling USD362.5 million (before tax), of which USD326.25 million (after tax) were paid to the holders of offshore preference shares. For details, please refer to the announcement on implementing the distribution of dividends for offshore preference shares of the Bank dated May 30, 2022.

During the reporting period, the issued offshore preference shares were not yet due for dividend distribution, and there was no dividend payment in respect of the offshore preference shares.

Redemption or Conversion of Offshore Preference Shares

During the reporting period, there was no redemption or conversion of offshore preference shares of the Bank.

On May 30, 2022, the 6th meeting of the Board of Directors of the Bank in 2022 reviewed and approved the Proposal on Redemption of Offshore Preference Shares by Postal Savings Bank of China, agreeing to redeem USD7.25 billion of offshore preference shares according to relevant provisions of the offshore preference share issuance documents upon approval by the CBIRC. The Bank has received the reply from the CBIRC which had no objection to the redemption. The Bank planned to implement the redemption on September 27, 2022.

Restoration of Voting Rights of Offshore Preference Shares

During the reporting period, there was no voting rights restoration regarding offshore preference shares of the Bank.

Accounting Policies Adopted for Offshore Preference Shares and the Reasons Thereof

According to the Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments, and the Differentiation of Financial Liabilities and Equity Instruments and Relevant Accounting Treatment (Cai Kuai [2014] No. 13) promulgated by the MOF, the International Financial Reporting Standards No. 7 – Financial Instruments: Disclosures, the International Financial Reporting Standards No. 9 – Financial Instruments, and the International Accounting Standards No. 32 – Financial Instruments: Presentation formulated by the International Accounting Standards Board as well as the issuance terms of the Bank's preference shares, the existing preference shares issued by the Bank conform to the accounting requirements for equity instruments, and shall be accounted for as equity instruments.

Substantial Shareholders

According to the Interim Measures on Equity Management of Commercial Banks published by the CBIRC, China Post Group, China State Shipbuilding Corporation Limited ("CSSC") and Shanghai International Port (Group) Co., Ltd ("SIPG") are substantial shareholders of the Bank, as China Post Group holds more than 5% of interest in the Bank while CSSC and SIPG designate Directors to the Bank.

Basic Information of Substantial Shareholders

There was no change in the controlling shareholder or de facto controller of the Bank during the reporting period.

Controlling Shareholder and De Facto Controller

The controlling shareholder and de facto controller of the Bank is China Post Group. China Post Group, a wholly state-owned enterprise incorporated in accordance with the Company Law of the People's Republic of China, was established on October 4, 1995, and was officially restructured into China Post Group Corporation Limited on December 17, 2019. It engages in various postal businesses in accordance with law, undertakes the obligations of general postal services and provides special postal services entrusted by the government. China Post Group has a registered capital of RMB137.6 billion. Its registered address is No. 3 Financial Street, Xicheng District, Beijing. Its unified social credit code is 911000000000192465 and legal representative is Mr. Liu Aili. China Post Group is principally engaged in domestic and international mail delivery, distribution of publications such as newspapers and journals, stamp issuance, postal remittance, operation of postal savings business in accordance with law, confidential correspondence, postal financial business, emerging business such as postal logistics and e-mail, e-commerce, agency business and other businesses as stipulated by the state.

Other Substantial Shareholders

China State Shipbuilding Corporation Limited ("CSSC") is a wholly state-owned enterprise established under the Company Law of the People's Republic of China by the state with a registered capital of RMB110 billion. Its registered address is No. 1 Pudong Avenue, China (Shanghai) Pilot Free Trade Zone, and its unified social credit code is 91310000MA1FL70B67. CSSC has the largest shipbuilding and repair base in China and the most complete research and development capacity for shipping and supporting products. It is the world's largest shipbuilding group capable of designing and building shipping and marine equipment that meet the requirements of global classification societies, international general technical standards and safety conventions. CSSC is principally engaged in the research, development and production of naval products, merchant ships and supporting facilities as well as non-marine equipment, and is one of the Global 500 companies in China's shipping industry.

Shanghai International Port (Group) Co., Ltd. ("SIPG") has its registered address at 4/F, Area A, Comprehensive Building, No. 1 Tonghui Road, China (Shanghai) Pilot Free Trade Zone, and its headquarters at No. 358 (International Port Building) East Daming Road, Hongkou District, Shanghai. Its unified social credit code is 913100001322075806, and the legal representative is Mr. Gu Jinshan. The registered capital of SIPG is RMB23,278,679,750 and its ultimate controller is Shanghai State-owned Assets Supervision and Administration Commission. SIPG, the operator of public terminals in the Port of Shanghai, is a large specialized business group established in January 2003 by restructuring the former Shanghai Port Administration Bureau. In June 2005, SIPG was transformed into a joint-stock company after an overall restructuring, and was listed on SSE on October 26, 2006, becoming the first joint-stock port company listed as a whole in China. It is now the largest public company in the port industry in the mainland of China and is also one of the largest port companies in the world. SIPG is mainly engaged in port-related business including container services, bulk cargo services, port logistics and port services.

Pledging of the Bank's Shares by Its Substantial Shareholders

As at the end of the reporting period, CSSC pledged 1,620,000,000 ordinary shares of the Bank, accounting for 1.75% of the total share capital of the Bank, and there was no share pledge by other substantial shareholders of the Bank.

Related Parties of Substantial Shareholders and Connected Transactions

About 1,400 institutions including the above-mentioned substantial shareholders and their controlling shareholders, de facto controllers, related parties, persons acting in concert and ultimate beneficiaries are regarded as related parties of the Bank. During the reporting period, the types of transactions between the Bank and the above-mentioned related parties mainly included credit extension, service provision, asset transfer, etc. These connected transactions were included in the routine connected transaction management of the Bank and submitted to the Board of Directors and its Related Party Transactions Control Committee for approval or kept on record.

Interests and Short Positions Held by Substantial Shareholders and Other Persons

As at the end of the reporting period, so far as was known to the Directors, Supervisors and President of the Bank, saved as disclosed below, there were no other persons (other than the Directors, Supervisors and President of the Bank) or companies who had interests or short positions in the shares or underlying shares of the Bank which were required to be disclosed to the Bank and Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept pursuant to Section 336 of the SFO:

share, except for percentages

Name of shareholder	Capacity	Class of shares	Relevant interests and short positions	Nature of interests	Percentage of issued class shares (%)	Percentage of total issued shares (%)
China Post Group Corporation Limited	Beneficial owner	A shares	62,163,639,189	Long position	85.71	67.29
	Beneficial owner	H shares	80,700,000	Long position	0.41	0.09
China State Shipbuilding Corporation Limited[2]	Interest of controlled corporations	H shares	3,794,826,462	Long position	19.11	4.11
Shanghai International Port (Group) Co., Ltd.[3]	Beneficial owner and interest of controlled corporations	H shares	3,475,221,041	Long position	17.50	3.76
	Beneficial owner	A shares	112,539,226	Long position	0.16	0.12
Li Ka-Shing[4]	Interest of controlled corporations	H shares	2,267,364,000	Long position	11.42	2.45
Li Tzar Kuoi, Victor[4]	Interest of controlled corporations	H shares	2,267,364,000	Long position	11.42	2.45
China National Tobacco Corporation	Beneficial owner	H shares	1,296,000,000	Long position	6.53	1.40
Li Lu[5]	Interest of controlled corporations	H shares	1,274,411,000	Long position	6.42	1.38
BNP PARIBAS SA[6]	Interest of controlled corporations	H shares	1,632,440,220	Long position	8.22	1.77
	Interest of controlled corporations	H shares	188,718,937	Short position	0.95	0.20

1 The information disclosed above is based on the information provided on the website of Hong Kong Stock Exchange and the information available to the Bank at the end of the reporting period. Pursuant to Section 336 of the SFO, shareholders of the Bank are required to file a disclosure of interests form when certain criteria are fulfilled. When a shareholding in the Bank changes, it is not necessary for the shareholder to notify the Bank and Hong Kong Stock Exchange unless several criteria have been fulfilled, therefore the shareholder's latest shareholding in the Bank may be different from the shareholding filed with Hong Kong Stock Exchange.

2 China State Shipbuilding Corporation Limited is interested in a total of 3,794,826,462 H shares (long position), of which 3,777,884,462 H shares (long position) are indirectly held by controlled corporations, namely China Shipbuilding Industry Corporation, China Shipbuilding & Offshore International Co., Limited, China Shipbuilding & Offshore International (H.K.) Co., Limited and China Shipbuilding Capital Limited through CSIC Investment One Limited as the beneficial owner, and 16,942,000 H shares (long position) are indirectly held by the controlled corporation China Shipbuilding Industry Corporation through China Shipbuilding Capital Limited as the beneficial owner.

3 Shanghai International Port (Group) Co., Ltd. is interested in a total of 3,475,221,041 H shares (long position), of which 109,600,000 H shares (long position) are beneficially owned by it, 2,936,591,431 H shares (long position) are beneficially owned by the controlled corporation Shanghai International Port Group (HK) Co., Limited, and 429,029,610 H shares (long position) are indirectly held by the controlled corporation Shanghai International Port Group (HK) Co., Limited through Shanghai Port Group (BVI) Holding Co., Limited as the beneficially owner.

4 Mr. Li Ka-Shing and Mr. Li Tzar Kuoi, Victor is each interested in a total of 2,267,364,000 H shares (long position), of which 1,108,228,000 H shares (long position) are beneficially owned by the controlled corporation Li Ka Shing (Canada) Foundation. The above 2,267,364,000 H shares (long position) are all unlisted derivatives delivered in kind.

5 Li Lu is interested in the 1,274,411,000 H shares (long position) indirectly held by the controlled corporation LL Group, LLC through Himalaya Capital Investors, L.P. as the beneficiary owner. Himalaya Capital Management LLC is interested in the 1,274,411,000 H shares (long position) as the investment manager.

6 BNP PARIBAS SA is deemed to be interested in a total of 1,632,440,220 H shares (long position) and 188,718,937 H shares (short position) as it controls several enterprises. Of which 1,297,692,946 H shares (long position) are available for lending, 121,379,711 H shares (long position) are owned through holding listed derivatives of convertible instruments, and 71,773,925 H shares (long position) are owned through holding unlisted derivatives delivered via cash.

Issuance and Listing of Securities

During the reporting period, the Bank did not issue ordinary shares.

For details of the issuance of other securities of the Bank during the reporting period, please refer to "Notes to the Condensed Consolidated Financial Statements – 29 Debt securities issued" and "Notes to the Condensed Consolidated Financial Statements – 31.2 Other equity instruments".

The Bank has no employee stocks.

CORPORATE GOVERNANCE

Overview of Corporate Governance

The Bank strictly follows relevant laws, regulations, administrative rules, regulatory provisions and requirements of other relevant rules. In line with its corporate governance practices, the Bank continues to optimize its management mechanism and enhance the quality and efficiency of corporate governance.

During the reporting period, the Bank convened one Shareholders' General Meeting, namely the 2021 Annual General Meeting held in Beijing on June 28, 2022. The aforementioned Shareholders' General Meeting was convened and held in accordance with relevant laws and regulations. The Bank issued an announcement on the resolutions of the above-mentioned Shareholders' General Meeting and legal opinions in a timely manner in accordance with the regulatory requirements. The resolution announcement was published on the websites of SSE, Hong Kong Stock Exchange and the Bank as well as on the media designated by the Bank for information disclosure on June 28, 2022.

Meeting	Date	Websites for publishing announcements	Disclosure date	Meeting resolutions
2021 Annual General Meeting	June 28, 2022	The announcement on resolutions is published on the websites of SSE (www.sse.com.cn), Hong Kong Stock Exchange (www.hkexnews.hk) and the Bank (www.psbc.com) on June 28, 2022.	June 28, 2022	See the Announcement on Poll Results of the 2021 Annual General Meeting of PSBC

During the reporting period, the Bank convened a total of 6 meetings of the Board of Directors (3 on-site meetings and 3 meetings by written circulation), at which 52 proposals were reviewed and 13 reports were heard; the special committees of the Board of Directors convened 16 meetings (3 for Strategic Planning Committee, 1 for Related Party Transactions Control Committee, 3 for Audit Committee, 4 for Risk Management Committee, 3 for Nomination and Remuneration Committee and 2 for Social Responsibility and Consumer Rights Protection Committee), at which 53 proposals were reviewed and 8 reports were heard.

During the reporting period, the Board of Supervisors convened a total of 4 meetings (3 on-site meetings and 1 meeting by written circulation), at which 47 proposals and supervision matters were reviewed; the special committees of the Board of Supervisors convened 6 meetings (3 for Duty Performance Supervision Committee and 3 for Finance and Internal Control Risk Supervision Committee), at which 14 proposals were reviewed.

During the reporting period, there was no material difference between the actual status of the Bank's corporate governance and the regulations on corporate governance of listed companies promulgated by the CSRC. The Bank has complied with the principles and code provisions of the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules, and the Bank has also complied with most of the recommended best practices therein.

Directors, Supervisors and Senior Management

Directors, Supervisors and Senior Management

As of the disclosure date of the report, the composition of the Board of Directors, the Board of Supervisors and senior management was as follows:

The Board of Directors consisted of 13 directors in total, including 3 Executive Directors, namely Mr. Liu Jianjun, Mr. Zhang Xuewen and Ms. Yao Hong; 5 Non-executive Directors, namely Mr. Han Wenbo, Mr. Chen Donghao, Mr. Wei Qiang, Mr. Liu Yue and Mr. Ding Xiangming; and 5 Independent Non-executive Directors, namely Mr. Fu Tingmei[1], Mr. Wen Tiejun, Mr. Chung Shui Ming Timpson, Mr. Hu Xiang and Ms. Pan Yingli.

The Board of Supervisors consisted of 8 supervisors, including Mr. Chen Yuejun, the Chairman and Shareholder Representative Supervisor; Shareholder Representative Supervisor Mr. Zhao Yongxiang; 3 External Supervisors, namely Mr. Wu Yu[2], Mr. Bai Jianjun and Mr. Chen Shimin; and 3 Employee Supervisors, namely Mr. Li Yue, Mr. Bu Dongsheng and Mr. Gu Nannan.

The Bank had a total of 8 senior management members, namely Mr. Liu Jianjun, Mr. Zhang Xuewen, Ms. Yao Hong, Mr. Qu Jiawen, Mr. Xu Xueming, Mr. Du Chunye, Mr. Liang Shidong and Mr. Niu Xinzhuang.

Changes in Directors, Supervisors and Senior Management

Changes in Directors

On April 25, 2022, Mr. Zhang Jinliang resigned from the positions as Chairman, Non-executive Director and Chairman and member of the Strategic Planning Committee of the Board of Directors of the Bank due to change of job. After the resignation of Mr. Zhang Jinliang, Mr. Liu Jianjun started to perform duties on behalf of Chairman of the Bank, Chairman of the Strategic Planning Committee of the Board of Directors of the Bank and Legal Representative of the Bank on April 25, 2022. For details, please refer to the announcement of the Bank dated April 25, 2022.

1. As at August 11, 2022, Mr. Fu Tingmei has been serving as an Independent Non-executive Director of the Bank for six years. Mr. Fu Tingmei will continue to perform relevant duties as Independent Non-executive Director and member of special committees of the Board of Directors of the Bank until the appointment of the alternative Independent Non-executive Director.

2. As at May 30, 2022, Mr. Wu Yu has been serving as an External Supervisor of the Bank for six years. Mr. Wu Yu will continue to perform relevant duties as External Supervisor and member of special committees of the Board of Supervisors of the Bank until the appointment of the alternative External Supervisor.

Changes in Supervisors

On January 4, 2022, Mr. Li Yujie resigned from the positions as Shareholder Representative Supervisor and member of the Nomination Committee of the Board of Supervisors of the Bank due to age reasons. For details, please refer to the announcement of the Bank dated January 4, 2022.

On July 18, 2022, the Tenth Session of the First Employee Representative Assembly of the Bank elected Mr. Li Yue to be re-appointed as the Employee Supervisor of the Bank. The term of office for Mr. Li Yue is three years, beginning on July 18, 2022. For details, please refer to the announcement of the Bank dated July 18, 2022.

Changes in Senior Management

Ms. Tang Junfang ceased to perform the duties of Secretary of the Discipline Inspection Committee of the Bank due to the change of job on March 30, 2022.

Mr. Shao Zhibao resigned from the position as Vice President of the Bank on July 15, 2022 due to age reasons.

Changes in Biographies of Directors, Supervisors and Senior Management

Changes in Biographies of Directors

In January 2022, Mr. Wen Tiejun began to serve as External Director of Xinjiang Cultural Tourism Investment Group Co., Ltd.

In April 2022, Ms. Yao Hong began to serve as Vice Chairman of the Payment & Clearing Association of China.

In April 2022, Mr. Liu Yue ceased to serve as Chairman of China Shipbuilding Capital Limited due to age reasons.

Changes in Biographies of Supervisors

There was no change in biographies of supervisors during the reporting period.

Changes in Biographies of Senior Management

In April 2022, Mr. Qu Jiawen ceased to serve as Vice Chairman of the Payment & Clearing Association of China.

Positions Taken by Directors and Supervisors Assigned by Shareholders at Shareholders' Companies

Name	Name of company	Major titles	Tenure
Liu Jianjun	China Post Group	Vice President	May 2021 till present
Zhang Xuewen	China Post Group	Assistant President	February 2022 till present
Han Wenbo	China Post Group	Board Member	February 2021 till present
Chen Donghao	China Post Group	Board Member	February 2021 till present
Ding Xiangming	SIPG	Vice President and Secretary to the Board of Directors	December 2014 till present
Zhao Yongxiang	China Post Group	Managing Director and Inspection Commissioner of Discipline Inspection Office of the Leading Party Members' Group	May 2020 till present

[1] Save as disclosed above, as of the disclosure date of the report, none of the Directors, Supervisors and senior management members of the Bank took positions in shareholders' companies.

Profit and Dividends Distribution

The Bank reviewed and approved the profit distribution plan for 2021 at the 2021 Annual General Meeting held on June 28, 2022. On the basis of 92,383,967,605 ordinary shares of the Bank, the Bank distributed cash dividends of RMB2.474 (before tax) per ten shares, totaling approximately RMB22,856 million (before tax), to all the ordinary shareholders whose names appeared on the share register on the record date. The profit distribution scheme has been implemented completely. The Bank did not declare or distribute interim dividends of 2022, nor did it convert any capital reserve to share capital. For details on the distribution of dividends on offshore preference shares, please refer to "Changes in Share Capital and Shareholdings of Shareholders – Offshore Preference Shares".

ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

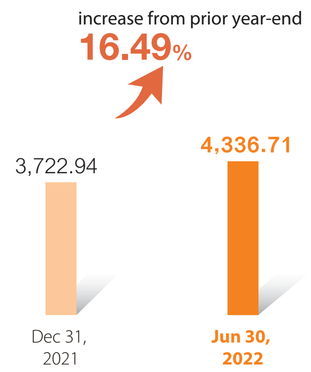
The Bank issued the *Action Plan for Achieving Peaking Carbon Emissions and Carbon Neutrality Goals of Postal Savings Bank of China Co., Ltd.*

The balance of green loans amounted to **RMB433,671 million**, up **16.49%** over the end of previous year.

The Bank won the "Best ESG" Award for Asian banking and non-banking industry granted by the Institutional Investor magazine.

Balance of green loans

(in RMB100 million)



Green Finance

In order to achieve national visions and goals of peaking carbon emissions and carbon neutrality, the Bank stepped up efforts to develop sustainable finance, green finance and climate finance, and promoted biodiversity conservation. As at the end of the reporting period, the balance of green loans amounted to RMB433,671 million, up 16.49% over the end of previous year; the balance of green bond investments amounted to RMB27,532 million, up 19.11% over the end of previous year; the underwritten green bonds amounted to RMB10.76 billion. The Bank won the "Best ESG" Award for Asian banking and non-banking industry granted by the Institutional Investor magazine.

Strengthening top-level design and improving organizational management. The Bank formulated an action plan for achieving peaking carbon emissions and carbon neutrality goals, and set the timetable in phases and roadmap for the plan. It convened regular meetings of the Board of Directors, meetings of the Social Responsibility and Consumer Protection Committee under the Board of Directors, and meetings of the Task Force on Achieving Peaking Carbon Emissions and Carbon Neutrality and Green Finance, to study and plan the construction of green bank and the ESG risk management, in a bid to achieve the "peaking carbon emissions and carbon neutrality" goals in an orderly way.

Optimizing polices and mechanism and improving the management mechanism. The Bank optimized the Credit Policies (version 2022), issued a separate Guidelines on Credit Policy for Green Finance and Climate Financing, which specified the key support industries of green finance and climate financing. It actively explored transformation finance and supported low-carbon transformation and fair transformation. The Bank issued the 2022 Key Financial Issues for Achieving Peaking Carbon Emissions and Carbon Neutrality and Green Finance, the Work Plan for Providing Green and Inclusive Financial Services to Small Businesses and the Green Financial Development for the Sannong Business Line, which specified the goals and key tasks of the year to promote the integrated development of inclusive finance and green finance.

Improving the incentive mechanism and allocating resources in a scientific manner. The Bank adopted a differentiated policy for measuring economic capital of green finance, improved the economic capital management and evaluation system, and granted more credits to green credit. It provided preferential interest rates for projects with significant benefits for carbon emission reduction, and offered support by lowering the lending rates of internal funds transfer pricing (FTP). It opened a fast track for review and approval, and increased support for parallel operation to facilitate the development of green finance.

Accelerating product innovation and supporting green development. The Bank launched several sustainability-linked financing businesses, cooperated with Deutsche Börse Group and other financial institutions to jointly launch the "STOXX PSBC China A ESG Index", and promoted green and low carbon cards. Personal carbon accounts were launched for various scenarios such as green finance, green life, green village and green public welfare.

Enhancing capacity building and conducting green research. The Bank enriched its green finance training system, and organized bank-wide training on credit policies, green credit statistics, and ESG and climate risks. It actively participated in seminars and exchange activities organized by the Ministry of Ecology and Environment, PBOC, CBIRC, the Green Finance Committee of China Society for Finance and Banking, research institutes of universities, and completed the Study on the Pathway of Low-Carbon Transformation of Commercial Banks under the Goal of Carbon Neutrality.

Green Operation

To promote energy conservation, emission reduction and green transformation, the Bank urged 36 tier-1 branches and subsidiaries to sign the 2022 written pledges on ecological and environmental protection, as part of its effort to fulfill its political and social responsibilities as a major state-owned bank.

To fully implement the Measures on Energy Conservation Management of Major Energy-Using Entities, the Bank carried out energy use benchmarking in accordance with the Energy Consumption Index for Civil Buildings (DB11/T1413-2017) in April 2022. The Bank will conduct management and technical renovations based on the benchmarking results to improve energy efficiency.

The Bank promoted green office and green travel, gradually removed old vehicles from the roads, and prohibited over-emissions. It conducted the Special Inspection on Green Office to urge its employees to save resources, and strictly controlled the waste of paper, water and electricity. It incorporated green office criteria into the department performance evaluation system, giving full play to the role of the performance evaluation system as an incentive and restraint for evaluating and overseeing the implementation of energy conservation goals.

In March 2022, the Bank passed the 2021 green development assessment organized by Beijing Green Development Office, and was listed among the "Institutions Participating in the 2021 Campaign for Green Development in Beijing".

Consumer Protection

The Bank attached great importance to the protection of consumers' rights and interests and spared no effort to respond to Covid-19 and worked hard to provide financial services and protect consumer rights and interests during the period for people to resume work and production. It embraced the philosophy of consumer protection in all aspects of corporate governance and incorporated it into the fostering of corporate culture, business development strategy and comprehensive risk management system. During the reporting period, the Bank continued to improve the system and mechanism for consumer protection. It established and improved the whole-process management mechanism for consumer protection, gave full play to the "three lines of defense", and specified the responsible entities for consumer protection to improve the quality and efficiency of consumer protection.

The Bank carried out consumer protection review, complaint management and internal assessment of consumer protection, and improved the capabilities for consumer protection in all respects. It carefully implemented the "prevention-first" working principle, and strengthened consumer protection review to evaluate and review the policies, systems, business rules, fees and prices, agreement provisions and publicity materials that may affect consumers' rights and interests. It strengthened customer complaint management, and gave regular briefings to report on the problems found in customer complaints, find the causes of complaints and improve relevant products and services, and addressed issues at the source. It improved the assessment mechanism for consumer protection, and optimized the discrimination index of examination results to give full play to the role of the assessment as an incentive and restraint. It also strengthened information disclosure related to consumer protection to ensure the consumers' rights to be informed.

Column

Publicizing Financial Knowledge Extensively to Help Protect Consumers' Wealth

To fulfill its social responsibilities, PSBC solidly carried out financial knowledge education and publicity, and formulated an annual education and publicity work plan. In addition to participation in the publicity activities organized by regulators and industry associations, the Bank planned and organized 28 publicity activities on its own, including popularization of insurance knowledge, popularization of asset allocation knowledge and publicity on personal credit reporting. It intensified efforts in online and offline education and publicity on financial knowledge, continued to innovate publicity forms and enrich publicity content, and steadily carried out regular financial knowledge popularization. The Bank actively used technological means for consumer education and publicity. It set a financial knowledge publicity column on its official website and official WeChat account, introduced various financial knowledge and publicity information, expanded the education and publicity reach, and improved the quality and efficiency of publicity. It continuously enhanced consumers' understanding and risk prevention awareness of financial products and services, and helped to create a good financial consumption environment. It also focused on financial knowledge education and publicity for the elderly, farmers, students, the disabled, migrant workers and other groups, and took targeted measures to help the key groups enhance their financial skills.

Gansu Branch launched financial knowledge publicity activities in communities in the form of art performance with vivid, easy-to-understand sitcom performance and songs showing various types of fraud in daily life, encouraging the elderly to learn financial knowledge and improve their awareness of risk prevention and ability to discern truth from false.

Nanchang Branch in Jiangxi Province paid a visit to Liuxi Village, Changjun Township, Anyi County, and popularized prevention knowledge and measures by introducing common types and cases of telecom fraud and illegal fund-raising to help rural consumers effectively identify scams and avoid impairment to personal rights and interests.

Employees of Lijiang Branch in Yunnan Province explained financial knowledge to the ethnic minorities in Bai and Naxi languages, so as to improve the sense of financial gains for local people.

Jiangyan Sub-branch in Taizhou of Jiangsu Province went to Louzhuang Primary School in Jiangyan District and carried out the publicity activity themed "Financial Knowledge Accompanies Growth", and helped primary school students develop a correct concept of financial credit and financial planning skills through storytelling, illustrations and other easy-to-perceive and easy-to-understand forms.

PSBC Consumer Finance, together with NetEase and Guangdong Anti-Fraud Center, organized the first anti-fraud theme fair in China, i.e., the "Anti-fraud Egg Fair", aiming to raise the awareness of fraud prevention among citizens in a way of edutainment by combining innovative games and anti-fraud knowledge, and to enhance citizens' initiative in learning anti-fraud knowledge.

PSBC Consumer Finance, together with NetEase and Guangdong Anti-Fraud Center, held the country's first anti-fraud theme fair.

SIGNIFICANT EVENTS

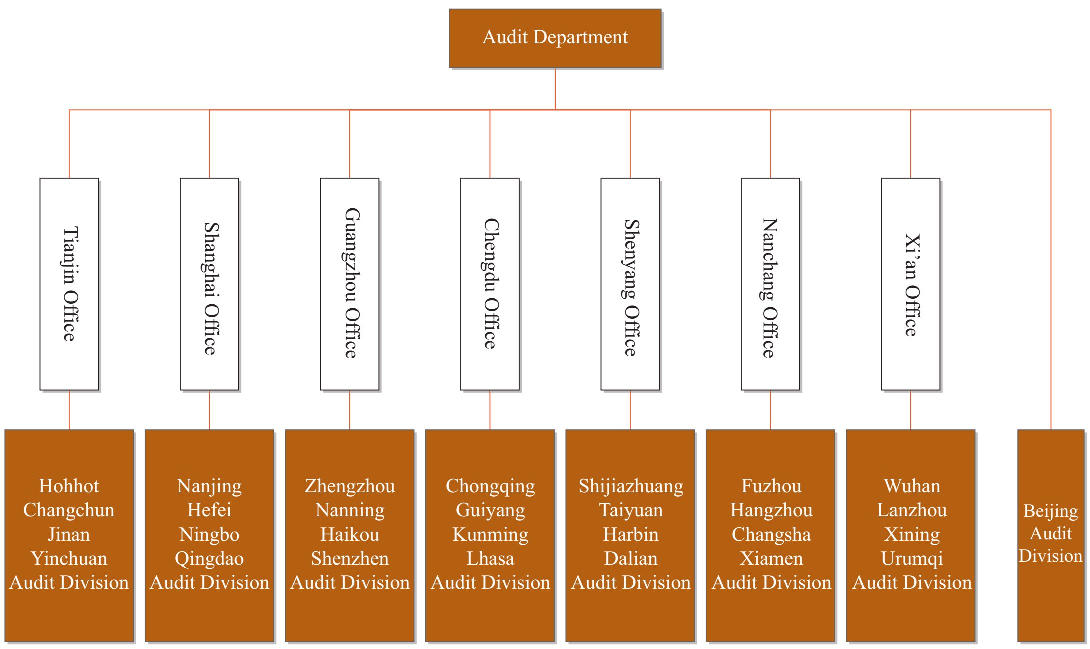
Internal Control and Internal Audit

Internal Control

The Bank has established an internal control governance and organizational structure that consists of the Board of Directors, the Board of Supervisors, senior management, functional departments of internal control management, internal audit departments and business departments, featuring reasonable division of labor, clear responsibilities, and clear reporting relationships.

During the reporting period, the Bank continuously advanced the rigid control of recurring issues. It implemented the stationing of risk managers in institutions at the primary level and strengthened the vertical division of power and horizontal supervision to prevent and control key risk areas. It also enhanced the effectiveness of internal control of institutions at the primary level by dual presence of a "business supervisor together with a risk manager", involving 2,443 stationing risk managers. The Bank continued to improve the mechanism for rectifying problems circulated by regulatory authorities and strengthened the systematic rectification of problems by drawing inferences. It strengthened the supervision and assessment of problem rectification, reinforced technical support, and hence further improved the quality and efficiency of rectification. The Bank formulated a case prevention assessment plan for tier-one branches, strengthened the research and analysis of credit fraud risks, carried out various forms of case warning education and prevention of illegal fund-raising "Publicity Month" activities, in order to improve the quality and efficiency of case prevention. The Bank improved the accountability system, refined the accountability handling requirements, continuously carried out accountability review, and gave full play to the warning and deterrence of accountability for non-compliance, thereby deepening the awareness of compliance and bottom line. It continued to carry out compliance inspections on key areas of regulatory concern, continuously improved the risk model system of compliance management system for key compliance risks, established and improved the off-site monitoring and analysis management mechanism, steadily advanced the construction of monitoring and verification center at the head office, and reinforced the defenses against risks.

Internal Audit



The Bank implements an internal audit system. During the reporting period, the Bank upgraded the independent and vertical audit management structure, incorporated the original audit departments of tier-1 branches into the Head Office's vertical management system, established a three-tier audit structure consisting of the Audit Department at the Head Office, regional audit offices and audit divisions, and further improved the internal audit reporting system and reporting lines consistent with such structure. The Audit Department at the Head Office is responsible to the Board of Directors and the Audit Committee thereunder, regularly reports to the Board of Directors, the Audit Committee thereunder and the Board of Supervisors, and notifies the senior management.

The Audit Department at the Head Office is responsible for the overall audit work and the coordination of audit resources of the Bank, as well as the organization and conduct of Bank-wide audit activities in accordance with the Guidelines for the Internal Audit of Commercial Banks and the audit charter of the Bank. The Audit Department has 7 regional audit offices thereunder and directly manages Beijing Audit Division. The 7 regional audit offices manage 28 audit divisions by jurisdiction. The audit offices shall implement the annual audit plan of the Head Office, allocate audit projects and audit resources under jurisdiction, carry out the audits of tier-1 branches and their subordinate institutions under jurisdiction, and conduct routine audit projects such as audits for local branches managers when leaving office and audits upon local regulatory requirements. The audit divisions shall execute the audit tasks assigned and be responsible for routine audits such as audits for local branches managers when leaving office and audits upon local regulatory requirements.

During the reporting period, the internal audit concentrated on aspects such as perfecting corporate governance, improving operation management, enhancing risk management and promoting internal control and compliance, adhered to a problem-oriented and risk-based approach and focused on the key businesses, major risks and prominent areas. It conducted audit supervision and provided audit opinions on major areas such as implementation of major policies, serving real economy, application of information technology, protection of consumer rights, anti-money laundering, business operation and financial management, risk and internal control, and continued to follow up and urge the implementation of rectification of audit findings, thus continuously improving the quality and effectiveness of audits.

During the reporting period, the Bank actively played the role of the independent vertical audit system, strengthened the formulation of audit policies and quality control, moved faster to develop a professional audit team and accelerated the digital transformation of audit, and enhanced the utilization of audit results, thus providing solid support to the Bank's steady operation and high-quality development.

Use of Proceeds From Fund-Raising Activities

The funds raised by the Bank have been used in accordance with the purposes as disclosed in the offering prospectuses, which is to consolidate the Bank's capital base and support the continuing growth of the Bank's business.

For the plan of the use of proceeds disclosed in the public disclosure documents such as prospectuses and offering prospectuses previously issued by the Bank, the implementation progresses are in line with the planning as described after verification and analysis.

Material Legal Proceedings and Arbitration

During the reporting period, there were no legal proceedings or arbitrations with material impact on the business operation of the Bank.

As at the end of the reporting period, the Bank was the defendant or arbitration respondent in certain pending and material legal proceedings or arbitrations each with a claim amount of over RMB10 million, and the aggregate claim amount was approximately RMB5,763 million. Accruals in respect of these matters have been fully established, and the Bank considers that these pending cases will not have any material adverse impact on the business, financial position or operating results of the Bank.

Major Asset Acquisition, Disposal and Merger

During the reporting period, the Bank did not carry out any major asset acquisition, disposal or merger activities.

Significant Contracts and Their Performance

Material Custody, Contracting and Leasing

During the reporting period, there was no significant matter in relation to material arrangements for custody, contracting and leasing of assets of other companies by the Bank, or material arrangements for custody, contracting and leasing of assets of the Bank by other companies.

Material Guarantees

The provision of guarantees is an off-balance sheet service in the ordinary course of business of the Bank. During the reporting period, the Bank did not have any other material guarantee that needed to be disclosed except for the financial guarantee services within the business scope as approved by the PBOC and the CBIRC. There were no cases in which the Bank entered into guarantee contract in violation of laws and administrative regulations or the resolution procedure for guarantee stipulated by the CSRC.

Material Events Concerning Entrusting Other Persons for Cash Management or Entrusted Loans

During the reporting period, no such material matters concerning entrusting other persons for cash management or entrusted loans occurred in the Bank.

Credibility

During the reporting period, there were no cases in which the Bank and its controlling shareholder failed to fulfill its obligations under legal instrument enforced by courts in major litigation cases, and there were no cases in which the debts of a relatively large amount were due and unpaid.

Fulfillment of Commitments

Commitments during or carried forward to the reporting period by the de facto controller, shareholders, related parties, acquirers of the Bank, the Bank and other relevant parties are as follows:

Commitment background	Commitment type	Commitment by	Summary of the commitment	Time and term of the commitment	Is there a term for fulfillment	Whether timely and strictly fulfilled
Commitments in relation to initial public offering	Lock up of shares	China Post Group	Commitments in relation to the term of shareholding of shareholders	36 months since the date of the initial public offering of A shares	Yes	Yes
	Others	China Post Group	Commitments in relation to shareholders' intention to hold shares and intention to reduce their holdings	Long-term	Yes	Yes
		China Post Group	Measures in relation to stabilizing the share price	3 years since the date of the initial public offering of A shares	Yes	Yes
		Directors and senior management members of the Bank	Measures in relation to stabilizing the share price	3 years since the date of the initial public offering of A shares	Yes	Yes
		The Bank	Measures in relation to stabilizing the share price	3 years since the date of the initial public offering of A shares	Yes	Yes
		Directors and senior management members of the Bank	Commitments to take remedial measures for the dilution on immediate return	Long-term	Yes	Yes
		The Bank	Commitments to take remedial measures for the dilution on immediate return	Long-term	Yes	Yes
	Resolving competition amongst peers	China Post Group	Commitment in relation to avoiding competition amongst peers	Long-term	Yes	Yes
	Resolving defective title of lands and other items	China Post Group	Letter of confirmation on matters in relation to land and real estate injected into Postal Savings Bank of China Co., Ltd.	Long-term	Yes	Yes
	Resolving connected transactions	China Post Group	Commitment in relation to decreasing and standardizing connected transactions	Long-term	Yes	Yes
Commitments in relation to non-public issuance of A shares	Subscription and lock up of shares	China Post Group	Commitment in relation to further clarifying the number A shares to be subscribed of under the non-public issuance by Postal Savings Bank of China Co., Ltd.	5 years since the date of acquiring A shares issued through non-public way	Yes	Yes

Accounting Firm's Engagement

Upon review and approval at the 2021 Annual General Meeting, the Bank engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the auditors of the Bank for 2022, which are responsible for providing audit and related services for the financial statements of the Bank prepared in accordance with the PRC GAAP and IFRSs in 2022.

Connected Transactions

During the reporting period, the Bank followed laws, regulations and regulatory requirements and established a sound management system for connected transactions. It improved the operating mechanism for connected transactions and continued to cultivate compliance culture to further strengthen the management of connected transactions. During the reporting period, the Bank's connected transactions were conducted in compliance with relevant laws, which served the overall interests of the Bank and its minority shareholders.

Implementation of the Caps of Connected Transactions

Pursuant to relevant provisions in the SSE Listing Rules and the Hong Kong Listing Rules, on October 28, 2021, the Bank convened the 12th Meeting of the Board of Directors in 2021 to review and approve the Proposal on the Forecast Caps of Connected Transactions of Postal Savings Bank of China for 2022-2024, and published the Announcement on Renewal of the Connected Transaction Framework Agreement and Estimated Ordinary Connected Transactions from 2022 to 2024 of Postal Savings Bank of China Co., Ltd. and Announcement on Continuing Connected Transactions and Proposed Annual Caps from 2022 to 2024 of Postal Savings Bank of China Co., Ltd. As at the end of the reporting period, ordinary connected transactions did not exceed the annual caps. Except for the "Connected Transactions between the Bank and China Post Group and its associates" disclosed in this section that constitute connected transactions under the Hong Kong Listing Rules, the other connected transactions disclosed in this report do not constitute connected transactions under the Hong Kong Listing Rules. In addition, the Bank has no other connected transactions or continuing connected transactions that shall be disclosed in accordance with relevant provisions on connected transactions under the Hong Kong Listing Rules.

Implementation of the Caps of Connected Transactions with China Post Group and its Associates

Credit Type Connected Transactions

In 2022, pursuant to relevant provisions of SSE, the cap of routine credit type connected transactions between the Bank and China Post Group and its associates RMB14 billion. As at the end of the reporting period, the balance of credit to China Post Group and its associates by the Bank was RMB4 million. Credit type transactions were conducted on normal commercial terms, and were fully exempted in accordance with the Hong Kong Listing Rules.

Non-credit Type Connected Transactions

The implementation progress of the caps of routine non-credit type connected transactions between the Bank and China Post Group and its associates as at the end of the reporting period is shown in the following table:

In RMB100 million

Type of Connected Transactions	Annual caps in 2022	Amount of connected transactions as at June 30, 2022
Leasing of certain properties and ancillary equipment by China Post Group and/or its associates to the Bank	14.40	4.78
Leasing of certain properties and ancillary equipment by the Bank to China Post Group and/or its associates	2	0.37
Sales of philatelic items and provision of mailing services by China Post Group and/or its associates to the Bank	4	0.50
Sale of goods other than philatelic items by China Post Group and/or its associates to the Bank	11.50	1.53
Provision of marketing services for deposit-taking and other businesses by China Post Group and/or its associates to the Bank	14.90	3.44
Provision of labor services by China Post Group and/or its associates to the Bank	16	4.60
Provision of agency sales of insurance products by the Bank to China Post Group and/or its associates	15[1]	11.68
Provision of agency sales (distribution) of precious metals business by the Bank to China Post Group and/or its associates	5.50	0.14
Sales of production materials and other goods by the Bank to China Post Group and/or its associates	2.20	0.26
Provision of labor services by the Bank to China Post Group and/or its associates	3.50	0.47

1 As at August 22, 2022, forecast Caps in 2022 for "provision of agency sales of insurance products by the Bank to China Post Group and/or its associates" has been revised to RMB2.3 billion after consideration and approval by the Board of Directors.

Implementation of the Caps of Connected Transactions with China UnionPay Co., Ltd.

The implementation progress of the caps of ordinary connected transactions between the Bank and China UnionPay Co., Ltd. as of the end of the reporting period is shown in the following table:

In RMB100 million

Type of Connected Transactions	Annual caps in 2022	Amount of connected transactions as at June 30, 2022
Clearing services between the Bank and China UnionPay Co., Ltd. – Fund paid by the Bank	24.80	5.75
Clearing services between the Bank and China UnionPay Co., Ltd. – Fund received by the Bank	62.70	22.54

For the related party transactions defined under domestic and overseas laws and regulations, and accounting standards, please refer to "Notes to the Condensed Consolidated Financial Statements — 36 Relationship and Transactions with Related Parties".

Pledge of Assets

For details relating to the pledge of assets of the Bank, please refer to "Notes to the Condensed Consolidated Financial Statements – 38.2 Collateral".

Repurchase, Sale or Redemption of the Bank's Listed Securities

During the reporting period, the Bank and its subsidiaries did not repurchase, sell or redeem any of its listed securities.

Securities Transactions by Directors and Supervisors

The Bank has adopted a code of conduct for securities transactions by Directors and Supervisors on terms no less stringent than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules. The Directors and Supervisors of the Bank have confirmed that they have complied with such code of conduct during the reporting period.

Directors' and Supervisors' Rights to Acquire Shares or Debentures

During the reporting period, the Bank did not grant any rights to acquire shares or debentures to any of its Directors or Supervisors, nor were any of such rights exercised by any of the Bank's Directors or Supervisors. Neither the Bank nor its subsidiaries entered into any agreement or arrangement which would enable the Directors and Supervisors to benefit from the acquisition of shares or debentures of the Bank or any other companies.

Interests in Shares, Underlying Shares, and Debentures Held by Directors and Supervisors

As at the end of the reporting period, none of the Directors or Supervisors of the Bank held any interests or short positions (including interests and short positions in which they are deemed to have under such provisions of the SFO) in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the SFO) which are required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or any interests or short positions which have to be recorded in the register under Section 352 of the SFO, or any interests or short positions which have to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules. For the interests and short positions of substantial shareholders of the Bank and other persons, please refer to "Changes in Share Capital and Shareholdings of Shareholders – Interests and Short Positions Held by Substantial Shareholders and Other Persons".

Penalties Imposed on the Bank and Its Directors, Supervisors, Senior Management Members and Controlling Shareholders

During the reporting period, neither the Bank nor any Directors, Supervisors, senior management members or the controlling shareholder of the Bank were subject to any investigation, compulsory measures or accusation of criminal responsibilities by competent authorities or any investigation, administrative punishment or regulatory measures by the CSRC, or had material administrative punishment imposed on them by other administrative authorities, or were publicly reprimanded by any stock exchange.

Warnings on Any Potential Loss in Net Profit from the Beginning of the Year to the End of the Next Reporting Period or Any Material Change as Compared with the Corresponding Period of the Prior Year and the Reasons

Not applicable.

Interim Review

The 2022 interim financial report prepared by the Bank in accordance with the PRC GAAP and IFRSs has been reviewed by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu in accordance with the Chinese and international standards on review engagements, respectively.

This report has been reviewed and approved by the Board of Directors of the Bank and its Audit Committee.

Financial Statements and Others

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

To the Board of Directors of Postal Savings Bank of China Co., Ltd.
(a joint stock company incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Postal Savings Bank of China Co., Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") set out on pages 139 to 254, which comprise the condensed consolidated statement of financial position as of June 30, 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board ("IASB"). The directors of the Bank are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, China
August 22, 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022

(All amounts in millions of RMB unless otherwise stated)

	Notes	Six-month period ended June 30	
		2022 (unaudited)	2021 (unaudited)
Interest income	3	235,447	220,927
Interest expense	3	(98,330)	(88,831)
Net interest income	3	137,117	132,096
Fee and commission income	4	30,074	24,035
Fee and commission expense	4	(12,194)	(12,606)
Net fee and commission income	4	17,880	11,429
Net trading gains	5	2,188	1,705
Net gains on investment securities	6	10,913	12,580
Net gains/(losses) on derecognition of financial assets measured at amortized cost		195	(46)
Net other operating gains	7	5,342	14
Operating income		173,635	157,778
Operating expenses	8	(93,834)	(82,565)
Credit impairment losses	9	(27,099)	(29,454)
Impairment losses on other assets		(9)	(8)
Profit before income tax		52,693	45,751
Income tax expenses	10	(5,523)	(4,507)
Net profit		47,170	41,244
Net profit attributable to:			
Equity holders of the Bank		47,114	41,010
Non-controlling interests		56	234

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022

(All amounts in millions of RMB unless otherwise stated)

		Six-month period ended June 30	
	Notes	2022 (unaudited)	2021 (unaudited)
Other comprehensive income (expense):			
Item that will not be reclassified to profit or loss			
Changes in fair value of equity instrument investments measured at fair value through other comprehensive income	33.3	(1,077)	–
Subtotal		(1,077)	–
Item that may be reclassified subsequently to profit or loss			
Net (losses)/gains on investments in financial assets measured at fair value through other comprehensive income	33.3	(837)	802
Subtotal		(837)	802
Total comprehensive income for the period		45,256	42,046
Total comprehensive income attributable to:			
Equity holders of the Bank		45,200	41,812
Non-controlling interests		56	234
Basic and diluted earnings per share (in RMB Yuan)	11	0.44	0.40

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2022

(All amounts in millions of RMB unless otherwise stated)

	Notes	As at June 30, 2022 (unaudited)	As at December 31, 2021 (audited)
Assets			
Cash and deposits with central bank	12	1,229,495	1,189,458
Deposits with banks and other financial institutions	13	158,554	90,782
Placements with banks and other financial institutions	14	261,175	280,093
Derivative financial assets	15	2,768	6,053
Financial assets held under resale agreements	16	291,126	265,229
Loans and advances to customers	17	6,757,294	6,237,199
Financial investments			
Financial assets measured at fair value through profit or loss	18.1	826,947	750,597
Financial assets measured at fair value through other comprehensive income-debt instruments	18.2	373,073	306,132
Financial assets measured at fair value through other comprehensive income-equity instruments	18.3	11,055	11,888
Financial assets measured at amortized cost	18.4	3,345,503	3,280,003
Interests in associates	20	650	–
Property and equipment	21	54,601	54,669
Deferred tax assets	22	61,938	56,319
Other assets	23	52,242	59,451
Total assets		13,426,421	12,587,873
Liabilities			
Borrowings from central bank	24	18,740	17,316
Deposits from banks and other financial institutions	25	139,649	154,809
Placements from banks and other financial institutions	26	41,983	42,565
Derivative financial liabilities	15	2,670	5,176
Financial assets sold under repurchase agreements	27	39,325	34,643
Customer deposits	28	12,122,517	11,354,073
Income tax payable		4,820	4,267
Debt securities issued	29	102,224	81,426
Deferred tax liabilities	22	9	11
Other liabilities	30	113,246	98,038
Total liabilities		12,585,183	11,792,324

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2022

(All amounts in millions of RMB unless otherwise stated)

	Notes	As at June 30, 2022 (unaudited)	As at December 31, 2021 (audited)
Equity			
Share capital	31.1	92,384	92,384
Other equity instruments			
Preference shares	31.2	47,869	47,869
Perpetual bonds	31.2	139,983	109,986
Capital reserve	32	125,486	125,486
Other reserves	33	217,210	219,526
Retained earnings		216,792	198,840
Equity attributable to equity holders of the Bank		839,724	794,091
Non-controlling interests		1,514	1,458
Total equity		841,238	795,549
Total equity and liabilities		13,426,421	12,587,873

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

Approved and authorized for issue by the Board of Directors on August 22, 2022.

Liu Jianjun

(On behalf of Board of Directors)

Zhang Xuewen

(On behalf of Board of Directors)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022

(All amounts in millions of RMB unless otherwise stated)

		Attributable to equity holders of the Bank										
			Other equity instruments			Other reserves						
	Notes	Share capital	Preference shares	Perpetual bonds	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Subtotal	Non-controlling interests	Total equity
As at January 1, 2022 (audited)		92,384	47,869	109,986	125,486	50,105	157,367	12,054	198,840	794,091	1,458	795,549
Net profit for the period		–	–	–	–	–	–	–	47,114	47,114	56	47,170
Other comprehensive income for the period	33.3	–	–	–	–	–	–	(1,914)	–	(1,914)	–	(1,914)
Total comprehensive income for the period		–	–	–	–	–	–	(1,914)	47,114	45,200	56	45,256
Issuance of perpetual bonds	31.2	–	–	29,997	–	–	–	–	–	29,997	–	29,997
Appropriation to general reserve	33.2	–	–	–	–	–	84	–	(84)	–	–	–
Dividends to ordinary shareholders	34	–	–	–	–	–	–	–	(22,856)	(22,856)	–	(22,856)
Dividends to preference shareholders	34	–	–	–	–	–	–	–	(2,430)	(2,430)	–	(2,430)
Distribution to perpetual bonds holders	34	–	–	–	–	–	–	–	(4,278)	(4,278)	–	(4,278)
Realized gain of equity instrument investments measured at fair value through other comprehensive income	18.3	–	–	–	–	–	–	(486)	486	–	–	–
As at June 30, 2022 (unaudited)		92,384	47,869	139,983	125,486	50,105	157,451	9,654	216,792	839,724	1,514	841,238

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022

(All amounts in millions of RMB unless otherwise stated)

		Attributable to equity holders of the Bank										
			Other equity instruments			Other reserves						
	Notes	Share capital	Preference shares	Perpetual bonds	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Subtotal	Non-controlling interests	Total equity
As at January 1, 2021 (audited)		86,979	47,869	79,989	100,906	42,688	130,071	2,725	180,572	671,799	1,131	672,930
Net profit for the period		–	–	–	–	–	–	–	41,010	41,010	234	41,244
Other comprehensive income for the period	33.3	–	–	–	–	–	–	802	–	802	–	802
Total comprehensive income for the period		–	–	–	–	–	–	802	41,010	41,812	234	42,046
Issuance of ordinary shares	31.1	5,405	–	–	24,580	–	–	–	–	29,985	–	29,985
Issuance of perpetual bonds	31.2	–	–	29,997	–	–	–	–	–	29,997	–	29,997
Appropriation to general reserve	33.2	–	–	–	–	–	37	–	(37)	–	–	–
Dividends to ordinary shareholders	34	–	–	–	–	–	–	–	(19,262)	(19,262)	(35)	(19,297)
Dividends to preference shareholders	34	–	–	–	–	–	–	–	(2,324)	(2,324)	–	(2,324)
Distribution to perpetual bonds holders	34	–	–	–	–	–	–	–	(2,952)	(2,952)	–	(2,952)
As at June 30, 2021 (unaudited)		92,384	47,869	109,986	125,486	42,688	130,108	3,527	197,007	749,055	1,330	750,385

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022

(All amounts in millions of RMB unless otherwise stated)

		Attributable to equity holders of the Bank										
			Other equity instruments			Other reserves						
	Notes	Share capital	Preference shares	Perpetual bonds	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Subtotal	Non-controlling interests	Total equity
As at January 1, 2021 (audited)		86,979	47,869	79,989	100,906	42,688	130,071	2,725	180,572	671,799	1,131	672,930
Net profit for the year		–	–	–	–	–	–	–	76,170	76,170	362	76,532
Other comprehensive income for the year	33.3	–	–	–	–	–	–	10,678	–	10,678	–	10,678
Total comprehensive income for the year		–	–	–	–	–	–	10,678	76,170	86,848	362	87,210
Issuance of ordinary shares	31.1	5,405	–	–	24,580	–	–	–	–	29,985	–	29,985
Issuance of perpetual bonds	31.2	–	–	29,997	–	–	–	–	–	29,997	–	29,997
Appropriation to surplus reserve	33.1	–	–	–	–	7,417	–	–	(7,417)	–	–	–
Appropriation to general reserve	33.2	–	–	–	–	–	27,296	–	(27,296)	–	–	–
Dividends declared and paid to ordinary shareholders	34	–	–	–	–	–	–	–	(19,262)	(19,262)	(35)	(19,297)
Dividends declared and paid to preference shareholders	34	–	–	–	–	–	–	–	(2,324)	(2,324)	–	(2,324)
Distribution to perpetual bonds holders	34	–	–	–	–	–	–	–	(2,952)	(2,952)	–	(2,952)
Realized gain of equity instrument investments measured at fair value through other comprehensive income	18.3	–	–	–	–	–	–	(1,349)	1,349	–	–	–
As at December 31, 2021 (audited)		92,384	47,869	109,986	125,486	50,105	157,367	12,054	198,840	794,091	1,458	795,549

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022

(All amounts in millions of RMB unless otherwise stated)

	Six-month period ended June 30	
	2022 (unaudited)	2021 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	52,693	45,751
Adjustments for:		
Amortization of intangible assets and other assets	652	481
Depreciation of property and equipment and right-of-use assets	4,335	3,732
Impairment loss on assets		
– Credit impairment losses	27,099	29,454
– Impairment losses on other assets	9	8
Interest income arising from financial investments	(63,450)	(63,343)
Interest expense arising from debt securities issued	1,701	996
Net gains on investment securities	(11,108)	(12,534)
Unrealized exchange (gains)/losses	(2,356)	958
Net (gains)/losses from disposal of property and equipment and other assets	(9)	16
Subtotal	9,566	5,519
NET (INCREASE)/DECREASE IN OPERATING ASSETS		
Deposits with central bank	(47,872)	(50,734)
Deposits with banks and other financial institutions	(60,456)	(7,607)
Placements with banks and other financial institutions	(1,978)	(9,616)
Financial assets measured at fair value through profit or loss	23,374	(22,347)
Financial assets held under resale agreements	28,332	(6,672)
Loans and advances to customers	(546,665)	(483,659)
Other operating assets	6,028	(13,030)
Subtotal	(599,237)	(593,665)
NET INCREASE/(DECREASE) IN OPERATING LIABILITIES		
Borrowings from central bank	1,421	(4,342)
Deposits from banks and other financial institutions	(15,304)	104,764
Placements from banks and other financial institutions	(1,133)	26,445
Financial assets sold under repurchase agreements	4,673	89,431
Customer deposits	806,023	557,477
Other operating liabilities	(49,304)	(2,532)
Subtotal	746,376	771,243
NET CASH FLOWS FROM OPERATING ACTIVITIES BEFORE TAX	156,705	183,097
Income tax paid	(9,791)	(15,020)
NET CASH GENERATED FROM OPERATING ACTIVITIES	146,914	168,077
CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	179,444	164,827
Interest paid	(135,067)	(89,620)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

	Note	Six-month period ended June 30	
		2022 (unaudited)	2021 (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal/redemption of financial investments		671,601	574,060
Cash received from income arising from financial investments		77,007	72,689
Cash received from disposal of property and equipment, intangible assets and other long-term assets		61	72
Cash paid for purchase of financial investments		(901,866)	(718,765)
Cash paid for purchase of property and equipment, intangible assets and other long-term assets		(4,060)	(3,399)
NET CASH USED IN INVESTING ACTIVITIES		(157,257)	(75,343)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received from issuance of ordinary shares		–	30,000
Cash received from issuance of perpetual bonds		30,000	30,000
Cash received from issuance of debt securities		40,000	5,409
Cash paid for dividends and interests		(5,178)	(3,854)
Cash paid for issuance of perpetual bonds		(3)	(3)
Cash paid for issuance of debt securities		(3)	–
Cash paid for issuance of ordinary shares		–	(15)
Cash paid for repayment of debt securities		(20,000)	(7,170)
Cash paid to repay principal and interest of lease liabilities		(1,862)	(1,921)
NET CASH GENERATED FROM FINANCING ACTIVITIES		42,954	52,446
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		541	(242)
NET INCREASE IN CASH AND CASH EQUIVALENTS		33,152	144,938
Balance of cash and cash equivalents at the beginning of period		313,764	335,526
BALANCE OF CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	35	346,916	480,464

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

1 General information

Postal Savings Bank of China Co., Ltd. (the "Bank") is a joint-stock commercial bank controlled by China Post Group Co., Ltd. ("China Post Group"). The Bank, originally known as Postal Savings Bank of China Company Limited (the "Company"), was established on March 6, 2007 through restructuring of the postal savings system.

In 2011, with the approval from the Ministry of Finance (the "MOF") of the People's Republic of China (the "PRC") and the China Banking and Insurance Regulatory Commission (the "CBIRC"), the Bank was restructured into a joint-stock bank.

On September 28, 2016 and December 10, 2019, the Bank was listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange respectively. Information regarding the Bank's share issuance is set out in Note 31.

As at June 30, 2022, the Bank had 92,384 million common shares, at a face value of RMB1.00 per share.

The Bank, as approved by the CBIRC, holds a financial institution license of the PRC (No. B0018H111000001) and approved by and obtained its business license with unified social credit code 9111000071093465XC from the Beijing Administration for Market Regulation. The address of the Bank's registered office is No. 3 Jinrong Street, Xicheng District, Beijing, the PRC.

The Bank and its subsidiaries (the "Group") conduct their operating activities in the PRC, and the principal activities include: personal and corporate financial services, treasury operations and other business activities as approved by the CBIRC.

As at June 30, 2022, the Bank had a total of 36 tier-one branches and 324 tier-two branches across China.

The information of the Bank's subsidiaries is set out in Note 19.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Bank and its subsidiaries.

The condensed consolidated financial statements were authorized for issue by the Board of Directors of the Bank on August 22, 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

2 Basis of preparation and significant accounting policies

2.1 Basis of preparation

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

2.2 Significant accounting policies

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six-month ended June 30, 2022 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2021.

Application of amendments to IFRSs

In the current period, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts-Cost of Fulfilling a Contract
Amendments to IFRS Standards	Annual improvements to IFRS Standards 2018-2020

The application of the amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.3 Use of estimates and assumptions

The preparation of the condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and disclosed amounts of assets and liabilities, incomes and expenses. Actual results in the future may differ from those disclosed as a result of the use of estimates and assumptions about future conditions.

In the preparation of the condensed consolidated financial statements, the key sources of uncertainty derived from significant judgements and estimation made by the management while applying the Group's accounting policies are the same as these applied in the preparation of the Group's consolidated financial statements for the year ended December 31, 2021.

(All amounts in millions of RMB unless otherwise stated)

3 Net interest income

	Six-month period ended June 30	
	2022	2021
Interest income		
Deposits with central bank	9,405	9,456
Deposits with banks and other financial institutions	1,444	579
Placements with banks and other financial institutions	4,901	5,335
Financial assets held under resale agreements	2,748	2,735
Loans and advances to customers	153,499	139,479
Including: Personal loans and advances	101,785	91,758
Corporate loans and advances	51,714	47,721
Financial investments		
Financial assets measured at fair value through other comprehensive income-debt instruments	5,569	6,114
Financial assets measured at amortized cost	57,881	57,229
Subtotal	235,447	220,927
Interest expense		
Borrowings from central bank	(162)	(216)
Deposits from banks and other financial institutions	(630)	(570)
Placements from banks and other financial institutions	(706)	(581)
Financial assets sold under repurchase agreements	(788)	(832)
Customer deposits	(94,343)	(85,636)
Debt securities issued	(1,701)	(996)
Subtotal	(98,330)	(88,831)
Net interest income	137,117	132,096

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

4 Net fee and commission income

		Six-month period ended June 30	
		2022	2021
Agency service business	(1)	11,733	9,854
Bank cards business		5,973	5,782
Wealth management business		5,416	2,122
Settlement and clearing	(2)	4,687	4,620
Investment banking business	(3)	1,172	847
Custody business		593	515
Others		500	295
Fee and commission income		30,074	24,035
Fee and commission expense	(4)	(12,194)	(12,606)
Net fee and commission income		17,880	11,429

(1) Fee and commission income from agency service mainly includes fee and commission income from bancassurance, distribution of fund products, government bonds underwriting, and collection and payment services.

(2) Fee and commission income from settlement and clearing mainly includes income derived from settlement and clearing services the Group provided to customers, including fee and commission derived from electronic payment services, corporate settlement services and personal settlement services.

(3) Fee and commission income from investment banking mainly includes income derived from underwriting and distributing bonds and securities, asset securitization, syndicated loan and advisory services.

(4) Fee and commission expense is expense incurred for agency and settlement services, including those paid to China Post Group for agency services (Note 36.3.1(1)).

5 Net trading gains

	Six-month period ended June 30	
	2022	2021
Debt securities	2,099	1,684
Derivative and others	89	21
Total	2,188	1,705

(All amounts in millions of RMB unless otherwise stated)

6 Net gains on investment securities

	Six-month period ended June 30	
	2022	2021
Net gain from financial assets measured at fair value through profit or loss (FVTPL)	9,883	11,939
Net gain from financial assets measured at fair value through other comprehensive income (FVTOCI)	1,030	641
Total	10,913	12,580

7 Net other operating gains

	Six-month period ended June 30	
	2022	2021
Net gains/(losses) on foreign exchanges	4,714	(581)
Government subsidies	337	334
Leasing income	61	69
Other	230	192
Total	5,342	14

8 Operating expenses

		Six-month period ended June 30	
		2022	2021
Deposit agency fee and others (Note 36.3.1(1))		49,667	43,428
Staff costs (including emoluments of directors, supervisors and senior management)	(1)	27,123	24,572
Depreciation and amortization		4,987	4,213
Taxes and surcharges	(2)	1,396	1,257
Other expenses	(3)	10,661	9,095
Total		93,834	82,565

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

8 Operating expenses (continued)

(1) Staff costs (including emoluments of directors, supervisors and senior management)

	Six-month period ended June 30	
	2022	2021
Short-term employee benefits		
Wages and salaries, bonuses, allowance and subsidies	18,312	16,585
Housing funds	1,993	1,862
Social insurance	1,620	1,428
Including: Medical insurance	1,551	1,357
Maternity insurance	31	36
Work injury insurance	38	35
Staff welfare	938	848
Labour union funds and employee education funds	483	441
Other	14	20
Subtotal	23,360	21,184
Defined contribution plans		
Basic pensions	2,438	2,317
Annuity scheme	1,269	983
Unemployment insurance	46	77
Subtotal	3,753	3,377
Supplementary retirement benefits and early retirement benefits (Note 30(1)(i))	10	11
Total	27,123	24,572

(2) Taxes and surcharges mainly include urban construction tax, educational surcharges, property tax, land use tax, vehicle and vessel use tax and stamp duty, etc.

(3) For the six-month period ended June 30, 2022, the rental expenses of short-term leases and low value asset leases included in other expenses were RMB325 million (for the six-month period ended June 30, 2021: RMB355 million).

(All amounts in millions of RMB unless otherwise stated)

9 Credit impairment losses

	Six-month period ended June 30	
	2022	2021
Deposits with banks and other financial institutions	608	100
Placements with banks and other financial institutions	(130)	4,587
Financial assets held under resale agreements	374	1,370
Loans and advances to customers	26,098	15,886
Financial investments		
Financial assets measured at FVTOCI	161	534
Financial assets measured at amortized cost	(464)	6,097
Credit commitments	(22)	273
Other financial assets	474	607
Total	27,099	29,454

10 Income tax expenses

	Six-month period ended June 30	
	2022	2021
Current income tax	10,344	9,089
Deferred income tax (Note 22(1))	(4,821)	(4,582)
Total	5,523	4,507

Corporate income tax is calculated at 25% of estimated taxable profit. Pre-tax deductible items of corporate income tax are governed by the relevant regulations of the PRC.

Reconciliation of income tax expenses and profit before income tax are as follow:

	Six-month period ended June 30	
	2022	2021
Profit before income tax	52,693	45,751
Income tax expenses calculated at the statutory tax rate of 25%	13,173	11,438
Tax effect of income with non-taxable and tax reduction and deduction of interest for tax purpose	(8,104)	(7,096)
Tax effect of expenses not deductible for tax purpose	454	165
Income tax expenses	5,523	4,507

The Group's interest income from central and local government bonds and income from the distribution of securities investment funds are exempted from corporate income tax in accordance with the tax law; and the interest income from bonds issued by Ministry of Railways and micro loans to farmers enjoy reduction in corporate income tax; according to the *Notice of the Ministry of Finance and the State Administration of Taxation on corporate income tax policy of special bond interest income of Postal Savings Bank of China (CS [2015] No. 150)*, the interest income from special bonds issued by China Development Bank and Agricultural Development Bank of China can enjoy reduction in corporate income tax charge.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

11 Basic and diluted earnings per share

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

	Six-month period ended June 30	
	2022	2021
Net profit attributable to equity holders of the Bank	47,114	41,010
Less: Net profit for the period attributable to preference shareholders of the Bank	2,430	2,324
Net profit for the period attributable to perpetual bonds holders of the Bank	4,278	2,952
Net profit attributable to ordinary shareholders of the Bank	40,406	35,734
Weighted average number of ordinary shares in issue (in millions)	92,384	89,681
Basic and diluted earnings per share (in RMB Yuan)	0.44	0.40

The Bank issued non-cumulative preference shares. The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of conversion did not exist for the six-month periods ended June 30, 2022 and 2021, respectively. Accordingly, there were no potential dilutive ordinary shares and the diluted earnings per share were the same as the basic earnings per share.

12 Cash and deposits with central bank

		As at June 30, 2022	As at December 31, 2021
Cash		46,255	48,545
Statutory reserve with central bank	(1)	1,165,865	1,119,203
Surplus reserve with central bank	(2)	11,953	17,028
Fiscal deposits with central bank		5,422	4,682
Total		1,229,495	1,189,458

(1) Statutory reserve with central bank mainly includes the general reserve deposited with the People's Bank of China (hereinafter referred to as the "central bank" or the "PBOC") by the Group in accordance with the relevant regulations, and cannot be used for daily operating activities. As at June 30, 2022, the ratio for RMB deposits statutory reserve was 9.75% (December 31, 2021: 10.00%), whereas the ratio for foreign currency deposits was 8.00% (December 31, 2021: 9.00%).

(2) Surplus reserve with central bank represents deposits placed with central bank for settlement and clearing of interbank transactions.

(All amounts in millions of RMB unless otherwise stated)

13 Deposits with banks and other financial institutions

	As at June 30, 2022	As at December 31, 2021
Deposits with domestic banks	147,076	87,965
Deposits with other domestic financial institutions	2,598	278
Deposits with overseas banks	9,648	2,699
Gross amount	159,322	90,942
Allowance for impairment loss	(768)	(160)
Carrying amount	158,554	90,782

14 Placements with banks and other financial institutions

	As at June 30, 2022	As at December 31, 2021
Placements with domestic banks	4,257	20,091
Placements with other domestic financial institutions	258,071	258,935
Placements with overseas banks	201	2,551
Gross amount	262,529	281,577
Allowance for impairment loss	(1,354)	(1,484)
Carrying amount	261,175	280,093

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

15 Derivative financial assets and liabilities

The Group enters into derivative contracts of foreign exchange rate, interest rate and precious metal, which are primarily related to trading, asset and liability management, and customer driven transactions.

The contractual/notional amount and fair value of the derivative financial instruments held by the Group as at the end of the reporting period are set out in the following tables. The contractual/notional amounts of derivative financial instruments provide a basis for comparison with fair value of instruments recognized on the condensed consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The fair value of derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates, or market price of precious metals relative to their terms. The aggregate fair value of derivative financial assets and liabilities can fluctuate significantly over different periods.

	As at June 30, 2022			As at December 31, 2021		
	Contractual/ Notional amounts	Assets	Liabilities	Contractual/ Notional amounts	Assets	Liabilities
By types of contracts:						
Exchange rate contracts	196,405	1,791	(1,708)	419,127	5,002	(4,106)
Interest rate contracts	231,616	889	(903)	214,289	1,049	(1,052)
Precious metal contracts	13,551	88	(59)	3,478	2	(18)
Total	441,572	2,768	(2,670)	636,894	6,053	(5,176)

	As at June 30, 2022	As at December 31, 2021
Analyzed by credit risk-weighted amount for counterparty:		
Credit risk-weighted amount		
Exchange rate contracts	1,536	4,292
Interest rate contracts	1	1
Precious metal contracts	55	12
Subtotal	1,592	4,305
Credit value adjustments	831	2,003
Central counterparties risk-weighted amount	304	298
Total	2,727	6,606

Credit risk-weighted amount for derivative transaction counterparties represents the counterparty credit risk associated with derivative transactions and is calculated in accordance with the *"Capital Rules for Commercial Banks (Provisional)"* issued by the CBIRC which was effective from January 1, 2013 and *"Measurement Rule of Counterparty Default Risk Weighted Assets on Derivatives"* issued by the CBIRC which was effective from January 1, 2019, and is dependent on, among other factors, creditworthiness of counterparties and maturity characteristics of each type of contract.

(All amounts in millions of RMB unless otherwise stated)

16 Financial assets held under resale agreements

	As at June 30, 2022	As at December 31, 2021
Analyzed by type of collateral:		
Debt securities	177,891	151,923
Bills	114,519	114,216
Gross amount	292,410	266,139
Allowance for impairment loss	(1,284)	(910)
Carrying amount	291,126	265,229

The collateral received in connection with the purchase of financial assets under resale agreement is disclosed in "Note 38.2 Contingent liabilities and commitments – Collateral". As at June 30, 2022 and December 31, 2021, the Group did not have any netting agreements or similar arrangements with counterparties.

17 Loans and advances to customers

17.1 Loans and advances to customers by type

		As at June 30, 2022	As at December 31, 2021
Loans and advances to customers			
– Measured at amortized cost	(1)	6,126,167	5,642,792
– Measured at FVTOCI	(2)	631,127	594,407
Total		6,757,294	6,237,199

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

17 Loans and advances to customers (continued)

17.1 Loans and advances to customers by type (continued)

(1) Loans and advances to customers measured at amortized cost

	As at June 30, 2022	As at December 31, 2021
Personal loans and advances		
Consumer loans	2,699,175	2,665,930
– Residential mortgage loans	2,229,393	2,169,309
– Other consumer loans	469,782	496,621
Personal small and micro loans	1,078,499	915,354
Credit cards overdrafts and others	174,555	174,869
Subtotal	3,952,229	3,756,153
Corporate loans and advances		
– Loans	2,308,752	2,080,626
– Discounted bills	98,956	22,913
Subtotal	2,407,708	2,103,539
Gross amount of loans and advances to customers measured at amortized cost	6,359,937	5,859,692
Less: Allowance for impairment loss of loans and advances to customers measured at amortized cost		
– Stage 1	175,260	161,623
– Stage 2	7,085	7,478
– Stage 3	51,425	47,799
Carrying amount of loans and advances to customers measured at amortized cost	6,126,167	5,642,792

(2) Loans and advances to customers measured at FVTOCI

	As at June 30, 2022	As at December 31, 2021
Corporate loans and advances		
– Loans	210,229	173,310
– Discounted bills	420,898	421,097
Loans and advances to customers measured at FVTOCI	631,127	594,407

(All amounts in millions of RMB unless otherwise stated)

17 Loans and advances to customers (continued)

17.2 Detailed information regarding loans and advances to customers by geographical region, industries, types of collateral and overdue situation is set out in Note 41.3.4.

17.3 Loans and advances to customers by allowance for impairment loss

	As at June 30, 2022			
	Stage 1	Stage 2	Stage 3	Total
Gross amount of loans and advances to customers measured at amortized cost	6,268,261	33,776	57,900	6,359,937
Allowance for impairment loss of loans and advances to customers measured at amortized cost	(175,260)	(7,085)	(51,425)	(233,770)
Carrying amount of loans and advances to customers measured at amortized cost	6,093,001	26,691	6,475	6,126,167
Loans and advances to customers measured at FVTOCI	631,126	1	–	631,127
Allowance for impairment loss of loans and advances to customers measured at FVTOCI	(3,140)	–	–	(3,140)

	As at December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Gross amount of loans and advances to customers measured at amortized cost	5,775,406	31,623	52,663	5,859,692
Allowance for impairment loss of loans and advances to customers measured at amortized cost	(161,623)	(7,478)	(47,799)	(216,900)
Carrying amount of loans and advances to customers measured at amortized cost	5,613,783	24,145	4,864	5,642,792
Loans and advances to customers measured at FVTOCI	593,110	1,287	10	594,407
Allowance for impairment losses of loans and advances to customers measured at FVTOCI	(3,477)	(156)	(10)	(3,643)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

17 Loans and advances to customers (continued)

17.4 The following tables illustrate the changes in the gross amount of loans and advances to customers:

(1) Personal loans and advances to customers at amortized cost

Personal loans and advances to customers measured at amortized cost	Six-month period ended June 30, 2022 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross amount as at January 1, 2022	3,706,961	13,970	35,222	3,756,153
Transfers:				
Transfer to stage 1	2,440	(2,169)	(271)	–
Transfer to stage 2	(14,618)	14,647	(29)	–
Transfer to stage 3	(15,141)	(5,487)	20,628	–
Financial assets derecognized or settled during the period	(854,512)	(5,247)	(6,835)	(866,594)
New financial assets originated or purchased	1,067,627	–	–	1,067,627
Write-offs	–	–	(4,957)	(4,957)
Gross amount as at June 30, 2022	3,892,757	15,714	43,758	3,952,229

Personal loans and advances to customers measured at amortized cost	Year ended December 31, 2021 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross amount as at January 1, 2021	3,211,789	10,380	31,724	3,253,893
Transfers:				
Transfer to stage 1	1,590	(1,323)	(267)	–
Transfer to stage 2	(13,380)	13,417	(37)	–
Transfer to stage 3	(21,896)	(3,034)	24,930	–
Financial assets derecognized or settled during the year	(1,132,393)	(5,470)	(9,814)	(1,147,677)
New financial assets originated or purchased	1,661,251	–	–	1,661,251
Write-offs	–	–	(11,314)	(11,314)
Gross amount as at December 31, 2021	3,706,961	13,970	35,222	3,756,153

(All amounts in millions of RMB unless otherwise stated)

17 Loans and advances to customers (continued)

17.4 The following tables illustrate the changes in the gross amount of loans and advances to customers: (continued)

(2) Corporate loans and advances to customers measured at amortized cost

Corporate loans and advances to customers measured at amortized cost	Six-month period ended June 30, 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross amount as at January 1, 2022	2,068,445	17,653	17,441	2,103,539
Transfers:				
Transfer to stage 1	263	(263)	–	–
Transfer to stage 2	(5,489)	7,633	(2,144)	–
Transfer to stage 3	(3,837)	(1,180)	5,017	–
Financial assets derecognized or settled during the period	(476,044)	(5,781)	(5,890)	(487,715)
New financial assets originated or purchased	792,166	–	–	792,166
Write-offs	–	–	(282)	(282)
Gross amount as at June 30, 2022	2,375,504	18,062	14,142	2,407,708

Corporate loans and advances to customers measured at amortized cost	Year ended December 31, 2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross amount as at January 1, 2021	1,810,474	22,768	18,649	1,851,891
Transfers:				
Transfer to stage 1	2,826	(2,823)	(3)	–
Transfer to stage 2	(11,717)	11,770	(53)	–
Transfer to stage 3	(2,928)	(2,270)	5,198	–
Financial assets derecognized or settled during the year	(772,543)	(11,792)	(3,598)	(787,933)
New financial assets originated or purchased	1,042,333	–	–	1,042,333
Write-offs	–	–	(2,752)	(2,752)
Gross amount as at December 31, 2021	2,068,445	17,653	17,441	2,103,539

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

17 Loans and advances to customers (continued)

17.4 The following tables illustrate the changes in the gross amount of loans and advances to customers: (continued)

(3) Loans and advances to customers measured at FVTOCI

Loans and advances to customers measured at FVTOCI	Six-month period ended June 30, 2022 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Carrying amount as at January 1, 2022	593,110	1,287	10	594,407
Transfers:				
Transfer to stage 1	98	(98)	–	–
Transfer to stage 2	(1)	1	–	–
Transfer to stage 3	–	–	–	–
Financial assets derecognized or settled during the period	(439,220)	(1,189)	(10)	(440,419)
New financial assets originated or purchased	477,139	–	–	477,139
Write-offs	–	–	–	–
Carrying amount as at June 30, 2022	631,126	1	–	631,127

Loans and advances to customers measured at FVTOCI	Year ended December 31, 2021 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Carrying amount as at January 1, 2021	609,857	607	10	610,474
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(1,287)	1,287	–	–
Transfer to stage 3	–	–	–	–
Financial assets derecognized or settled during the year	(609,857)	(607)	–	(610,464)
New financial assets originated or purchased	594,397	–	–	594,397
Write-offs	–	–	–	–
Carrying amount as at December 31, 2021	593,110	1,287	10	594,407

(All amounts in millions of RMB unless otherwise stated)

17 Loans and advances to customers (continued)

17.5 The following tables illustrate the changes in the loss allowance of loans and advances to customers:

(1) Personal loans and advances to customers measured at amortized cost

Personal loans and advances to customers measured at amortized cost	Six-month period ended June 30, 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2022	72,900	4,153	30,502	107,555
Transfers:				
Transfer to stage 1	643	(534)	(109)	–
Transfer to stage 2	(1,402)	1,418	(16)	–
Transfer to stage 3	(2,076)	(2,106)	4,182	–
Changes of expected credit loss ("ECL") arising from transfer of stage	(346)	2,750	12,692	15,096
Financial assets derecognized or settled during the period	(26,078)	(1,225)	(5,232)	(32,535)
New financial assets originated or purchased	35,184	–	–	35,184
Remeasurement	86	9	1,229	1,324
Write-offs	–	–	(4,957)	(4,957)
Loss allowance as at June 30, 2022	78,911	4,465	38,291	121,667

Personal loans and advances to customers measured at amortized cost	Year ended December 31, 2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2021	67,909	3,951	26,520	98,380
Transfers:				
Transfer to stage 1	719	(552)	(167)	–
Transfer to stage 2	(2,070)	2,095	(25)	–
Transfer to stage 3	(4,499)	(1,372)	5,871	–
Changes of ECL arising from transfer of stage	(629)	1,720	13,851	14,942
Financial assets derecognized or settled during the year	(28,838)	(1,684)	(5,332)	(35,854)
New financial assets originated or purchased	49,257	–	–	49,257
Remeasurement	(8,949)	(5)	1,098	(7,856)
Write-offs	–	–	(11,314)	(11,314)
Loss allowance as at December 31, 2021	72,900	4,153	30,502	107,555

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

17 Loans and advances to customers (continued)

17.5 The following tables illustrate the changes in the loss allowance of loans and advances to customers: (continued)

(2) Corporate loans and advances to customers measured at amortized cost

Corporate loans and advances to customers measured at amortized cost	Six-month period ended June 30, 2022 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2022	88,723	3,325	17,297	109,345
Transfers:				
Transfer to stage 1	36	(36)	–	–
Transfer to stage 2	(283)	2,278	(1,995)	–
Transfer to stage 3	(273)	(186)	459	–
Changes of ECL arising from transfer of stages	(19)	(1,423)	3,660	2,218
Financial assets derecognized or settled during the period	(22,475)	(878)	(5,673)	(29,026)
New financial assets originated or purchased	30,846	–	–	30,846
Remeasurement	(206)	(460)	(332)	(998)
Write-offs	–	–	(282)	(282)
Loss allowance as at June 30, 2022	96,349	2,620	13,134	112,103

Corporate loans and advances to customers measured at amortized cost	Year ended December 31, 2021 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2021	80,519	8,052	16,946	105,517
Transfers:				
Transfer to stage 1	1,373	(1,371)	(2)	–
Transfer to stage 2	(782)	821	(39)	–
Transfer to stage 3	(415)	(482)	897	–
Changes of ECL arising from transfer of stages	(1,192)	972	3,378	3,158
Financial assets derecognized or settled during the year	(33,085)	(4,112)	(2,551)	(39,748)
New financial assets originated or purchased	48,663	–	–	48,663
Remeasurement	(6,358)	(555)	1,420	(5,493)
Write-offs	–	–	(2,752)	(2,752)
Loss allowance as at December 31, 2021	88,723	3,325	17,297	109,345

(All amounts in millions of RMB unless otherwise stated)

17 Loans and advances to customers (continued)

17.5 The following tables illustrate the changes in the loss allowance of loans and advances to customers: (continued)

(3) Loans and advances to customers measured at FVTOCI

Loans and advances to customers measured at FVTOCI	Six-month period ended June 30, 2022 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2022	3,477	156	10	3,643
Transfers:				
Transfer to stage 1	14	(14)	–	–
Transfer to stage 2	–	–	–	–
Transfer to stage 3	–	–	–	–
Changes of ECL arising from transfer of stage	(11)	–	–	(11)
Financial assets derecognized or settled during the period	(1,832)	(142)	(10)	(1,984)
New financial assets originated or purchased	2,407	–	–	2,407
Remeasurement	(915)	–	–	(915)
Write-offs	–	–	–	–
Loss allowance as at June 30, 2022	3,140	–	–	3,140

Loans and advances to customers measured at FVTOCI	Year ended December 31, 2021 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2021	1,609	11	10	1,630
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(156)	156	–	–
Transfer to stage 3	–	–	–	–
Changes of ECL arising from transfer of stage	–	–	–	–
Financial assets derecognized or settled during the year	(1,609)	(11)	–	(1,620)
New financial assets originated or purchased	3,633	–	–	3,633
Remeasurement	–	–	–	–
Write-offs	–	–	–	–
Loss allowance as at December 31, 2021	3,477	156	10	3,643

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

18 Financial investments

18.1 Financial assets measured at fair value through profit or loss

	As at June 30, 2022	As at December 31, 2021
Debt securities		
– Listed in Hong Kong	56	566
– Listed outside Hong Kong	75,253	61,633
– Unlisted	10	5,111
Subtotal	75,319	67,310
Interbank certificates of deposits		
– Listed outside Hong Kong	109,602	106,244
– Unlisted	42,248	76,419
Subtotal	151,850	182,663
Asset-backed securities		
– Listed outside Hong Kong	33	45
Fund investments		
– Unlisted	544,098	441,238
Trust investment plans and asset management plans		
– Unlisted	53,216	57,541
Wealth management products issued by financial institutions		
– Unlisted	354	–
Equity instruments		
– Listed outside Hong Kong	917	637
– Unlisted	1,160	1,163
Subtotal	2,077	1,800
Total	826,947	750,597

The above investments listed outside Hong Kong Special Administrative Region ("SAR") are mainly traded in the Domestic Interbank Bond Market.

(All amounts in millions of RMB unless otherwise stated)

18 Financial investments (continued)

18.1 Financial assets measured at fair value through profit or loss (continued)

	As at June 30, 2022	As at December 31, 2021
Analyzed by types of issuers		
Debt securities		
– Government	821	5,265
– Financial institutions	44,332	48,983
– Corporates	30,166	13,062
Subtotal	75,319	67,310
Interbank certificates of deposits		
– Financial institutions	151,850	182,663
Asset-backed securities		
– Financial institutions	33	45
Fund investments		
– Financial institutions	544,098	441,238
Trust investment plans and asset management plans		
– Financial institutions	53,216	57,541
Wealth management products issued by financial institutions		
– Financial institutions	354	–
Equity instruments		
– Financial institutions	14	14
– Corporates	2,063	1,786
Subtotal	2,077	1,800
Total	826,947	750,597

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

18 Financial investments (continued)

18.2 Financial assets measured at fair value through other comprehensive income-debt instruments

	As at June 30, 2022	As at December 31, 2021
Debt securities		
– Listed in Hong Kong	3,995	4,437
– Listed outside Hong Kong	368,582	297,807
Subtotal	372,577	302,244
Interbank certificates of deposits		
– Listed outside Hong Kong	496	391
Debt financing plans		
– Unlisted	–	3,497
Total	373,073	306,132

The above debt instruments listed outside Hong Kong SAR are mainly traded in the Domestic Interbank Bond Market.

	As at June 30, 2022	As at December 31, 2021
Analyzed by types of issuers:		
Debt securities		
– Government	85,818	59,968
– Financial institutions	218,341	185,805
– Corporates	68,418	56,471
Subtotal	372,577	302,244
Interbank certificates of deposits		
– Financial institutions	496	391
Debt financing plans		
– Financial institutions	–	300
– Corporates	–	3,197
Subtotal	–	3,497
Total	373,073	306,132

(All amounts in millions of RMB unless otherwise stated)

18 Financial investments (continued)

18.2 Financial assets measured at fair value through other comprehensive income-debt instruments (continued)

For the six-month period ended June 30, 2022 and the year ended December 31, 2021, there was no significant change of loss allowance arising from transfer of stages for the Group's financial assets measured at FVTOCI-debt instruments. The main reasons for the movement in the loss allowance are originates or purchases, derecognition or settlement.

As at June 30, 2022, the allowance for impairment losses of the Group's financial assets measured at FVTOCI-debt instruments was RMB1,309 million (As at December 31, 2021: RMB1,148 million), which mainly represented the loss allowance for the financial assets measured at FVTOCI at stage 1.

18.3 Financial assets measured at fair value through other comprehensive income-equity instruments

	As at June 30, 2022	As at December 31, 2021
Equity instruments		
– Listed outside Hong Kong	7,158	9,491
– Unlisted	3,897	2,397
Total	11,055	11,888

	As at June 30, 2022	As at December 31, 2021
Analyzed by types of issuers:		
Equity instruments		
– Financial institutions	3,897	2,397
– Corporates	7,158	9,491
Total	11,055	11,888

The Group designates part of non-trading equity investments as financial assets measured at FVTOCI-equity instruments. During the six-month periods ended June 30, 2022 and 2021, the Group did not recognize any dividend income for such equity investments.

During the current period, the Group disposed part of the equity instruments of RMB939 million. A cumulative gain on the disposal, net of tax, of RMB486 million has been transferred to retained earnings. For the six-month period ended June 30, 2021, the Group did not dispose any such equity instruments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

18 Financial investments (continued)

18.4 Financial assets measured at amortized cost

		As at June 30, 2022	As at December 31, 2021
Debt securities			
– Listed in Hong Kong		40,306	39,508
– Listed outside Hong Kong		2,415,956	2,339,662
– Unlisted	(1)	479,457	499,906
Subtotal		2,935,719	2,879,076
Interbank certificates of deposits			
– Listed outside Hong Kong		243,968	225,896
– Unlisted		–	3,188
Subtotal		243,968	229,084
Asset-backed securities			
– Listed outside Hong Kong		127,619	130,102
– Unlisted		8,781	14,975
Subtotal		136,400	145,077
Debt financing plans			
– Unlisted		11,888	7,264
Other debt instruments			
– Unlisted	(2)	49,082	51,543
Gross amount		3,377,057	3,312,044
Allowance for impairment losses		(31,554)	(32,041)
Carrying amount		3,345,503	3,280,003

The above investments listed outside Hong Kong SAR are mainly traded in the Domestic Interbank Bond Market.

(1) Unlisted debt securities included long term special financial bonds issued by China Development Bank and Agricultural Development Bank of China in 2015, with maturity of 7 to 20 years. As at June 30, 2022, the carrying amount of these special financial bonds was RMB451,727 million (December 31, 2021: RMB475,285 million).

(2) Other debt instruments mainly include trust investment plans and asset management plans, etc.

(All amounts in millions of RMB unless otherwise stated)

18 Financial investments (continued)

18.4 Financial assets measured at amortized cost (continued)

Analyzed by types of issuers:	As at June 30, 2022	As at December 31, 2021
Debt securities		
– Government	1,353,110	1,246,558
– Financial institutions	1,477,888	1,517,591
– Corporates	104,721	114,927
Subtotal	2,935,719	2,879,076
Interbank certificates of deposits		
– Financial institutions	243,968	229,084
Asset-backed securities		
– Financial institutions	136,400	145,077
Debt financing plans		
– Corporates	11,888	7,264
Other debt instruments		
– Financial institutions	49,082	51,543
Gross amount	3,377,057	3,312,044
Allowance for impairment losses	(31,554)	(32,041)
Carrying amount	3,345,503	3,280,003

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

18 Financial investments (continued)

18.4 Financial assets measured at amortized cost (continued)

The following tables illustrate the changes in the gross amount of financial assets measured at amortized cost:

	Six-month period ended June 30, 2022			
Financial assets measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross amount as at January 1, 2022	3,281,086	9,041	21,917	3,312,044
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(401)	401	–	–
Transfer to stage 3	–	(250)	250	–
Financial assets derecognized or settled during the period	(327,137)	(13)	(283)	(327,433)
New financial assets originated or purchased	392,446	–	–	392,446
Gross amount as at June 30, 2022	3,345,994	9,179	21,884	3,377,057

	Year ended December 31, 2021			
Financial assets measured at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross amount as at January 1, 2021	3,162,676	18,440	13,014	3,194,130
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(2,093)	2,093	–	–
Transfer to stage 3	–	–	–	–
Financial assets derecognized or settled during the year	(691,751)	(11,492)	(503)	(703,746)
New financial assets originated or purchased	812,254	–	9,406	821,660
Gross amount as at December 31, 2021	3,281,086	9,041	21,917	3,312,044

(All amounts in millions of RMB unless otherwise stated)

18 Financial investments (continued)

18.4 Financial assets measured at amortized cost (continued)

The following tables explain the changes in the loss allowance of financial assets measured at amortized cost:

Financial assets measured at amortized cost	Six-month period ended June 30, 2022 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2022	5,885	4,257	21,899	32,041
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(10)	10	–	–
Transfer to stage 3	–	(54)	54	–
Changes of ECL arising from transfer of stage	–	–	146	146
Financial assets derecognized or settled during the period	(1,201)	(8)	(257)	(1,466)
New financial assets originated or purchased	2,018	–	–	2,018
Remeasurement	355	(1,517)	–	(1,162)
Others	–	–	(23)	(23)
Loss allowance as at June 30, 2022	7,047	2,688	21,819	31,554

Financial assets measured at amortized cost	Year ended December 31, 2021 Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance as at January 1, 2021	3,784	3,723	12,980	20,487
Transfers:				
Transfer to stage 1	–	–	–	–
Transfer to stage 2	(512)	512	–	–
Transfer to stage 3	–	–	–	–
Changes of ECL arising from transfer of stage	–	338	–	338
Financial assets derecognized or settled during the year	(2,648)	(1,397)	(503)	(4,548)
New financial assets originated or purchased	3,446	–	9,388	12,834
Remeasurement	1,839	1,081	34	2,954
Others	(24)	–	–	(24)
Loss allowance as at December 31, 2021	5,885	4,257	21,899	32,041

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

19 Investment in subsidiaries

The entities in consolidation scope are mainly subsidiaries established by the Bank.

	As at June 30, 2022	As at December 31, 2021
Investment cost	15,115	10,115

Name of entities		Place of Incorporation/ registration and operations	Authorized/ paid-in capital RMB	Nature of business	Percentage of equity interest	Proportion of voting rights	Year of establishment
PSBC Consumer Finance Co., Ltd.*	(1)	Guangzhou, Guangdong Province, PRC	3 billion	Consumer finance	70.50%	70.50%	2015
PSBC Wealth Management Co., Ltd.*	(2)	Beijing, PRC	8 billion	Wealth management	100.00%	100.00%	2019
YOU+ BANK Co., Ltd.*	(3)	Shanghai, PRC	5 billion	Direct banking	100.00%	100.00%	2022

* These subsidiaries incorporated in PRC are all limited liability companies.

(1) On November 19, 2015, the Bank, together with other investors, jointly sponsored the establishment of PSBC Consumer Finance Co., Ltd. ("PSBC Consumer Finance"). PSBC Consumer Finance mainly engages in following RMB businesses: granting personal consumer loans; accepting deposits from domestic shareholders and their domestic subsidiaries; borrowing from domestic financial institutions; authorized issuance of financial bonds; placements with/from domestic banks and other financial institutions; consumer financing advisory and agency services; agency sales of consumer loans related insurance products, investments in fixed income securities; asset securitization business and other businesses as approved by the CBIRC.

As at June 30, 2022, the Bank owned 70.50% in the equity interest and voting rights of PSBC Consumer Finance (December 31, 2021: 70.50%).

(2) On December 3, 2019, the Bank obtained formal approval issued by the CBIRC《關於中郵理財有限責任公司開業的批覆》for the commencement of business operation of PSBC Wealth Management Co., Ltd. ("PSBC Wealth Management"). On December 18, 2019, PSBC Wealth Management was officially incorporated. The business scopes of PSBC Wealth Management are: public issuing wealth management products to unspecified general investors, carrying out investment and management of properties entrusted by investors; non-public issuing wealth management products to eligible investors, carrying out investment and management of assets entrusted by investors; financial advising and consulting services in relation to wealth management; and other businesses as approved by the CBIRC.

As at June 30, 2022, the Bank owned 100.00% in the equity interest and voting rights of PSBC Wealth Management (December 31, 2021: 100.00%).

(3) On December 16, 2021, the Bank obtained formal approval issued by the CBIRC《關於中郵郵惠萬家銀行有限責任公司開業的批覆》for the commencement of business operation of YOU+ BANK Co., Ltd. ("YOU+BANK"). On January 7, 2022, YOU+ BANK was officially incorporated. The business scopes of YOU+ BANK are: taking public deposits, mainly from individuals, small and micro enterprises; granting short-term, medium-term and long-term loans to individuals, small and micro enterprises; processing domestic and foreign settlement through electronic channels; processing electronic bill acceptance and discounting; issuance of financial bonds; purchasing and selling government bonds and financial bonds; conducting interbank placements; purchasing and selling foreign exchange, or acting as an agent thereof; operating bank card business; acting as an agent for receipts and payments and agency insurance business; other businesses as approved by the CBIRC.

As at June, 30, 2022, the Bank owned 100.00% in the equity interest and voting rights of YOU+ BANK.

(4) None of the subsidiaries had issued any debt securities at June 30, 2022 and December 31, 2021, respectively.

(All amounts in millions of RMB unless otherwise stated)

20 Interests in associates

	As at June 30, 2022	As at December 31, 2021
Investment in an associate	650	–

On March 22, 2022, Guomin Pension Insurance Co., Ltd. (hereinafter referred to as "Guomin Pension") was incorporated with registered capital of RMB11.15 billion and the Bank's subsidiary, PSBC Wealth Management owned equity interest of Guomin Pension. As at June 30, 2022, the Group held 5.83% of the equity interest and the voting rights, could appoint directors and had right to participate in the financial and operational decisions of Guomin Pension. The directors of the Bank conclude that the Group only has significant influence over Guomin Pension and therefore it is classified as an associate of the Group.

21 Property and equipment

	Buildings	Electronic equipment	Motor vehicles	Office equipment and others	Construction in progress	Total
Cost						
As at January 1, 2022	58,132	10,266	1,308	4,390	15,192	89,288
Additions	90	201	42	102	1,945	2,380
Transfer from investment properties	44	–	–	–	–	44
Transfer from construction in progress	876	585	–	37	(1,498)	–
Disposals	(21)	(279)	(33)	(138)	–	(471)
As at June 30, 2022	59,121	10,773	1,317	4,391	15,639	91,241
Accumulated depreciation						
As at January 1, 2022	(22,031)	(8,558)	(922)	(3,108)	–	(34,619)
Charge for the period	(1,390)	(762)	(61)	(218)	–	(2,431)
Transfer from investment properties	(25)	–	–	–	–	(25)
Disposals	15	265	32	123	–	435
As at June 30, 2022	(23,431)	(9,055)	(951)	(3,203)	–	(36,640)
Carrying amount						
As at January 1, 2022	36,101	1,708	386	1,282	15,192	54,669
As at June 30, 2022	35,690	1,718	366	1,188	15,639	54,601

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

21 Property and equipment (continued)

	Buildings	Electronic equipment	Motor vehicles	Office equipment and others	Construction in progress	Total
Cost						
As at January 1, 2021	53,413	9,944	1,206	4,433	11,628	80,624
Additions	332	459	223	326	9,121	10,461
Transfer from investment properties	23	–	–	–	–	23
Transfer from construction in progress	4,484	744	8	52	(5,288)	–
Disposals	(120)	(881)	(129)	(421)	(269)	(1,820)
As at December 31, 2021	58,132	10,266	1,308	4,390	15,192	89,288
Accumulated depreciation						
As at January 1, 2021	(19,339)	(8,436)	(949)	(3,194)	–	(31,918)
Charge for the year	(2,726)	(928)	(96)	(312)	–	(4,062)
Transfer from investment properties	(11)	–	–	–	–	(11)
Disposals	45	806	123	398	–	1,372
As at December 31, 2021	(22,031)	(8,558)	(922)	(3,108)	–	(34,619)
Carrying amount						
As at January 1, 2021	34,074	1,508	257	1,239	11,628	48,706
As at December 31, 2021	36,101	1,708	386	1,282	15,192	54,669

Upon the Bank's establishment and restructuring, China Post Group injected certain property and equipment to the Bank as its capital contribution. Part of the properties are still in the process of renewing ownership certificates, with cost amounted to RMB959 million as at June 30, 2022 (December 31, 2021: RMB998 million), while carrying amount was RMB291 million as at June 30, 2022 (December 31, 2021: RMB347 million).

As at June 30, 2022, the Group was still in the process of obtaining ownership certificates of certain properties other than those contributed from China Post Group, with cost amounted to RMB2,458 million (December 31, 2021: RMB2,865 million), while carrying amount was RMB2,061 million (December 31, 2021: RMB2,555 million).

The management of the Group believed the above mentioned properties did not have any material adverse effect on the Group's business operations, operating performance and financial position.

All buildings of the Group were located outside Hong Kong SAR.

(All amounts in millions of RMB unless otherwise stated)

22 Deferred taxes

For the purpose of presentation in the condensed consolidated statements of financial position, certain deferred tax assets and liabilities have been offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The following is the analysis of the deferred tax balances.

	As at June 30, 2022	As at December 31, 2021
Deferred tax assets	61,938	56,319
Deferred tax liabilities	(9)	(11)
Total	61,929	56,308

(1) The following are the movements and major deferred tax assets and liabilities recognized:

	Allowance for impairment loss	Staff cost accrued but not paid	Fair value changes of financial instruments	Provisions	Contract liabilities and others	Total
As at January 1, 2022	56,485	2,499	(5,013)	1,771	566	56,308
Credit/(Charge) to profit or loss (Note 10)	5,041	60	(291)	(2)	13	4,821
Credit to other comprehensive income (Note 33.3)	86	–	552	–	–	638
Others	–	–	162	–	–	162
As at June 30, 2022	61,612	2,559	(4,590)	1,769	579	61,929
As at January 1, 2021	49,327	1,645	(3)	1,765	483	53,217
Credit/(Charge) to profit or loss	7,817	854	(2,554)	6	83	6,206
Charge to other comprehensive income	(659)	–	(2,456)	–	–	(3,115)
As at December 31, 2021	56,485	2,499	(5,013)	1,771	566	56,308

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022

(All amounts in millions of RMB unless otherwise stated)

22 Deferred taxes (continued)

(2) Deferred tax assets and liabilities and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

	As at June 30, 2022		As at December 31, 2021	
	Deductible/ (Taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (Taxable) temporary difference	Deferred tax assets/ (liabilities)
Deferred tax assets				
Allowance for impairment loss	246,447	61,612	225,941	56,485
Staff cost accrued but not paid	10,237	2,559	9,997	2,499
Provisions	7,074	1,769	7,083	1,771
Fair value changes of financial instruments	40	10	14	4
Contract liabilities and others	2,738	684	2,686	672
Total	266,536	66,634	245,721	61,431
Deferred tax liabilities				
Fair value changes of financial instruments	(18,399)	(4,600)	(20,065)	(5,017)
Others	(422)	(105)	(424)	(106)
Total	(18,821)	(4,705)	(20,489)	(5,123)
Net value	247,715	61,929	225,232	56,308

(All amounts in millions of RMB unless otherwise stated)

23 Other assets

		As at June 30, 2022	As at December 31, 2021
Right-of-use assets	(1)	12,213	12,569
Other accounts receivable		6,956	3,862
Precious metals		6,238	3,984
Interest receivable		4,963	4,832
Receivable of fee and commission		4,569	3,298
Continuing involvement assets (Note 39.2)		4,450	4,070
Amounts pending for settlement and clearing		3,966	14,044
Deferred expenses	(2)	2,944	2,569
Intangible assets	(3)	2,440	2,162
Prepaid expenses		1,299	1,279
Low-value consumables		361	457
Foreclosed assets		192	211
Investment properties		9	28
Prepaid investment	(4)	–	5,000
Others		3,332	2,845
Gross amount		53,932	61,210
Allowance for impairment loss		(1,690)	(1,759)
Net value		52,242	59,451

(1) Right-of-use assets

	Properties	Land use rights	Total
Cost			
As at January 1, 2022	17,832	2,614	20,446
Additions	1,939	–	1,939
Disposals	(1,972)	–	(1,972)
As at June 30, 2022	17,799	2,614	20,413
Accumulated depreciation/amortization			
As at January 1, 2022	(7,168)	(709)	(7,877)
Provided for the period	(1,873)	(31)	(1,904)
Disposals	1,581	–	1,581
As at June 30, 2022	(7,460)	(740)	(8,200)
Carrying amount			
As at January 1, 2022	10,664	1,905	12,569
As at June 30, 2022	10,339	1,874	12,213

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

23 Other assets (continued)

(1) Right-of-use assets (continued)

	Properties	Land use rights	Total
Cost			
As at January 1, 2021	15,971	2,613	18,584
Additions	4,749	1	4,750
Disposals	(2,888)	–	(2,888)
As at December 31, 2021	17,832	2,614	20,446
Accumulated depreciation/amortization			
As at January 1, 2021	(5,611)	(648)	(6,259)
Provided for the year	(3,790)	(61)	(3,851)
Disposals	2,233	–	2,233
As at December 31, 2021	(7,168)	(709)	(7,877)
Carrying amount			
As at January 1, 2021	10,360	1,965	12,325
As at December 31, 2021	10,664	1,905	12,569

(2) Deferred expenses mainly represent costs for improvement of property and equipment under operating leases.

(3) Intangible assets of the Group mainly include computer software which is amortized within 10 years.

(4) As at December 31, 2021, the YOU+Bank had not yet been officially incorporated and thus the capital injection from the Bank was presented in other assets. On January 7, 2022, the YOU+ Bank was officially incorporated, please refer to Note 19(3) for details.

24 Borrowings from central bank

	As at June 30, 2022	As at December 31, 2021
Borrowings from central bank	18,740	17,316

As at June 30, 2022 and December 31, 2021, borrowings from central bank were special central bank lendings issued by the PBOC.

(All amounts in millions of RMB unless otherwise stated)

25 Deposits from banks and other financial institutions

	As at June 30, 2022	As at December 31, 2021
Deposits from domestic banks	63,656	85,404
Deposits from other domestic financial institutions	75,993	69,405
Total	139,649	154,809

26 Placements from banks and other financial institutions

	As at June 30, 2022	As at December 31, 2021
Placements from domestic banks	32,398	29,720
Placements from overseas banks	9,585	12,845
Total	41,983	42,565

27 Financial assets sold under repurchase agreements

Analyzed by type of collateral:	As at June 30, 2022	As at December 31, 2021
Debt securities	7,214	9,270
Bills	32,111	25,373
Total	39,325	34,643

The collateral pledged under repurchase agreement is disclosed in "Note 38.2 Contingent liabilities and commitments – Collateral".

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

28 Customer deposits

	As at June 30, 2022	As at December 31, 2021
Demand deposits		
Personal	2,882,353	3,008,998
Corporates	961,592	898,371
Subtotal	3,843,945	3,907,369
Time deposits		
Personal	7,811,420	7,036,637
Corporates	464,034	407,065
Subtotal	8,275,454	7,443,702
Other deposits	3,118	3,002
Total	12,122,517	11,354,073

As at June 30, 2022, customer deposits received by the Group included pledged deposits of RMB35,383 million (December 31, 2021: RMB40,819 million).

29 Debt securities issued

		As at June 30, 2022	As at December 31, 2021
Debt securities issued		102,224	81,426
Including: 10-year tier 2 capital bonds at a fixed interest rate (issued in March, 2017)	(1)	–	20,683
10-year tier 2 capital bonds at a fixed interest rate (issued in August, 2021)	(2)	51,463	50,610
15-year tier 2 capital bonds at a fixed interest rate (issued in August, 2021)	(3)	10,318	10,133
10-year tier 2 capital bonds at a fixed interest rate (issued in March, 2022)	(4)	35,385	–
15-year tier 2 capital bonds at a fixed interest rate (issued in March, 2022)	(5)	5,058	–
Total		102,224	81,426

(All amounts in millions of RMB unless otherwise stated)

29 Debt securities issued (continued)

(1) In March 2017, upon the approval from the CBIRC and the PBOC, the Group issued RMB20 billion of 10-year tier 2 capital bonds at a fixed coupon rate of 4.50%, with interests paid annually. The Group has an option to redeem part or all of the bonds at face value in March 2022 if specified redemption conditions as stipulated in the offering documents are met, subject to approval of the CBIRC. The Group has executed the option and redeemed all of the bonds in March 2022.

(2) In August 2021, upon the approval from the CBIRC and the PBOC, the Group issued RMB50 billion of 10-year tier 2 capital bonds at a fixed coupon rate of 3.44%, with interests paid annually. The Group has an option to redeem part or all of the bonds at face value in August 2026 if specified redemption conditions as stipulated in the offering documents are met, subject to approval of the CBIRC. If the Group does not exercise this redemption right, the annual coupon rate would remain at 3.44% from August 2026 onward.

(3) In August 2021, upon the approval from the CBIRC and the PBOC, the Group issued RMB10 billion of 15-year tier 2 capital bonds at a fixed coupon rate of 3.75%, with interests paid annually. The Group has an option to redeem part or all of the bonds at face value in August 2031 if specified redemption conditions as stipulated in the offering documents are met, subject to approval of CBIRC. If the Group does not exercise this redemption right, the annual coupon rate would remain at 3.75% from August 2031 onward.

(4) In March 2022, upon the approval from the CBIRC and the PBOC, the Group issued RMB35 billion of 10-year tier 2 capital bonds at a fixed coupon rate of 3.54%, with interests paid annually. The Group has an option to redeem part or all of the bonds at face value in March 2027 if specified redemption conditions as stipulated in the offering documents are met, subject to approval of the CBIRC. If the Group does not exercise this redemption right, the annual coupon rate would remain at 3.54% from March 2027 onward.

(5) In March 2022, upon the approval from the CBIRC and the PBOC, the Group issued RMB5 billion of 15-year tier 2 capital bonds at a fixed coupon rate of 3.74%, with interests paid annually. The Group has an option to redeem part or all of the bonds at face value in March 2032 if specified redemption conditions as stipulated in the offering documents are met, subject to approval of the CBIRC. If the Group does not exercise this redemption right, the annual coupon rate would remain at 3.74% from March 2032 onward.

The above-mentioned tier 2 capital bonds contain a write-down feature, which allows the Group to write down the entire principal of the bonds when a regulatory triggering event occurs as stipulated in the offering documents and not to pay any outstanding interests payable that have been accumulated. These tier 2 capital bonds meet the relevant criteria of the CBIRC and are qualified as tier-2 capital instruments.

30 Other liabilities

		As at June 30, 2022	As at December 31, 2021
Dividend payable		25,289	–
Payables for agency services		18,171	14,904
Employee benefits payable	(1)	17,312	19,071
Provisions	(2)	15,223	15,254
Lease liabilities	(3)	9,525	9,683
VAT and other taxes payable		4,993	4,454
Continuing involved liabilities (Note 39.2)		4,450	4,070
Amount pending for settlement and clearing		2,359	8,785
Contract liabilities		1,977	1,937
Payables to China Post Group and other related parties (Note 36.3.1(4))		1,946	1,999
Dormant accounts		1,782	2,066
Payable for construction cost		1,011	1,032
Exchange transaction payables		801	878
Others		8,407	13,905
Total		113,246	98,038

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

30 Other liabilities (continued)

(1) Employee benefits payable

		Six-month period ended June 30, 2022			
		Balance at the beginning of the period	Increase in current period	Decrease in current period	Balance at at the end of the period
Wages and salaries, bonus, allowance and subsidies		16,142	18,446	(20,813)	13,775
Staff welfare		–	938	(938)	–
Social security contributions		162	1,620	(1,448)	334
Including: Medical insurance		159	1,551	(1,381)	329
Maternity insurance		2	31	(32)	1
Work injury insurance		1	38	(35)	4
Housing funds		18	1,993	(1,981)	30
Labour union funds and employee education funds		1,353	483	(428)	1,408
Defined contribution benefits		758	3,753	(3,378)	1,133
Including: Basic pensions		118	2,438	(2,312)	244
Unemployment insurance		5	46	(41)	10
Annuity scheme		635	1,269	(1,025)	879
Supplementary retirement benefits and early retirement benefits	(i)	638	10	(16)	632
Others		–	14	(14)	–
Total		19,071	27,257	(29,016)	17,312

		Year ended December 31, 2021			
		Balance at the beginning of the year	Increase in current year	Decrease in current year	Balance at at the end of the year
Wages and salaries, bonus, allowance and subsidies		12,697	41,735	(38,290)	16,142
Staff welfare		–	2,519	(2,519)	–
Social security contributions		133	3,015	(2,986)	162
Including: Medical insurance		124	2,874	(2,839)	159
Maternity insurance		8	70	(76)	2
Work injury insurance		1	71	(71)	1
Housing funds		14	3,878	(3,874)	18
Labour union funds and employee education funds		1,495	1,018	(1,160)	1,353
Defined contribution benefits		640	7,132	(7,014)	758
Including: Basic pensions		103	4,703	(4,688)	118
Unemployment insurance		5	129	(129)	5
Annuity scheme		532	2,300	(2,197)	635
Supplementary retirement benefits and early retirement benefits	(i)	636	34	(32)	638
Others		–	27	(27)	–
Total		15,615	59,358	(55,902)	19,071

(All amounts in millions of RMB unless otherwise stated)

30 Other liabilities (continued)

(1) Employee benefits payable (continued)

(i) Supplementary retirement benefits and early retirement benefits

The retirement benefit obligations of the Group refer to supplementary benefits for retirees and early-retirees recognized in the condensed consolidated statement of financial position using the projected unit credit method as follows:

	Six-month period ended June 30, 2022	Year ended December 31, 2021
Balance at the beginning of period/year	638	636
Interest expenses	10	22
Gain or loss from actuarial calculation	–	12
– Credit to profit or loss	–	(1)
– Charge to other comprehensive income	–	13
Benefits paid	(16)	(32)
Balance at the end of period/year	632	638

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	As at June 30, 2022	As at December 31, 2021
Discount rate used for retirement benefit plan	3.25%	3.50%
Discount rate used for early retirement benefit plan	2.50%	2.75%
Annual growth rates of average medical expenses	8.00%	8.00%
Annual growth rates of retiree expenses	3% and 0%	3% and 0%
Annual growth rates of early-retiree expenses	6%, 3% and 0%	6%, 3% and 0%
Normal retirement age		
– Male	60	60
– Female	55, 50	55, 50

As at June 30, 2022 and December 31, 2021, the future mortality rate assumption is based on the China Life Insurance Mortality Table (2010-2013) issued on December 28, 2016, which is the statistical information publicly available in China.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

30 Other liabilities (continued)

(2) Provisions

		January 1, 2022	Current period reversal	Current period payment	June 30, 2022
ECL provisions on guarantee and commitments	(i)	8,171	(22)	–	8,149
Litigation and others	(ii)	7,083	(1)	(8)	7,074
Total		15,254	(23)	(8)	15,223

		January 1, 2021	Current year accrual	Current year payment	December 31, 2021
ECL provisions on guarantee and commitments	(i)	4,438	3,733	–	8,171
Litigation and others	(ii)	7,060	49	(26)	7,083
Total		11,498	3,782	(26)	15,254

(i) ECL provisions on guarantee and commitments

	As at June 30, 2022			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Provision as at June 30, 2022	8,140	9	–	8,149

	As at December 31, 2021			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Provision as at December 31, 2021	7,991	63	117	8,171

(ii) As at June 30, 2022 and December 31, 2021, the Group established accruals for unsettled litigations according to the best estimation for a variety of risk events and outflow of economic benefits.

(All amounts in millions of RMB unless otherwise stated)

30 Other liabilities (continued)

(3) Lease liabilities

Analyzed by residual maturity:	As at June 30, 2022	As at December 31, 2021
Within 1 month	314	363
1 to 3 months	495	391
3 to 12 months	2,078	2,389
1 to 5 years	6,106	5,720
Over 5 years	1,088	1,277
Contractual undiscounted cash flows of lease liabilities	10,081	10,140
Carrying amount of lease liabilities	9,525	9,683

31 Share capital and other equity instruments

31.1 Share capital

	As at June 30, 2022 and December 31, 2021	
	Number of shares (million shares)	Face value
Domestically listed (A shares)	72,528	72,528
Listed overseas (H shares)	19,856	19,856
Total	92,384	92,384

A shares refer to ordinary shares that are subscribed and traded in RMB, and H shares are shares that are approved to be listed in Hong Kong and denominated in RMB, but subscribed and traded in Hong Kong dollars. All H shares and A shares issued by the Bank are ordinary shares with a face value of RMB1.00 per share and enjoy equal rights.

On December 23, 2011, in accordance with the Approval by the MOF on the *State-owned Equity Management Plan of Postal Savings Bank Co., Ltd. (Finance (2011) No. 181)*, China Post Group was the exclusive promoter of the Bank. 45 billion promoter's shares were established and paid-in capital of the Bank amounted to RMB45 billion. In December 2013 and December 2014, China Post Group increased the capital of the Bank by RMB2 billion and RMB10 billion respectively.

On December 8, 2015, in accordance with the Approval of the CBIRC on Capital Increase and the Introduction of Strategic Investors by the Postal Savings Bank of China, the CBIRC agreed the Bank's non-public offering of no more than 11,604 million shares to 10 institutional investors, including UBS Limited, China Life Insurance Company Ltd., China Telecommunications Corporation, Canada Pension Fund Investment Corporation, Zhejiang Ant Small and Micro Financial Services Group Co., Ltd., JPMorgan Bank China Investment Second Investment, Futun Management, International Finance Corporation, DBS Bank Co., Ltd. and Shenzhen Tencent Domain Calculator Network (hereinafter referred to as "Strategic Investors"). After the capital increase, the Bank's total shares increased to 68,604 million.

On September 28, 2016, the Bank was listed on The Stock Exchange of Hong Kong Limited. In the same year, the over-allotment option was exercised and the total shares of the Bank increased to 81,031 million.

Approved by the CBIRC through *the Initial Public Offering of A Shares by the Postal Savings Bank of China Co., Ltd and amendment of the Articles of Association (Yinbaojianfu [2019] No.565)*(《中國銀保監會關於郵儲銀行首次公開發行 A 股股票並上市和修改公司章程的批覆》(銀保監覆[2019]565號)) and approved by the China Securities Regulatory Commission through *the Approval of Postal Savings Bank Co., Ltd.'s Initial Public Offering (CSRC License [2019] No. 1991)* (《關於核准中國郵政儲蓄銀行股份有限公司首次公開發行股票的批覆》(證監許可[2019]1991 號文)). The Bank completed the initial public offering of 5,172 million A shares (excluding over-allotment) in December 2019. The face value of A shares was RMB1.00 per share, and the issue price was RMB5.50 per share. The net proceeds raised were RMB28,001 million, of which the share capital was RMB5,172 million and the capital reserve was RMB22,829 million. After initial public offering of A shares, the total shares of the Bank increased to 86,203 million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

31 Share capital and other equity instruments (continued)

31.1 Share capital (continued)

The joint lead underwriters exercised the over-allotment option in January 2020. The over-allotment issued 776 million A shares at a face value of RMB1.00 and the issue price was RMB5.50 per share. The net proceeds raised were RMB4,205 million, of which the share capital was RMB776 million and the capital reserve was RMB3,429 million. After execution of the over-allotment, the total shares of the Bank increased to 86,979 million.

The Bank completed the private offering of 5,405 million of A shares in March 2021 to its controlling shareholders. The face value of A shares is RMB1.00, and the issue price was RMB5.55 per share. The net proceeds raised were RMB29,985 million, of which the share capital was RMB5,405 million and capital reserve was of RMB24,580 million. After the private offering of A shares, the total shares of the Bank increased to 92,384 million.

As at June 30, 2022 and December 31, 2021, the total number of ordinary shares of the Bank was 92,384 million, of which 61,253 million shares were restricted for sales and 31,131 million shares were unrestricted shares.

31.2 Other equity instruments

(1) Preference shares outstanding as at the end of period

		Total amount				
Outstanding financial instruments	Classification	Original currency (USD million)	Equivalent (RMB million)	Conversion condition	Maturity date	Conversion
Offshore preference shares	Equity instruments	7,250	47,989	Mandatory	No maturity date	No
Issuance costs			(120)			
Carrying amount			47,869			

On September 27, 2017, the Group completed the issuance of 362.5 million of offshore preference shares at price of USD20 per share with 4.50% of initial dividend rate per annum. The total issuance amount was USD7,250 million equivalent to RMB47,989 million. As at June 30, 2022, the balance of preference shares issued by the Group less the direct issuance costs was RMB47,869 million (December 31, 2021: RMB47,869 million).

The key terms are set out below:

(a) Dividend

Dividends are paid annually. Fixed rate is applied before the first reset date after the issuance of the offshore preference shares. Dividend rate is reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread. The fixed spread is equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The fixed spread remains unchanged throughout the term of the preference shares.

(b) Conditions to distribution of dividends

The Bank could pay dividends to offshore preference shareholders while the Bank still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends. The Bank may elect to cancel all or part of dividends to be distributed at the interest payment date. Such cancellation requires a shareholder's resolution to be passed, and is not considered as an event of default.

31 Share capital and other equity instruments (continued)

31.2 Other equity instruments (continued)

(1) Preference shares outstanding as at the end of period (continued)

(c) Dividend stopper

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

(d) Mandatory conversion trigger events

Upon the occurrence of an additional tier 1 capital instrument trigger event (core tier 1 capital adequacy ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert all or part of the issued and outstanding offshore preference shares into H shares and not subject to the approval of offshore preference shareholders, in order to restore the core tier 1 capital adequacy ratio of the Bank to above 5.125%. If the offshore preference shares were converted to H shares, they could not be converted to preference shares again.

Upon the occurrence of a tier 2 capital instrument trigger event (earlier of the two situations: (1) the CBIRC has determined that the Bank would become non-viable if there is no conversion or write-down of shares; (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable), the Bank shall have the right to convert all issued and outstanding offshore preference shares into H shares. Approval from offshore preference shareholders is not required. If offshore preference shares were converted to H shares, they could not be converted to preference shares again.

(e) Order of distribution and liquidation method

Upon the winding-up of the Bank, the rights and claims in respect of the offshore preference shareholders shall rank: subordinated to holders of all liabilities of the Bank including any tier 2 capital instruments and obligations issued or guaranteed by the Bank that rank, or are expressed to rank, senior to the offshore preference shares; equally in all respects with each other and without preference among themselves and with the holders of parity obligations; and in priority to the ordinary shareholders.

(f) Redemption

The offshore preference shares are perpetual with no maturity date. Under the premise of obtaining the approval of the CBIRC and condition of redemption, the Bank has the right to redeem all or part of the offshore preference shares at the first redemption date and any subsequent dividend payment date until all offshore preference shares are redeemed or converted. Redemption price of offshore preference shares is equal to issue price plus accrued dividend in current period.

The first redemption date of the USD preference shares is five years after the issuance.

(g) Dividend setting mechanism

Non-cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, offshore preference shareholders of the Bank will not participate in the distribution of residual profits with ordinary shareholders. Offshore preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends.

The Bank shall distribute dividends for the offshore preference shares in cash, based on the total amount of the issued and outstanding offshore preference shares on corresponding times (i.e. the product of the issue price of offshore preference shares and the number of the issued and outstanding offshore preference shares).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

31 Share capital and other equity instruments (continued)

31.2 Other equity instruments (continued)

(2) Changes in outstanding preference shares

There were no changes in both quantity and carrying amount of the preference shares for the six-month period ended June 30, 2022 and for the year ended December 31, 2021.

(3) Perpetual bonds outstanding as at the end of the period

Outstanding financial instruments	Issue date	Classification	Initial interest rate	Issue price	Quantity (million)	Currency	Amount (million)	Maturity date	Redemption/ impairment
Undated additional tier 1 capital bonds	March 16, 2020	Equity instrument	3.69%	100	800	RMB	80,000	No maturity date	No
Undated additional tier 1 capital bonds	March 19, 2021	Equity instrument	4.42%	100	300	RMB	30,000	No maturity date	No
Undated additional tier 1 capital bonds	January 14, 2022	Equity instrument	3.46%	100	300	RMB	30,000	No maturity date	No
Issuance costs							(17)		
Carrying amount							139,983		

The key terms are set out below:

(a) Conditional redemption rights

From the fifth anniversary since the issuance of the undated additional tier 1 capital bonds (the "Bonds"), the Bank may redeem full or part of the Bonds on each distribution payment date (including the fifth distribution payment date since the issuance). After the issuance, if the event that the Bonds no longer qualify as additional tier 1 capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the full but not part of the Bonds.

The exercise of the Bank's redemption right shall be subject to the consent of the CBIRC and the satisfaction of the following preconditions: (1) the Bank shall use capital instruments of the same or better quality to replace the instruments to be redeemed, and such replacement shall only be carried out at conditions which are sustainable for the income capacity; (2) or the capital position of the Bank after the redemption right is exercised will remain well above the regulatory capital requirements of the CBIRC.

(b) Subordination

The claims in respect of the Bonds will be subordinated to the claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Bonds; will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable to the subordination, such relevant laws and regulations shall prevail.

31 Share capital and other equity instruments (continued)

31.2 Other equity instruments (continued)

(3) Perpetual bonds outstanding as at the end of the period (continued)

(c) Write-down/write-off clauses

Upon the occurrence of a non-viability trigger event, the Bank has the right to write down/write off in full or in part, without the need for consent from the holders of the Bonds, the principal amount of the Bonds. The amount of the write-down/write-off shall be determined by the ratio of the outstanding principal amount of the Bonds to the aggregate principal amount of all additional tier 1 capital instruments with the identical trigger event. A non-viability trigger event refers to the earlier of the following events: (1) the CBIRC having decided that the Bank would become non-viable without a write-down/write-off; (2) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. The write-down/write-off will not be restored.

The trigger event occurrence date refers to the date on which the CBIRC or the relevant authority has decided a trigger event occurs, and has informed the Bank together with a public announcement of such trigger event.

Within two business days after the occurrence of the trigger event, the Bank shall make a public announcement and give notice to the holders of the Bonds on the amount, the calculation method thereof, together with the implementation date and procedures, of such write-down/write-off.

(d) Distribution rate

The distribution rate of the Bonds will be adjusted at defined intervals, with a distribution rate adjustment period every 5 years since the payment settlement date. In any distribution rate adjusted period, the distribution payments on the Bonds will be made at a prescribed fixed distribution rate. The distribution rate at the time of issuance will be determined by book keeping and centralized allocation. The distribution rate is determined by a benchmark rate plus a fixed spread.

(e) Distribution payment

The Bank shall have the right to cancel, in full or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Bank will take into full consideration the interest of the holders of the Bonds. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the Bonds regardless in full or in part, will not impose any restrictions on the Bank, except in relation to dividend distributions on ordinary shares. Any cancellation of distributions on the Bonds regardless in full or in part, will require the deliberation by and approval from the general shareholders meeting. The Bank shall give notice to the investors on such cancellation in a timely manner.

In the event a distribution cancellation of the Bonds, regardless in full or in part, the Bank shall not make any distribution to the ordinary shareholders from the next date following the resolution being approved in the general shareholders meeting, until its decision to resume the distribution payments in full to the holders of the Bonds. The dividend stopper on ordinary shares will not compromise the Bank's discretion to cancel distributions, and will not impede the Bank from replenishing its capital.

Distributions on the Bonds shall only be paid out of distributable items, and will not be affected by the rating of the Bank, nor reset based on any change to such rating. The distributions on the Bonds are non-cumulative, namely, upon cancellation, any amount of distribution unpaid to the holders of the Bonds in the applicable period will not accumulate or compound to the subsequent distribution period thereafter. The Bonds do not have any step-up mechanism or any other incentive to redeem.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

31 Share capital and other equity instruments (continued)

31.2 Other equity instruments (continued)

(4) Changes in outstanding perpetual bonds

Outstanding financial Instruments	January 1, 2022		Increase in current period		June 30, 2022	
	Units of the Bonds (million)	Carrying amount (RMB million)	Units of the Bonds (million)	Carrying amount (RMB million)	Units of the Bonds (million)	Carrying amount (RMB million)
Undated additional tier 1 capital bonds	1,100	109,986	300	29,997	1,400	139,983

(5) Equity attributable to the holders of equity instruments

Items	As at June 30, 2022	As at December 31, 2021
1. Total equity attributable to equity holders of the Bank	839,724	794,091
(1) Equity attributable to ordinary shareholders of the Bank	651,872	636,236
(2) Equity attributable to other equity holders of the Bank	187,852	157,855
Including: Net profit	6,708	5,276
Dividends/interests declared	(6,708)	(5,276)
2. Total equity attributable to non-controlling interests	1,514	1,458
(1) Equity attributable to non-controlling interests of ordinary shares	1,514	1,458
(2) Equity attributable to non-controlling interests of other equity instruments	–	–

32 Capital reserve

	As at June 30, 2022	As at December 31, 2021
Net asset revaluation appreciation from the Bank's joint stock restructuring	3,448	3,448
Share premium arising from strategic investors	33,536	33,536
Share premium arising from the Bank's initial public offering of H shares	37,675	37,675
Change of equity interest in a subsidiary	(11)	(11)
Share premium arising from the Bank's initial public offering of A shares	26,258	26,258
Share premium arising from the Bank's private offering of A shares (Note 31.1)	24,580	24,580
Total	125,486	125,486

(All amounts in millions of RMB unless otherwise stated)

33 Other reserves

33.1 Surplus reserve

In accordance with *The Company Law of the People's Republic of China* (中華人民共和國公司法), and the Bank's Articles of Association, the Bank shall appropriate 10% of its net profit under Accounting Standards for Business Enterprises and relevant requirements for the current year to the statutory surplus reserve, and can cease appropriation when the statutory surplus reserve accumulates to more than 50% of the registered capital of the Bank.

33.2 General reserve

	Six-month period ended June 30, 2022	Year ended December 31, 2021
At the beginning of period/year	157,367	130,071
Appropriations in current period/year	84	27,296
At the end of period/year	157,451	157,367

In accordance with *the Administrative Measures for Provisioning of Financial Enterprises* (金融企業準備金計提管理辦法) (Cai Kuai [2012] No.20) issued by the MOF on March 30, 2012, the Bank shall appropriate general reserve from its net profit for the purpose to recover any unidentified potential losses. The balance of general reserve shall be no less than 1.5% of risk assets at the end of each year.

Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiaries also appropriate a certain amount of net profit as general reserve.

33.3 Other comprehensive income

(1) Other comprehensive income attributable to equity holders of the Bank in the condensed consolidated statement of financial position

	Net gains/(losses) on investments in financial assets measured at FVTOCI	Remeasurement of retirement benefit obligations	Total
January 1, 2021	3,001	(276)	2,725
Movement during the year	9,342	(13)	9,329
December 31, 2021 and January 1, 2022	12,343	(289)	12,054
Movement during the period	(2,400)	–	(2,400)
June 30, 2022	9,943	(289)	9,654

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

33 Other reserves (continued)

33.3 Other comprehensive income (continued)

(2) Other comprehensive income in the condensed consolidated statement of profit or loss and other comprehensive income

	Six-month period ended June 30	
	2022	2021
Items that will not be reclassified to profit or loss:		
Changes in fair value of equity instruments designated as at FVTOCI	(1,436)	–
Less: Income tax effect	(359)	–
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of debt instruments measured at FVTOCI	(681)	1,014
Less: Amount transferred to profit or loss from other comprehensive income	92	152
Income tax effect	(193)	216
Credit losses of debt instruments measured at FVTOCI	76	240
Less: Amount transferred to profit or loss from other comprehensive income	419	32
Income tax effect	(86)	52
Net amount	(1,914)	802

34 Dividends distribution

Upon the approval obtained in the 2021 Annual General Meeting, the Bank distributed RMB22,856 million (tax inclusive) of cash dividends for the year ended December 31, 2021 to all the ordinary shareholders whose names appeared on the register with RMB2.474 per ten shares (tax inclusive). The Bank distributed the A shares cash dividends on July 12, 2022 and the H shares cash dividends on August 10, 2022 respectively.

Upon the approval obtained in the 2020 Annual General Meeting, the Bank distributed RMB19,262 million (tax inclusive) of cash dividends for the year ended December 31, 2020 to all the ordinary shareholders whose names appeared on the register with RMB2.085 per ten shares (tax inclusive). The Bank distributed the A shares cash dividends on July 22, 2021 and the H shares cash dividends on August 5, 2021 respectively.

In the Board of Directors' meeting held in May 2022, the directors approved the payment of dividends to offshore preference shareholders. Calculated by the initial dividend rate before the first reset date which was determined in accordance with the terms and conditions of the offshore preference shares and equalled to 4.50% (after tax), the dividends payments amounted to RMB2,430 million (tax inclusive). The Bank will distribute the cash dividends on September 27, 2022.

In the Board of Directors' meeting held in May 2021, the directors approved the payment of dividends to offshore preference shareholders. Calculated by the initial dividend rate before the first reset date which was determined in accordance with the terms and conditions of the offshore preference shares and equalled to 4.50% (after tax), the dividends payments amounted to RMB2,324 million (tax inclusive). The Bank distributed the cash dividends on September 27, 2021.

In March 2022, the Bank paid RMB4,278 million interests to holders of perpetual bonds issued in the year 2020 and 2021, respectively. The interest rates equalled to 3.69% and 4.42%, respectively, which were calculated by the initial interest rates before the first reset date which were determined in accordance with the terms and conditions of the perpetual bonds.

In March 2021, the Bank paid RMB2,952 million interests to perpetual bonds holders issued in the year 2020. The interest rate equalled to 3.69%, which was calculated by the initial interest rate before the first reset date which was determined in accordance with the terms and conditions of the perpetual bonds.

(All amounts in millions of RMB unless otherwise stated)

35 Cash and cash equivalents

For the purpose of presentation of the condensed consolidated cash flow statements, cash and cash equivalents include the following balances with an original maturity within 3 months:

	As at June 30, 2022	As at June 30, 2021
Cash	46,255	44,718
Surplus reserve with central bank	11,953	16,284
Deposits with banks and other financial institutions	16,942	8,531
Placements with banks and other financial institutions	23,457	19,582
Financial assets held under resale agreements	248,109	389,637
Short-term debt securities	200	1,712
Total	346,916	480,464

36 Relationship and transactions with related parties

36.1 Information of the parent company

	Place of registration	Nature of business
China Post Group	Beijing, PRC	Domestic and international mail delivery, distribution of publications such as newspapers and journals, stamp issuance, postal remittance, operation of postal savings business in accordance with laws and regulations, confidential correspondence, postal financial business, emerging business such as postal related logistics and e-mail, e-commerce, agency business and other businesses as stipulated by the government.

China Post Group is managed and supervised by the MOF on behalf of the State Council.

As at June 30, 2022 and December 31, 2021, the registered capital of China Post Group were RMB137,600 million.

As at June 30, 2022 and December 31, 2021, China Post Group directly held 67.38% of the equity shares and voting rights in the Bank. As at June 30, 2022 and December 31, 2021, China Post Group did not have any equity shares and voting rights hold through its subsidiary.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

36 Relationship and transactions with related parties (continued)

36.2 Information of major related parties

Name of enterprise	Relationship with the Bank
Shanghai International Port (Group) Co., Ltd.	Major shareholder of the Bank
China State Shipbuilding Corporation Limited[(1)]	Major shareholder of the Bank
China Postal Express & Logistics Co., Ltd.	Company under the common control of China Post Group
China Post Life Insurance Co., Ltd.	Company under the common control of China Post Group
China Post Securities Co., Ltd.	Company under the common control of China Post Group
Shanghai Ule Network Technology Co., Ltd.	Company under the common control of China Post Group
China Post Technology Co., Ltd.	Company under the common control of China Post Group
Ningxia China Post Logistics Co., Ltd.	Company under the common control of China Post Group
Jiangsu Post and Telecommunication Printing Co., Ltd.	Company under the common control of China Post Group
China Post & Capital Fund Management Co., Ltd.	An associate of China Post Group
Mulei Tongyuan Hongshen New Energy Development Co., Ltd.	Related party arising from the major shareholder of the Bank
CSIC (Tianjin) Offshore Wind Power Eng. & Tech. Co., Ltd.	Related party arising from the major shareholder of the Bank
China National Shipbuilding Equipment & Materials (South China) Company Limited	Related party arising from the major shareholder of the Bank
China Ship-building Industry Corporation Finance Co., Ltd.	Related party arising from the major shareholder of the Bank
Xianghuangqi Shengshi Xinyuan Wind Power Co., Ltd.	Related party arising from the major shareholder of the Bank
China UnionPay Co., Ltd.	Related party arising from the connected persons of the Bank
Anhui Ltech Information Technology Co., Ltd.	Related party arising from the connected persons of the Bank

(1) As at December 31, 2021, the Bank's former substantial shareholder China Shipbuilding Industry Corporation ("CSIC") was incorporated into China State Shipbuilding Corporation Limited ("CSSC") and completed the changes to the industrial and commercial registration. Therefore, the Bank's substantial shareholder CSIC was replaced by CSSC.

The Group's connected persons include the Bank's directors, supervisors, senior executives and their direct relatives, as well as the Bank's controlling shareholders' directors, supervisors, senior executives and their direct relatives and other connected persons. The Group's other related parties include other related parties of China Post Group, other related parties of major shareholders of the Bank and other related parties arising from connected persons.

36.3 Related party transactions

For transactions between the Group and related parties in accordance with general commercial terms during normal business operations, the pricing principle is the same as that of independent third party transactions. For transactions other than normal banking business between the Group and related parties, the pricing principle shall be determined by both parties through negotiation in accordance with general commercial terms.

36 Relationship and transactions with related parties (continued)

36.3 Related party transactions (continued)

36.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates

(1) Agency banking services from China Post Group

In addition to conducting commercial banking services at its owned business locations, the Bank also engages China Post Group and its provincial branches as agents to provide certain commercial banking services at China Post Group's business locations where financial service licenses have been obtained. These commercial banking services mainly include: deposits taking; bank card (debit card) services, credit cards repayment processing services; electronic banking business, agency issuance, underwriting and redemption of government bonds; certification of personal deposits; agency sales of fund products and personal wealth management products, and other agency services.

In accordance with *the Interim Administrative Measures for Institutional Agency of Postal Savings Bank of China Co., Ltd* (中國郵政儲蓄銀行代理營業機構管理暫行辦法) issued by the CBIRC, all agency operations were provided by China Post Group under bases of fees determined in accordance with *the Framework Agreement on Entrusted and Agency Banking Services of Agency Outlets* (代理營業機構委託代理銀行業務框架協定, the "Framework Agreement") entered into between the Bank and China Post Group and its provincial branches.

For RMB deposit-taking services, the basis is computed based on the principle of "Fixed Rate, Scaled Fees Based on Deposit Types (固定費率、分檔計費)", i.e. different deposit agency fee rates are applicable to savings deposits with different maturities. The formula of calculating the scaled fees is as follows:

Monthly deposit agency fee costs at the relevant branch = Σ(aggregate amount of deposit for each type of deposit at the branch for the month multiplied by the number of days of deposit × the respective deposit agency fee rate of the relevant type of deposit/365) - aggregate cash (including that in transit) multiplied by the number of days at the relevant branch for the month × 1.5%/365.

The Bank pays deposit agency fee for agency RMB savings deposits received, net of cash reserves held by agency outlets and deposits in transit. The agency fee rates range from 0.2% to 2.3%.

To effectively manage the interest expenses and maintain a stable growth in the deposit scale, the Bank has established relevant mechanisms to boost the deposit-taking, including the arrangements of cost sharing for floating interest rates of deposits as well as incentives for deposit-taking. The Bank and China Post Group have agreed that the amount of deposit incentive shall not be higher than the payment by China Post Group under the cost sharing mechanism for floating interest rates of deposits in any circumstances.

The agency foreign currency deposit-taking business is insignificant, as such the Bank and China Post Group apply market rates such as the composite interest rate of the China Interbank Foreign Currency Market to determine the agency fee.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

36 Relationship and transactions with related parties (continued)

36.3 Related party transactions (continued)

36.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(1) Agency banking services from China Post Group (continued)

For intermediary business services performed by agency outlets such as settlement and sales services, the agency fees are determined based on the income from agency services net of all direct taxes and expenses.

		Six-month period ended June 30	
		2022	2021
Deposit agency fee and others	(i)	49,667	43,428
Fees for agency savings settlement		3,555	4,085
Fees for agency sales and other commissions	(ii)	7,099	7,076
Total		60,321	54,589

(i) For the six-month period ended June 30, 2022, deposit agency fee (including RMB and foreign currency deposit-taking business) cost amounted to RMB50.97 billion (for the six-month period ended June 30, 2021: RMB45.46 billion). The offsetting settlement amount of the Bank's relevant mechanisms to boost deposit increase was RMB-1.30 billion (for the six-month period ended June 30, 2021: RMB-2.04 billion). According to the netting arrangement between the Bank and China Post Group, deposit agency fee and others are settled and disclosed on a net basis.

(ii) Fees for agency sales and other commissions include agency income generated from sales of insurance products of China Post Life Insurance Co., Ltd. by agency outlets. The Bank firstly recognizes relevant fee and commission income (Note 4) in the consolidated statement of profit or loss and other comprehensive income, and the same amount of the fee and commission will be payable by the Bank to China Post Group following the principle of "fee payable to the entity providing the service (誰辦理誰受益)". The remaining agency income generated from sales for other insurances companies are settled with the Bank or directly with China Post Group according to the contract.

(All amounts in millions of RMB unless otherwise stated)

36 Relationship and transactions with related parties (continued)

36.3 Related party transactions (continued)

36.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(2) Operating lease with China Post Group and its related parties

(a) Lease buildings, ancillary equipment and other properties

	Six-month period ended June 30	
As lessor	2022	2021
Buildings and other	37	41

	Six-month period ended June 30	
As lessee	2022	2021
Buildings and other	478	489

(b) Right-of-use assets and lease liabilities recognized by accepting leases provided by China Post Group and its subsidiaries.

	As at June 30, 2022	As at December 31, 2021
Right-of-use assets	1,123	1,029
Lease liabilities	1,043	989

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

36 Relationship and transactions with related parties (continued)

36.3 Related party transactions (continued)

36.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(3) Other comprehensive services and transactions with China Post Group and its related parties

(a) Revenue from rendering other comprehensive services to China Post Group and its related parties

		Six-month period ended June 30	
		2022	2021
Agency sales of insurance products	(i)	1,168	608
General office materials sold		26	32
Agency sales of precious metals		12	14
Comprehensive services rendered	(ii)	47	50
Total		1,253	704

(i) Agency sales of insurance products are income generated from agency service for China Post Life Insurance Co., Ltd. by directly-operated outlets of the Bank.

(ii) Comprehensive services rendered to China Post Group and its related parties include custody business, cash escort, equipment maintenance and other services.

(b) Expenditure from receiving other comprehensive services from China Post Group and its related parties

		Six-month period ended June 30	
		2022	2021
Comprehensive services received	(i)	460	422
Marketing services received		344	286
Goods purchased		153	131
Philatelic items purchased and mailing services received		50	57
Payment of precious metals		2	1
Total		1,009	897

(i) Comprehensive services received from China Post Group and its related parties include cash escort, equipment maintenance, advertisement, real estate management, training and other services.

(All amounts in millions of RMB unless otherwise stated)

36 Relationship and transactions with related parties (continued)

36.3 Related party transactions (continued)

36.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(4) Other transactions with China Post Group and its related parties

Balances		As at June 30, 2022	As at December 31, 2021
Assets			
Loans and advances to customers	(i)	4	3
Financial assets measured at FVTPL	(ii)	8,092	4,015
Financial assets measured at amortized cost	(iii)	–	346
Financial assets measured at FVTOCI-debt instruments	(iii)	3,149	2,039
Other assets		935	218
Liabilities			
Deposits from banks and other financial institutions	(i)	2,357	1,799
Customer deposits	(iv)	12,263	10,475
Other liabilities		1,946	1,999

	Six-month period ended June 30	
Transactions	2022	2021
Interest income	100	162
Fee and commission income	34	14
Interest expense	122	116
Fee and commission expense	4	4
Operating expenses	–	4

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

36 Relationship and transactions with related parties (continued)

36.3 Related party transactions (continued)

36.3.1 Transactions with China Post Group, its subsidiaries, joint ventures and associates (continued)

(4) Other transactions with China Post Group and its related parties (continued)

(i) As at June 30, 2022 and December 31, 2021, loans and advances to customers and deposits from banks and other financial institutions were mainly with companies under the common control of China Post Group.

(ii) As at June 30, 2022 and December 31, 2021, financial assets measured at FVTPL were mainly with China Post & Capital Fund Management Co., Ltd.

(iii) As at June 30, 2022 and December 31, 2021, financial assets measured at amortized cost and debt instruments measured at FVTOCI were mainly with China Post Group and China Post Securities Co., Ltd.

(iv) As at June 30, 2022, RMB9,817 million of customer deposits were mainly with China Post Group (As at December 31, 2021: RMB7,157 million) while RMB2,446 million of customer deposits were mainly with associate and companies under the common control of China Post Group (As at December 31, 2021: RMB3,318 million). The interest rates of such customer deposits range from 0.30% to 2.75% as at June 30, 2022 and December 31, 2021, respectively.

36.3.2 Transactions with major shareholders of the Bank and their related parties

Balances	As at June 30, 2022	As at December 31, 2021
Assets		
Loans and advances to customers	1,182	968
Financial assets measured at amortized cost	36	–
Liabilities		
Customer deposits	121	62
Other liabilities	–	1

	Six-month period ended June 30	
Transactions	2022	2021
Interest income	19	39

(All amounts in millions of RMB unless otherwise stated)

36 Relationship and transactions with related parties (continued)

36.3 Related party transactions (continued)

36.3.3 Transactions with related parties arising from the connected persons of the Bank

Balances		As at June 30, 2022	As at December 31, 2021
Assets			
Loans and advances to customers		–	4
Financial assets measured at fair value through other comprehensive income-equity instruments	(1)	397	397
Other assets		161	23
Liabilities			
Customer deposits	(2)	4,150	4,714
Other liabilities		42	8

		Six-month period ended June 30	
Transactions		2022	2021
Fee and commission income	(3)	2,254	2,157
Interest expense		60	57
Fee and commission expense	(3)	575	578
Operating expenses		17	84

(1) As at June 30, 2022 and as at December 31, 2021, financial assets measured at fair value through other comprehensive income-equity instruments were mainly with China UnionPay Co., Ltd.

(2) As at June 30, 2022 and as at December 31, 2021, customer deposits were mainly with China UnionPay Co., Ltd.

(3) The net fee and commission income was mainly arising from the settlement and clearing with China UnionPay Co., Ltd. both during the six-month periods ended June 30, 2022 and 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

36 Relationship and transactions with related parties (continued)

36.3 Related party transactions (continued)

36.3.4 Transactions with connected persons of the Bank

Balances	As at June 30, 2022	As at December 31, 2021
Assets		
Loans and advances to customers	124	121
Liabilities		
Customer deposits	260	276

	Six-month period ended June 30	
Transactions	2022	2021
Interest income	3	3
Interest expense	2	2

36.3.5 The Group and other government related entities

Other than related party transactions disclosed above and also in other relevant notes, a significant part of the Group's banking transactions are entered into with government authorities, agencies, subsidiaries and other entities under control of state. These transactions are entered into under normal commercial terms and conditions and mainly include provision of credit and guarantee, deposits, foreign exchange transactions, derivative product transactions, agency services, underwriting and distribution of bonds issued by government authorities, purchase, sales and redemption of securities issued by government authorities.

The Group considers that these transactions are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government authorities, agencies, subsidiaries and other entities under control of state.

(All amounts in millions of RMB unless otherwise stated)

36 Relationship and transactions with related parties (continued)

36.4 Key management personnel compensation

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives.

	Six-month period ended June 30	
	2022	2021
Key management personnel compensation	5	5

Part of the remuneration for key management personnel for the six-month periods ended June 30, 2022 and 2021 is subject to strategic performance assessment and has not yet been paid.

37 Structured entities

37.1 Unconsolidated structured entities managed by the Group

Unconsolidated structured entities managed by the Group consist primarily of collective investment vehicles ("WMP vehicles") formed to issue and distribute wealth management products ("non-principal guaranteed WMPs") which are not subject to any guarantee by the Group in respect of the principal invested or yield to be paid. The WMP vehicles invest in a range of fixed-yield assets, including money market instruments, debt securities and loan assets. As the manager of the WMPs, the Group invests, on behalf of its customers, the funds raised in the assets as described in the investment scheme related to each WMP and distributes the yield to investors based on product operation. The variable return earned by the Group under the non-principal guaranteed WMPs is not significant, and therefore, these WMPs are not consolidated by the Group.

As at June 30, 2022 and December 31, 2021, the non-principal guaranteed WMPs issued and managed by the Group amounted to RMB922,632 million and RMB915,255 million, respectively. The net fee and commission income from such activities was disclosed in Note 4.

As at June 30, 2022, the Group held RMB354 million of non-principal guaranteed WMPs issued and managed by the Group (As at December 31, 2021: Nil). For the six-month period end June 30, 2022 and the year ended December 31, 2021, the Group did not enter into any repurchase agreements or placements with banks and other financial institutions agreements with such WMPs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

37 Structured entities (continued)

37.2 Unconsolidated structured entities invested by the Group

The Group invests in unconsolidated structured entities issued and managed by other institutions, and records interest income, net trading gains and net gains on investment securities therefrom. These structured entities mainly comprise fund investments, trust investment plans, asset management plans, wealth management products, asset-backed securities and other debt instruments, etc. The nature and purpose of the structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issuance of investment products to investors.

As at June 30, 2022 and December 31, 2021, the Group's maximum exposure to these unconsolidated structured entities was summarized in the table below:

	As at June 30, 2022		
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortized cost	Total
Fund investments	544,098	–	544,098
Trust investment plans and asset management plans	53,216	–	53,216
Wealth management products issued by financial institutions	354	–	354
Asset-backed securities	33	134,505	134,538
Other debt instruments	–	32,442	32,442
Total	597,701	166,947	764,648

(All amounts in millions of RMB unless otherwise stated)

37 Structured entities (continued)

37.2 Unconsolidated structured entities invested by the Group (continued)

	As at December 31, 2021		
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortized cost	Total
Fund investments	441,238	–	441,238
Trust investment plans and asset management plans	57,541	–	57,541
Asset-backed securities	45	142,791	142,836
Other debt instruments	–	31,927	31,927
Total	498,824	174,718	673,542

No open market information was readily available for the overall scale of those unconsolidated structured entities mentioned above.

For the six-month periods ended June 30, 2022 and 2021, the income from these unconsolidated structured entities earned by the Group was as follows:

	Six-month period ended June 30	
	2022	2021
Interest income	3,519	4,087
Net gains on investment securities	9,334	10,647
Net trading gains	–	1
Net gains on derecognition of financial assets measured at amortized cost	–	4
Total	12,853	14,739

37.3 Consolidated structured entities held by the Group

The consolidated structured entities issued and managed by the Group consist of special purpose trusts founded by a third party trust company for conducting asset securitization business by the Group. For the six-month period ended June 30, 2022 and the year 2021, the Group did not provide any financial support to these special purpose trusts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

38 Contingent liabilities and commitments

38.1 Capital commitments

	As at June 30, 2022	As at December 31, 2021
Contracts signed but not executed	3,636	5,395

The Group's capital commitments are contracts signed but not executed, which mainly include purchase of property and equipment, and decoration projects.

38.2 Collateral

Assets pledged as collaterals

The carrying amounts of assets pledged as collaterals under repurchase agreements are as follows:

	As at June 30, 2022	As at December 31, 2021
Debt securities	7,362	9,781
Bills	32,226	25,463
Total	39,588	35,244

In addition, due to other business needs, some of the debt securities held by the Group were pledged as collaterals. As at June 30, 2022, the carrying amount of debt securities pledged as collaterals amounted to RMB107,748 million (December 31, 2021: RMB86,901 million).

Collaterals received

Collaterals under loans and advances mainly include land use rights and buildings. The Group has not resold or re-pledged these collaterals which the owners of the pledged properties have not breached the contracts. As at June 30, 2022, the Group's exposure to credit-impaired loans and advances to customers covered by corresponding collateral was RMB30,393 million (December 31, 2021: RMB29,402 million).

Financial assets held under resale agreements are mainly collateralized by debt securities and bills. As part of certain resale agreements, the Group obtains debt securities from counterparts which could be resold or re-pledged as collaterals during the business operation of financial assets held under resale agreements from banks. As at June 30, 2022, the Group did not obtain the above-mentioned collaterals from counterparts (December 31, 2021: RMB1,048 million).

(All amounts in millions of RMB unless otherwise stated)

38 Contingent liabilities and commitments (continued)

38.3 Redemption commitment for government bonds

The Group is entrusted by the MOF to underwrite certain treasury bonds. The investors of the treasury bonds have the right to redeem the bonds at any time prior to maturity and the Group is committed to honor such redemption requests. The MOF will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity or regular settlement. The redemption price is the face value of the treasury bonds underwritten and sold plus unpaid interest in accordance with the terms of the early redemption arrangement.

As at June 30, 2022, the nominal value of treasury bonds the Group was obligated to redeem was RMB115,833 million (December 31, 2021: RMB125,676 million). The original maturities of these bonds range from 1 to 5 years. Management of the Group expects the amount of redemption before the maturity dates of these bonds will not be material.

38.4 Lawsuits and claims

The Group was involved in a number of lawsuits and claims during its normal course of business. Provisions for losses from cases and lawsuits are disclosed in Note 30 (2).

38.5 Credit risk-weighted amounts for financial guarantees and credit commitments

	As at June 30, 2022	As at December 31, 2021
Financial guarantees and credit commitments	215,097	205,696

The credit risk-weighted figures are amounts calculated in accordance with the CBIRC's guidance, and also based on positions of the counterparties and the specifics of remaining maturities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

38 Contingent liabilities and commitments (continued)

38.6 Credit commitments

	As at June 30, 2022	As at December 31, 2021
Loan commitments		
– With an original maturity of less than 1 year	1,405	202
– With an original maturity of 1 year or above	123,294	152,421
Subtotal	124,699	152,623
Bank acceptances	66,513	36,158
Guarantees and letters of guarantee	48,091	42,859
Letters of credit	51,265	32,209
Unused credit card commitments	379,630	367,441
Total	670,198	631,290

Credit commitments of the Group mainly include unused limits for credit cards issued to customers and general credit facilities. These general credit facilities may be drawn in the form of loans or through the issuance of letters of credit, guarantees and letters of guarantee or bank acceptances.

As at June 30, 2022 and December 31, 2021, the credit risk exposure of the credit commitments was mainly in Stage 1.

(All amounts in millions of RMB unless otherwise stated)

39 Transfers of financial assets

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

39.1 Outright repurchase agreements

The Group has entered into the following repurchase agreements, and the recourse rights of the counterparties are not limited to the transferred assets. The Group does not derecognize financial assets transferred as collateral in connection with repurchase agreements.

	As at June 30, 2022 Financial assets measured at amortized cost	As at December 31, 2021 Financial assets measured at amortized cost
Carrying amount of the collateral	–	307
Financial assets sold under repurchase agreements	–	(300)

39.2 Credit assets securitization transactions

The Group enters into securitization transactions during the normal course of business by which it transfers credit assets to special purpose trusts which in turn issues asset-backed securities to investors. The Group may acquire some asset-backed securities and fund shares at senior and the subordinated tranche level. Accordingly, the Group may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognize the associated credit assets by evaluating the extent to which it transfers the risks and rewards of the assets.

With respect to the credit assets that are securitized and qualified for derecognition, the Group derecognizes the transferred credit assets in their entirety. For the six-month ended June 30, 2022, the face value at the date of transfer of the original credit assets was RMB1,618 million (for the six-month ended June 30, 2021: RMB1,909 million). As the Bank substantially transferred all the risks and rewards of these credit assets, the full amount of such securitized credit assets were derecognized.

In the cases that the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and for which the Group retains control, the Group recognizes an asset in the condensed consolidated statement of financial position to the extent of the Group's continuing involvement in the transferred assets. The extent of the Group's continuing involvement is the extent of the risks and rewards exposed by the Group to the value changes of the transferred assets. For the six-month ended June 30, 2022, the face value at the date of transfer of the original credit assets, which the Group determined that it has continuing involvement through acquiring the subordinated tranches, was RMB3,346 million (for the six-month ended June 30, 2021: RMB10,294 million). The carrying amount of the continuing involvement assets and the corresponding continuing involvement liabilities, which were recognized in other assets and other liabilities in the condensed consolidated statement of financial position, are both RMB4,450 million as at June 30, 2022 (December 31, 2021: RMB4,070 million).

The Group acts as a credit service provider of the special purpose trusts, manages the credit assets transferred to the special purpose trusts, and collects the corresponding fee as the loan asset manager. For the six-month period ended June 30, 2022 and the year 2021, the Group did not provide any financial support to these the special purpose trusts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

40 Segment analysis

40.1 Operating segment

The Group manages the business from both a business and geographic perspective. From the business perspective, the Group provides services through four main operating segments listed below:

Personal banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include savings deposit-taking, personal loans, credit cards and debit cards, payments and settlements, wealth management products and funds, insurance agency services, etc.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include current accounts settlement, deposits, overdrafts, loans, trade related products and other credit facilities, foreign currency, and wealth management products, etc.

Treasury

This segment covers businesses including deposits and placements with banks and other financial institutions, interbank borrowings and lendings, repurchase and resale transactions, various debt instrument investments, equity instrument investment, etc. The issuance of bond securities also falls into this segment.

Others

This segment include items that are not attributed to the above segments or cannot be allocated on a reasonable basis.

The management of the Group monitors operating results of each segment for the purposes of resource allocation and assessment of segment performance. The accounting policies of the operating segments are the same as the Group's accounting policies when preparing segment financial information.

(All amounts in millions of RMB unless otherwise stated)

40 Segment analysis (continued)

40.1 Operating segment (continued)

	Six-month period ended June 30, 2022				
	Personal banking	Corporate banking	Treasury	Others	Total
Interest income from external customers	104,780	51,866	78,801	–	235,447
Interest expense to external customers	(85,785)	(8,558)	(3,987)	–	(98,330)
Intersegment net interest income/(expense)	93,768	(18,046)	(75,722)	–	–
Net interest income	112,763	25,262	(908)	–	137,117
Net fee and commission income	11,309	1,133	5,438	–	17,880
Net trading gains	–	–	2,188	–	2,188
Net gains on investment securities	–	–	10,913	–	10,913
Net gains on derecognition of financial assets measured at amortized cost	–	–	195	–	195
Net other operating gains	746	168	4,202	226	5,342
Operating expenses	(74,122)	(10,125)	(9,447)	(140)	(93,834)
Credit impairment losses	(19,626)	(6,924)	(549)	–	(27,099)
Impairment losses on other assets	(9)	–	–	–	(9)
Profit before income tax	31,061	9,514	12,032	86	52,693
Supplementary information					
Depreciation and amortization	4,027	858	102	–	4,987
Capital expenditures	3,306	711	43	–	4,060

	As at June 30, 2022				
	Personal banking	Corporate banking	Treasury	Others	Total
Segment assets	4,333,347	3,229,935	5,801,201	–	13,364,483
Deferred tax assets					61,938
Total assets					13,426,421
Segment liabilities	(10,793,958)	(1,448,708)	(342,459)	(49)	(12,585,174)
Deferred tax liabilities					(9)
Total liabilities					(12,585,183)
Supplementary information					
Credit commitments	379,630	290,568	–	–	670,198

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

40 Segment analysis (continued)

40.1 Operating segment (continued)

	Six-month period ended June 30, 2021				
	Personal banking	Corporate banking	Treasury	Others	Total
Interest income from external customers	94,781	47,313	78,833	–	220,927
Interest expense to external customers	(77,988)	(7,648)	(3,195)	–	(88,831)
Intersegment net interest income/(expense)	84,385	(14,524)	(69,861)	–	–
Net interest income	101,178	25,141	5,777	–	132,096
Net fee and commission income	8,717	870	1,842	–	11,429
Net trading gains	–	–	1,705	–	1,705
Net gains on investment securities	–	–	12,580	–	12,580
Net losses on derecognition of financial assets measured at amortized cost	–	–	(46)	–	(46)
Net other operating gains/(losses)	304	(52)	(430)	192	14
Operating expenses	(65,667)	(8,170)	(8,623)	(105)	(82,565)
Credit impairment losses	(11,028)	(9,170)	(9,256)	–	(29,454)
Impairment losses on other assets	(8)	–	–	–	(8)
Profit before income tax	33,496	8,619	3,549	87	45,751
Supplementary information					
Depreciation and amortization	3,438	677	98	–	4,213
Capital expenditures	2,803	555	41	–	3,399

	As at December 31, 2021				
	Personal banking	Corporate banking	Treasury	Other	Total
Segment assets	4,156,619	2,867,717	5,507,218	–	12,531,554
Deferred tax assets					56,319
Total assets					12,587,873
Segment liabilities	(10,137,672)	(1,326,313)	(328,328)	–	(11,792,313)
Deferred tax liabilities					(11)
Total liabilities					(11,792,324)
Supplementary information					
Credit commitments	367,441	263,849	–	–	631,290

40 Segment analysis (continued)

40.2 Geographical segment

Geographical segments, as defined for management reporting purposes, are as follows:

– Head Office

– "Yangtze River Delta": Shanghai Municipality, Jiangsu Province, Zhejiang Province and Ningbo;

– "Pearl River Delta": Guangdong Province, Shenzhen, Fujian Province and Xiamen;

– "Bohai Rim": Beijing Municipality, Tianjin Municipality, Hebei Province, Shandong Province and Qingdao;

– "Central China" region: Shanxi Province, Henan Province, Hubei Province, Hunan Province, Anhui Province, Jiangxi Province and Hainan Province;

– "Western China" region: Inner Mongolia Autonomous Region, Guangxi Zhuang Autonomous Region, Chongqing Municipality, Sichuan Province, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region;

– "Northeastern China" region: Liaoning Province, Heilongjiang Province, Jilin Province and Dalian.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

40 Segment analysis (continued)

40.2 Geographical segment (continued)

	Six-month period ended June 30, 2022							
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Total
Interest income from external customers	84,694	30,788	22,317	22,154	39,774	27,679	8,041	235,447
Interest expense to external customers	(2,239)	(16,496)	(8,305)	(15,148)	(29,940)	(19,661)	(6,541)	(98,330)
Intersegment net interest (expense)/income	(91,554)	9,862	5,146	14,754	32,294	21,499	7,999	–
Net interest income	(9,099)	24,154	19,158	21,760	42,128	29,517	9,499	137,117
Net fee and commission income	3,451	2,046	2,198	3,273	3,575	2,490	847	17,880
Net trading gains	2,188	–	–	–	–	–	–	2,188
Net gains on investment securities	10,034	343	82	139	201	58	56	10,913
Net gains on derecognition of financial assets measured at amortized cost	195	–	–	–	–	–	–	195
Net other operating gains	4,661	60	60	119	90	331	21	5,342
Operating expenses	(6,074)	(12,688)	(10,327)	(12,907)	(25,299)	(19,500)	(7,039)	(93,834)
Credit impairment losses	(6,055)	(5,821)	(4,806)	(1,823)	(4,199)	(3,434)	(961)	(27,099)
Impairment losses on other assets	–	–	–	–	–	(5)	(4)	(9)
Profit before income tax	(699)	8,094	6,365	10,561	16,496	9,457	2,419	52,693
Supplementary information								
Depreciation and amortization	914	715	509	720	883	932	314	4,987
Capital expenditures	896	362	343	728	1,020	591	120	4,060

	As at June 30, 2022								
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Eliminations	Total
Segment assets	6,054,023	2,078,522	1,342,876	2,195,410	4,085,516	2,796,787	942,756	(6,131,407)	13,364,483
Deferred tax assets									61,938
Total assets									13,426,421
Segment liabilities	(5,352,073)	(2,064,581)	(1,332,329)	(2,174,452)	(4,070,015)	(2,782,703)	(940,428)	6,131,407	(12,585,174)
Deferred tax liabilities									(9)
Total liabilities									(12,585,183)
Supplementary information									
Credit commitments	379,630	59,778	57,995	72,424	43,421	48,920	8,030	–	670,198

(All amounts in millions of RMB unless otherwise stated)

40 Segment analysis (continued)

40.2 Geographical segment (continued)

	Six-month period ended June 30, 2021							
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Total
Interest income from external customers	88,923	27,135	18,520	19,457	34,735	24,729	7,428	220,927
Interest expense to external customers	(6,063)	(14,100)	(7,092)	(12,735)	(25,700)	(17,189)	(5,952)	(88,831)
Intersegment net interest (expense)/income	(81,680)	8,431	5,309	12,803	28,473	19,438	7,226	–
Net interest income	1,180	21,466	16,737	19,525	37,508	26,978	8,702	132,096
Net fee and commission income	100	1,752	1,858	2,271	2,713	2,064	671	11,429
Net trading gains	1,705	–	–	–	–	–	–	1,705
Net gains on investment securities	11,977	200	26	89	158	85	45	12,580
Net losses on derecognition of financial assets measured at amortized cost	(46)	–	–	–	–	–	–	(46)
Net other operating (losses)/gains	(579)	59	17	64	86	350	17	14
Operating expenses	(3,291)	(11,220)	(9,376)	(11,637)	(22,435)	(17,875)	(6,731)	(82,565)
Credit impairment losses	(8,600)	(4,186)	(3,016)	(2,434)	(3,099)	(7,403)	(716)	(29,454)
Impairment losses on other assets	(1)	–	–	–	–	(6)	(1)	(8)
Profit before income tax	2,445	8,071	6,246	7,878	14,931	4,193	1,987	45,751
Supplementary information								
Depreciation and amortization	387	633	498	682	788	914	311	4,213
Capital expenditures	1,197	310	208	610	474	447	153	3,399

	As at December 31, 2021								
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	North-eastern China	Eliminations	Total
Segment assets	7,231,952	1,935,220	1,261,322	2,063,215	3,803,982	2,651,428	909,048	(7,324,613)	12,531,554
Deferred tax assets									56,319
Total assets									12,587,873
Segment liabilities	(6,605,154)	(1,917,144)	(1,245,103)	(2,037,294)	(3,776,717)	(2,628,676)	(906,838)	7,324,613	(11,792,313)
Deferred tax liabilities									(11)
Total liabilities									(11,792,324)
Supplementary information									
Credit commitments	367,441	47,251	59,895	65,856	35,679	46,521	8,647	–	631,290

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management

41.1 Overview

To ensure an appropriate level of risk-adjusted return and sufficient capital adequacy, the Group adheres to a prudent risk management strategy, and achieves a decent return through appropriate risk-taking with consideration of size, growth and quality of its businesses.

The Group is mainly exposed to credit risk, market risk, liquidity risk and operational risk. Market risk includes interest rate risk and exchange rate risk (including gold).

This section describes the Group's position with respect to the above risk exposures, and the Group's objectives, policies and procedures in managing those risk exposures, as well as the Group's capital management.

41.2 Framework of financial risk management

The Group's Board of Directors assumes the ultimate responsibilities for comprehensive risk management, which include establishing risk culture, formulating and approving risk management strategies, setting and approving risk appetites and ensuring the establishment of risk limits, reviewing and approving major risk management policies and procedures, monitoring comprehensive risk management implemented by the senior management, reviewing comprehensive risk management reports, examining and approving disclosure of comprehensive risks and various significant risks, appointment of Chief Risk Officer, and other duties related to risk management.

The Group's Board of Supervisors assumes the supervisory responsibilities for comprehensive risk management, and is responsible for supervising the Board of Directors and the senior management in fulfilling their duties of risk management and urging them for any rectifications.

The Group's senior management assumes the responsibilities for implementation of comprehensive risk management and carrying out decisions of the Board of Directors, which includes setting up the operation and management structure in line with comprehensive risk management framework, clarifying division of responsibilities among functional departments, business departments and other departments under comprehensive risk management framework, establishing coordination mechanism with effective balance of power across departments, formulating clear implementation and accountability mechanism to ensure adequate communication and effective implementation of risk management strategies, risk appetites and risk limits, setting up risk limits according to risk appetite determined by the Board of Directors, including but not limited to levels such as industry, region, customer, and product. The Group's senior management is also responsible for formulating risk management policies and procedures, regular assessments, with adjustments when necessary, and assessing conditions of comprehensive risks and various important risk management with reports to the Board of Directors. In addition, it is the Group's senior management's responsibility to establish sound management information system and data quality control mechanism, and oversee violation of risk appetite, risk limits, and risk management policies and procedures, and deal with them under authorization of the Board of Directors, and assume other responsibilities from risk management perspective.

41 Financial risk management (continued)

41.3 Credit risk

Credit risk refers to the risk of loss caused by the default or the deterioration of credit rating and repayment ability of the debtor or the counterparty.

The main sources of the Group's credit risk include: credit business, treasury business (including deposits and placements, resale agreement, debt securities issued by corporates and financial institutions, inter-bank investment, etc.), off-balance sheet credit business (including guarantee, commitment, etc.).

The organizational structure of the Group on credit risk management is as follows: the Board of Directors takes the ultimate responsibilities for credit risk management, the Board of Supervisors takes the supervisory responsibilities for credit risk management, while the senior management undertaking the responsibilities for implementation of credit risk management, and for the implementation of resolutions approved by the Board of Directors on credit risk; the Risk Management Committee is responsible for credit risk management; and the Credit Business Approval Committee is responsible for approving credit lines within the scope of authorization; each business department shall bear the primary responsibility for credit risk mitigation, and implementation of policies, standards and procedures of credit risk management in its own field of business in accordance with the segregation of duties among different functions; departments of credit management, risk management, credit approval, internal control and compliance, legal affairs and others are responsible for the overall planning, supervision and review of credit risk management and mitigation, of which the Credit Management Department is the leading department of credit risk management, and the Internal Audit Department supervises each department's performance of duties in credit risk management independently and objectively.

(1) Loans and advances to customers, loan commitments and financial guarantees

The risk on loan portfolio refers to the risk of uncertain income or loan losses due to failure of a borrower to repay the principal and interest in full upon maturity of a loan. Given the loan portfolio is a major component of the Group's assets, risk on the loan portfolio is considered as a principal credit risk.

(2) Debt securities and other debt instruments

Credit risks on debt securities and other debt instruments arising from changes in credit spreads, default rates, loss ratios and credit quality of underlying assets.

The Group adopts a prudent approach in making debt security investments by focusing on low-risk debt securities, including government bonds and bonds issued by financial institutions. Other debt instruments are mainly trust investment plans and assets management plans.

The Group established a risk evaluation system on the issuers of corporate bonds and other debt instruments, and performs ongoing post-lending monitoring on a timely basis.

(3) Interbank financing business

The Group manages the credit quality by considering the size, financial position and the internal and external credit rating of those banks and financial institutions.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.1 Expected credit loss measurement

The Group has applied ECL models to measure the impairment of debt instruments measured at amortized cost and at FVTOCI, as well as credit commitments.

Based on whether a significant increase in credit risk has occurred since initial recognition of a financial instrument or becoming credit impaired, the Group will classify it in three stages to calculate the ECL.

Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition.

Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition, measured by the changes of default risk over their expected life. These changes have been determined by comparing the default risk at the end of the reporting period and at the date of initial recognition.

Stage 3 includes financial instruments that are credit-impaired.

The Group assesses impairment allowance through either the ECL models or discounted cash flow method. For those loans and advances to customers together with financial investments, which are individually significant with objective evidences of credit-impairment, or where the ECL results could not be calculated automatically using the existing models, the discounted cash flow method will be adopted. Other than the above mentioned circumstance, the impairment allowance for loans and advances to customers as well as financial investments are assessed by using ECL models.

The Group has incorporated forward-looking information for measuring ECL and constructed complicated models involving substantial management judgements and assumptions, mainly including the following:

- Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECL;
- Significant increase in credit risk;
- Definition of default and credit-impaired;
- Descriptions of parameters, assumptions and estimation techniques;
- Forward-looking information;
- Management overlay;
- The estimated future cash flows for loans and advances to customers and financial investments which applied discounted cash flow method.

41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.1 Expected credit loss measurement (continued)

(1) Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECL

For measurement of ECL, the credit portfolio will be segmented based on similar credit risk characteristics. In determination of the portfolio segmentation of credit assets, the Group considers the type of borrower, industry, purpose of the loan, and security type. The segmentation of portfolio is regularly monitored and reviewed to ensure the appropriateness and reliability of credit risk segmentation.

Considering the impact of COVID-19 on the customers varies by industries, the Group comprehensively considers the impact of both internal and external environmental changes on assessment of credit risk segmentation, and regroups the credit risk segmentation on a reasonable basis.

(2) Significant Increase in credit risk (SICR)

At the end of each reporting period, the Group evaluates whether a significant increase in credit risk of related financial instruments has occurred since initial recognition, which mainly includes: impacts of regulation and operating environment, changes in internal and external credit rating, insolvency, business performance, loan contractual terms, etc. Based on individual financial instrument or financial instrument portfolios with similar credit risk characteristics, the Group determines changes of the default risk by comparing the risk on the end of each reporting period with that at the date of initial recognition.

The Group has set up both quantitative and qualitative standards according to the different features of credit risk associated with the financial assets as well as the current status of risk management initiatives. They mainly include the downgrading of internal credit rating of more than 3 levels, adverse change of risk classification, and whether overdue days has exceed 30 days, etc., to determine whether a significant increase in credit risk of financial assets has occurred.

During the COVID-19 outbreak, the Group developed financial relief scheme for existing customers being affected by the epidemic in accordance with the regulatory provisions. For the customers who applied for the financial relief policy, the Group took into account of the borrowers' repayment ability. If they meet the requirements of financial relief policy, the Group would take the methods of term extension, loan extension or loan renewal to relieve their difficulties, and assess whether there have been significant increase in credit risk.

(3) Definition of default and credit-impaired

The Group considers a financial instrument as in default or being credit-impaired when it meets one or more of the following criteria. Financial asset overdue for more than 90 days is regarded as in default.

- certain specific credit ratings;
- a borrower evades bank debts maliciously through merger, reorganization, division, bankruptcy, or any abnormal related party transactions to transfer assets;
- a borrower has significant financial difficulties;
- the Group makes concessions to the borrower for economic or contractual considerations related to the borrower's financial difficulties;
- lack of liquidity of the financial asset due to financial difficulties of the issuer or the borrower;
- a borrower or his/her family members suffer from a major accident and become insolvency;
- a borrower and guarantor declares bankruptcy, closure or dissolution according to law;
- other factors that impair financial assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.1 Expected credit loss measurement (continued)

(4) Description of parameters, assumptions, and estimation techniques

ECL is measured on either a 12-month (12M) or lifetime basis depending on whether an SICR has occurred since initial recognition and whether an asset is considered to be impaired. ECL derived from the discounted value of the multiplication of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD).

Related definitions are as follows:

The PD represents the likelihood of a borrower breaching the contractual terms or defaulting on its financial obligation over a specific time, either the next 12 months, or the remaining lifetime of the obligation. The Group's PD has adopted the results of internal rating model, or for financial asset that does not use this model, historical analysis is adopted, where the historical default records are calculated by historical data of asset portfolios with similar credit risk characteristics, incorporating forward-looking information, to reflect the PD at a specific point in time under the current macroeconomic environment.

LGD refers to the ratio of the expected loss in the total amount of the loan portfolios, which is the extent of loss on a default. The Group's LGD is calculated by internal rating model. For financial asset that does not use this model, historical analysis is adopted, where the loss of default has been calculated over the next 12 months or over the remaining lifetime from the time of default. The assessment is on an individual basis by customer type, guarantee method, and historical non-performing loan collection experience, etc.

EAD refers to the total amount of on- and off-balance sheet exposures in the event of default.

The Group estimates PD, LGD and EAD of each portfolio in the future to calculate the ECL. The Group multiples the three and adjusts their expected life (such as default), and discount and aggregate the calculation result of each period to determine the ECL. The discount rate used in the ECL calculation is the contractual rate or its approximate value.

The Group periodically monitors the related assumptions concerning the calculation of ECL and makes necessary updates and adjustments.

41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.1 Expected credit loss measurement (continued)

(5) Forward-looking information

The calculation of ECL incorporates forward-looking information. The Group performs historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio, mainly including Gross Domestic Product ("GDP"), Consumer Price Index, Producer Price Index, etc.

These economic variables and their associated impacts on PD vary by segmentation of the portfolio. Expert judgement has also been applied in this process. Forecasts of these economic variables (the "basic economic scenario") are made by the Group every year, and the relationship between these economic variables and PD is identified through performing statistical regression analysis with the purpose of understanding the impact that the historical changes of these variables that might have on PD.

The Group has adopted three economic scenarios (Base, Upside and Downside) and applied weightings for them respectively, on the basis of a combination of the macroeconomic information, statistical analysis and expert judgement. Generally, the highest weighting is assigned to Base scenario, while lower and comparable weightings are assigned to Upside and Downside scenarios.

As at June 30, 2022, the Group considers the macroeconomy by referring to the prediction of internal and external authoritative experts to determine the base scenario. Under the base scenario, the growth rate of GDP is predicted to ranges from 5.0% to 6.0%.

The Group periodically reviews and monitors the appropriateness of the above assumptions, and makes necessary updates and adjustments.

Relatively substantial management judgements are involved in the weighting scheme of macroeconomic scenarios, macroeconomic forecasts, and significant increase in credit risk in ECL models. The variation of key inputs above will inevitably lead to changes in ECL as a result of model's inherent complexity. The Group has analyzed sensitivity of ECL model by considering the fluctuation of macroeconomic forecasts.

Assuming year-over-year growth in GDP, the core macroeconomic forecasting indicator, would increase or decrease by 10%, the absolute change rate of the balance of loss allowance as at June 30, 2022 would be no more than 5%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.1 Expected credit loss measurement (continued)

(6) Management Overlay

Taking into account inherent limitations of ECL models and temporary systematic risk factors, the Group has accrued additional loss allowance in response to potential risk and improved its risk compensation capability. The amount of management overlay adjustments was not material as compared to the total balance of loss allowance as at June 30, 2022.

(7) The estimated future cash flows for loans and advances to customers as well as financial investments which applied discounted cash flow method

At each measurement date, the Group projects the future cash inflows of each future period related to credit-impaired financial assets. The cash flows are discounted and aggregated to determine the present value of the assets' future cash flows.

(8) Write-off policy

The Group writes off financial assets, in full or in part, when it has taken all necessary recovery efforts and is still not capable of reasonably expecting to recover partial or all the financial assets. The Group may write-off financial assets that are still subject to enforcement activities. The outstanding amounts of such assets written off during the six-month period ended June 30, 2022 were RMB5,239 million (for the six-month period ended June 30, 2021: RMB5,565 million).

(9) The modification of contractual cash flows

In order to minimize the credit loss, the Group may renegotiate the terms of the contract with borrowers that have deteriorated in financial position, or are unable to meet their original repayment schedule, which include concessions given by the Group that would not otherwise be granted to these borrowers for economic or legal reasons relating to their financial difficulties. Such contract modifications may include terms of loan, repayment schedule or interest rate. Based on the management's judgement of the borrowers' repayment possibility, the Group has formulated specific rescheduled loan policy and practice, and reviewed the policy continuously. Rescheduled loans should be reviewed with at least 6 months of observation to reach the corresponding stage classification criteria. As at June 30, 2022 and December 31, 2021, the amount of credit-impaired rescheduled loans and advances to customers of the Group was not material.

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.2 Credit risk limit control and mitigation policy

In accordance with risk policies and limits, the risk management and business departments of the Group enhanced risk management policies and procedures to optimize business processes and monitor the implementation of risk control indicators.

To mitigate risks, the Group requires customers to provide collateral or guarantees when appropriate. The Group has established guidelines for the acceptability of specific types of collateral, and set up a collateral management system to standardize the collateral operation process. At the same time, the value, structure and legal documents of the collateral are regularly reviewed to ensure its validity and conform to market practices.

41.3.3 Credit risk exposures

(1) Maximum credit risk exposures

The table below presents the Group's maximum credit risk exposures before considering any collaterals or other credit enhancements as at June 30, 2022 and December 31, 2021 respectively. For on-balance sheet assets, the maximum credit risk exposures are presented at their net carrying amounts on the condensed consolidated statement of financial position.

	As at June 30, 2022	As at December 31, 2021
Deposits with central bank	1,183,240	1,140,913
Deposits with banks and other financial institutions	158,554	90,782
Placements with banks and other financial institutions	261,175	280,093
Derivative financial assets	2,768	6,053
Financial assets held under resale agreements	291,126	265,229
Loans and advances to customers	6,757,294	6,237,199
Financial investments		
Financial assets measured at fair value through profit or loss – debt instruments	824,870	748,797
Financial assets measured at fair value through other comprehensive income – debt instruments	373,073	306,132
Financial assets measured at amortized cost	3,345,503	3,280,003
Other financial assets	29,791	32,016
Subtotal	13,227,394	12,387,217
Credit commitments	670,198	631,290
Total	13,897,592	13,018,507

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.4 Loans and advances to customers

(1) Loans and advances to customers by geographical region:

	As at June 30, 2022		As at December 31, 2021	
	Amount	Proportion	Amount	Proportion
Head Office	349,828	5%	342,903	5%
Central China	1,733,376	25%	1,583,333	25%
Yangtze River Delta	1,400,928	20%	1,305,967	20%
Western China	1,208,982	17%	1,105,157	17%
Bohai Rim	1,053,649	15%	964,919	15%
Pearl River Delta	873,776	13%	813,089	13%
Northeastern China	370,525	5%	338,731	5%
Total	6,991,064	100%	6,454,099	100%

(2) Loans and advances to customers by types:

	As at June 30, 2022		As at December 31, 2021	
	Amount	Proportion	Amount	Proportion
Personal loans and advances	3,952,229	57%	3,756,153	58%
Corporate loans and advances				
Including:				
Corporate loans	2,518,981	36%	2,253,936	35%
Discounted bills	519,854	7%	444,010	7%
Total	6,991,064	100%	6,454,099	100%

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.4 Loans and advances to customers (continued)

(3) Loans and advances to customers by industry:

	As at June 30, 2022		As at December 31, 2021	
	Amount	Proportion	Amount	Proportion
Personal loans and advances				
Consumer loans				
– Residential mortgage loans	2,229,393	32%	2,169,309	34%
– Other consumer loans	469,782	7%	496,621	7%
Personal small and micro loans	1,078,499	16%	915,354	14%
Credit overdrafts and others	174,555	2%	174,869	3%
Subtotal	3,952,229	57%	3,756,153	58%
Corporate loans and advances				
Transportation, storage and postal services	755,276	11%	706,262	11%
Manufacturing	385,832	5%	326,840	5%
Financial services	252,203	4%	237,739	4%
Production and supply of electricity, heating, gas and water	246,186	4%	229,209	3%
Real estate	177,817	2%	138,886	2%
Wholesale and retail	162,285	2%	129,855	2%
Construction	151,746	2%	119,839	2%
Leasing and business services	134,747	2%	135,092	2%
Management of water conservancy, environmental and public facilities	116,370	2%	110,607	2%
Mining	69,936	1%	60,798	1%
Other industries	66,583	1%	58,809	1%
Subtotal	2,518,981	36%	2,253,936	35%
Discounted bills	519,854	7%	444,010	7%
Total	6,991,064	100%	6,454,099	100%

As at June 30, 2022, the balance of loans and advances to customers in relation to transportation, storage and postal services included loans to China State Railway Group Co., Ltd. of RMB176,874 million (December 31, 2021: RMB177,089 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.4 Loans and advances to customers (continued)

(4) Loans and advances to customers by types of collateral:

	As at June 30, 2022		As at December 31, 2021	
	Amount	Proportion	Amount	Proportion
Unsecured loans	1,866,992	26%	1,703,823	26%
Guaranteed loans	461,518	7%	420,261	7%
Loans secured by mortgages	3,469,915	50%	3,242,496	50%
Loans secured by pledges	672,785	10%	643,509	10%
Discounted bills	519,854	7%	444,010	7%
Total	6,991,064	100%	6,454,099	100%

(5) Overdue loans and advances to customers

Overdue loans and advances to customers by security types and overdue status are as follows:

	As at June 30, 2022				
	Overdue for 1 to 90 days (including 90 days)	Overdue for 91 days to 1 year (including 1 year)	Overdue for 1 to 3 years (including 3 years)	Overdue for over 3 years	Total
Unsecured loans	7,494	11,015	2,989	1,084	22,582
Guaranteed loans	1,877	1,679	3,247	884	7,687
Loans secured by mortgages	11,858	9,362	7,101	3,414	31,735
Loans secured by pledges	32	93	848	623	1,596
Discounted bills	1	–	–	–	1
Total	21,262	22,149	14,185	6,005	63,601

	As at December 31, 2021				
	Overdue for 1 to 90 days (including 90 days)	Overdue for 91 days to 1 year (including 1 year)	Overdue for 1 to 3 years (including 3 years)	Overdue for over 3 years	Total
Unsecured loans	7,149	7,713	1,788	1,069	17,719
Guaranteed loans	2,473	2,284	3,006	747	8,510
Loans secured by mortgages	8,608	7,464	5,977	2,982	25,031
Loans secured by pledges	74	4,302	1,166	602	6,144
Discounted bills	–	–	10	–	10
Total	18,304	21,763	11,947	5,400	57,414

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.5 Debt instruments

(1) Credit quality of debt instruments

The table below represents the carrying amounts of financial assets at amortized cost and financial assets measured at FVTOCI – debt instruments:

	As at June 30, 2022			
	Stage 1(i)	Stage 2	Stage 3	Total
Financial assets measured at amortized cost	3,338,947	6,491	65	3,345,503
Financial assets measured at FVTOCI – debt instruments	373,051	–	22	373,073
Total	3,711,998	6,491	87	3,718,576

	As at December 31, 2021			
	Stage 1(i)	Stage 2	Stage 3	Total
Financial assets measured at amortized cost	3,275,201	4,784	18	3,280,003
Financial assets measured at FVTOCI – debt instruments	306,115	–	17	306,132
Total	3,581,316	4,784	35	3,586,135

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.5 Debt instruments (continued)

(1) Credit quality of debt instruments (continued)

(i) Debt instruments of stage 1

The types of debt instruments	As at June 30, 2022 Financial assets at amortized cost	Financial assets at FVTOCI	Total
Debt securities-by types of issuers:			
Government	1,353,110	85,818	1,438,928
Financial institutions	1,476,489	218,341	1,694,830
Corporates	97,846	68,396	166,242
Interbank certificates of deposits	243,968	496	244,464
Asset-backed securities	135,373	–	135,373
Other debt instruments	27,320	–	27,320
Debt financing plan	11,888	–	11,888
Gross amount	3,345,994	373,051	3,719,045
Less: Allowance for impairment losses	7,047	–	7,047
Carrying amount of debt instruments at stage 1	3,338,947	373,051	3,711,998

The types of debt instruments	As at December 31, 2021 Financial assets at amortized cost	Financial assets at FVTOCI	Total
Debt securities-by types of issuers:			
Government	1,246,558	59,968	1,306,526
Financial institutions	1,516,188	185,805	1,701,993
Corporates	107,771	56,454	164,225
Interbank certificates of deposits	229,084	391	229,475
Asset-backed securities	144,051	–	144,051
Other debt instruments	30,170	–	30,170
Debt financing plan	7,264	3,497	10,761
Gross amount	3,281,086	306,115	3,587,201
Less: Allowance for impairment losses	5,885	–	5,885
Carrying amount of debt instruments at stage 1	3,275,201	306,115	3,581,316

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.3 Credit risk (continued)

41.3.5 Debt instruments (continued)

(2) Debt instruments analyzed by credit rating

The Group adopts a credit rating approach to manage the credit risk of the debts instruments held. The ratings are based on the ratings from major rating agencies where the issuers of the debt instruments are located. The amounts of debts instruments analyzed by rating as at the end of the reporting period are as follows:

	As at June 30, 2022					
	Unrated	AAA	AA	A	Below A	Total
Government bonds	845,509	594,138	–	102	–	1,439,749
Bonds issued by financial institutions	1,614,508	104,245	1,612	5,402	14,794	1,740,561
Corporate bonds	74,297	106,137	–	16,715	6,156	203,305
Interbank certificates of deposits	396,314	–	–	–	–	396,314
Asset-backed securities	21,016	115,417	–	–	–	136,433
Debt financing plans	11,888	–	–	–	–	11,888
Fund investments	544,098	–	–	–	–	544,098
Trust investment plans and asset management plans	53,216	–	–	–	–	53,216
Wealth management products issued by financial institutions	354	–	–	–	–	354
Other debt instruments	49,082	–	–	–	–	49,082
Total	3,610,282	919,937	1,612	22,219	20,950	4,575,000

	As at December 31, 2021					
	Unrated	AAA	AA	A	Below A	Total
Government bonds	694,067	617,624	–	100	–	1,311,791
Bonds issued by financial institutions	1,609,482	120,227	1,614	10,561	10,495	1,752,379
Corporate bonds	26,307	134,582	–	16,996	6,575	184,460
Interbank certificates of deposits	412,138	–	–	–	–	412,138
Asset-backed securities	19,095	126,027	–	–	–	145,122
Debt financing plans	10,761	–	–	–	–	10,761
Fund investments	441,238	–	–	–	–	441,238
Trust investment plans and asset management plans	57,541	–	–	–	–	57,541
Other debt instruments	51,543	–	–	–	–	51,543
Total	3,322,172	998,460	1,614	27,657	17,070	4,366,973

Unrated debt instruments held by the Group are bonds issued by the Chinese government, policy banks, China Development Bank, interbank certificates of deposits, fund investments and other debt instruments such as trust investment plans and asset management plans issued by financial institutions, the principal and income of which are mainly guaranteed by financial institutions or third party companies, or secured by bills and other financial assets as collateral.

41.3.6 Concentration of credit risk

The credit risk exposure of financial assets mainly concentrates in Mainland China.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.4 Market risk

Market risk refers to the risk of loss to the Group's on- and off-balance sheet business operations arising from unfavorable changes on market prices (including interest rates, exchange rates, stock prices and commodity prices). The Group is primarily exposed to interest rate risk and exchange rate risk (including gold).

The Group adopts a centralized approach during the market risk management process, including identification, measurement, monitoring and mitigation of the market risk. The Group has established basic policies and procedures for the management of market risk, separation of banking and trading books, and valuation of financial assets. The Group applies such policies and procedures to, identify, measure, monitor and mitigate market risks on both banking book and trading book respectively.

The Group is also exposed to market risk on its derivative investments on behalf of customers that are hedged through back-to-back transactions with other financial institutions.

Measurement techniques and limit setting for market risks

Trading book

Market risk on the trading book mainly arises from losses in valuation of financial instruments in the trading book due to adverse changes of market interest rates and exchange rates.

The Group uses limit management, sensitivity analysis, exposure analysis, stress test and other methods to manage the market risk of trading book and control the risk exposure within an acceptable range.

Banking book

The interest rate risk of the Group includes the risk of the adverse changes in the interest rate and term structure that may affect the economic value and overall operating income of the Group. It mainly includes the mismatch risk and the prime interest rate risk of assets and liabilities.

The Group measures the gap between assets and liabilities caused by repricing dates and maturity dates mismatch through monitoring the interest rate sensitivity gap using repricing gap analysis, and makes adjustments to refine the structure and bridge the interest rate risk gap by assessing potential changes of interest rates.

Sensitivity analysis on net interest income

The sensitivity analysis on net interest income is based on changes in interest rates with the assumption that all interest rates move by the same margin and the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behaviour, prime interest rates or any prepayment options on debt securities into consideration. On the assumption that the RMB yield and foreign currency yield move in parallel, the Group calculates changes of net interest income in the coming year.

The table below shows the potential impact on the Group's net interest income by an upward or a downward parallel shift of interest rates by 100 basis points. The actual circumstances may differ from the assumptions so that the impact on the net interest income as shown in the following analysis may be different from the actual outcome.

	(Decrease)/Increase in net interest income	
	As at June 30, 2022	As at December 31, 2021
Upward parallel shift of 100 BPS for yield curves	(18,297)	(13,773)
Downward parallel shift of 100 BPS for yield curves	18,297	13,773

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.4 Market risk (continued)

Interest rate risk

The Group's interest rate exposures are as follows. The financial assets and financial liabilities at the end of the reporting period were stated at their carrying amounts based on the earlier of their repricing date or contractual maturity date.

	As at June 30, 2022						
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and deposits with central bank	1,174,651	–	–	–	–	54,844	1,229,495
Deposits with banks and other financial institutions	25,902	30,212	101,638	–	–	802	158,554
Placements with banks and other financial institutions	29,663	31,855	161,845	37,550	–	262	261,175
Derivative financial assets	–	–	–	–	–	2,768	2,768
Financial assets held under resale agreements	238,551	34,665	17,406	–	–	504	291,126
Loans and advances to customers	391,642	637,963	5,275,972	329,058	103,439	19,220	6,757,294
Financial assets measured at fair value through profit or loss	38,726	47,891	92,430	3,718	41,900	602,282	826,947
Financial assets measured at fair value through other comprehensive income-debt instruments	15,695	17,084	56,003	265,382	13,246	5,663	373,073
Financial assets measured at fair value through other comprehensive income-equity instruments	–	–	–	–	–	11,055	11,055
Financial assets measured at amortized cost	138,314	497,467	489,444	1,080,577	1,098,618	41,083	3,345,503
Other financial assets	–	–	–	–	–	29,791	29,791
Total financial assets	2,053,144	1,297,137	6,194,738	1,716,285	1,257,203	768,274	13,286,781
Borrowings from central bank	–	–	18,731	–	–	9	18,740
Deposits from banks and other financial institutions	129,754	100	3,922	5,331	–	542	139,649
Placements from banks and other financial institutions	10,691	10,400	20,468	–	–	424	41,983
Derivative financial liabilities	–	–	–	–	–	2,670	2,670
Financial assets sold under repurchase agreements	16,157	14,642	8,416	–	–	110	39,325
Customer deposits	4,425,704	873,011	5,376,323	1,320,102	–	127,377	12,122,517
Debt securities issued	–	–	–	–	99,994	2,230	102,224
Other financial liabilities	297	468	1,964	5,768	1,028	66,173	75,698
Total financial liabilities	4,582,603	898,621	5,429,824	1,331,201	101,022	199,535	12,542,806
Interest rate risk gap	(2,529,459)	398,516	764,914	385,084	1,156,181	568,739	743,975

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.4 Market risk (continued)

Interest rate risk (continued)

	As at December 31, 2021						
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and deposits with central bank	1,132,543	–	–	–	–	56,915	1,189,458
Deposits with banks and other financial institutions	11,504	12,023	66,773	–	–	482	90,782
Placements with banks and other financial institutions	68,620	25,550	149,489	35,387	–	1,047	280,093
Derivative financial assets	–	–	–	–	–	6,053	6,053
Financial assets held under resale agreements	202,524	20,378	41,820	–	–	507	265,229
Loans and advances to customers	3,119,309	579,054	2,147,599	261,684	110,207	19,346	6,237,199
Financial assets measured at fair value through profit or loss	22,303	84,975	88,739	49,530	2,523	502,527	750,597
Financial assets measured at fair value through other comprehensive income-debt instruments	13,799	27,076	72,192	176,421	10,954	5,690	306,132
Financial assets measured at fair value through other comprehensive income-equity instruments	–	–	–	–	–	11,888	11,888
Financial assets measured at amortized cost	43,691	65,903	548,875	1,324,849	1,251,071	45,614	3,280,003
Other financial assets	–	–	–	–	–	32,016	32,016
Total financial assets	4,614,293	814,959	3,115,487	1,847,871	1,374,755	682,085	12,449,450
Borrowings from central bank	2,958	1,400	12,952	–	–	6	17,316
Deposits from banks and other financial institutions	144,359	660	577	8,796	–	417	154,809
Placements from banks and other financial institutions	6,872	6,676	28,662	–	–	355	42,565
Derivative financial liabilities	–	–	–	–	–	5,176	5,176
Financial assets sold under repurchase agreements	17,107	10,440	6,995	–	–	101	34,643
Customer deposits	4,753,022	1,901,502	3,431,925	1,102,101	–	165,523	11,354,073
Debt securities issued	–	–	–	–	79,984	1,442	81,426
Other financial liabilities	347	374	2,281	5,462	1,220	48,891	58,575
Total financial liabilities	4,924,665	1,921,052	3,483,392	1,116,359	81,204	221,911	11,748,583
Interest rate risk gap	(310,372)	(1,106,093)	(367,905)	731,512	1,293,551	460,174	700,867

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.4 Market risk (continued)

Foreign exchange rate risk

The tables below present the Group's exposures that were subject to changes in exchange rates as at June 30, 2022 and December 31, 2021, respectively. The Group's RMB exposures were included in the table for comparison. The financial assets and liabilities and off-balance sheet credit commitments were stated at their carrying amounts in RMB equivalent.

The major currency of the Group for daily operation is RMB. Other currencies used by the Group include United States Dollars (USD), Euro (EUR), Hong Kong Dollars (HKD) and U.K. Pound Sterling (GBP), etc.

	As at June 30, 2022			
	RMB	USD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and deposits with central bank	1,226,775	2,677	43	1,229,495
Deposits with banks and other financial institutions	147,693	9,513	1,348	158,554
Placements with banks and other financial institutions	260,169	1,006	–	261,175
Derivative financial assets	888	1,822	58	2,768
Financial assets held under resale agreements	291,126	–	–	291,126
Loans and advances to customers	6,732,128	19,344	5,822	6,757,294
Financial assets measured at fair value through profit or loss	784,390	42,557	–	826,947
Financial assets measured at fair value through other comprehensive income-debt instruments	368,902	4,171	–	373,073
Financial assets measured at fair value through other comprehensive income-equity instruments	11,055	–	–	11,055
Financial assets measured at amortized cost	3,296,952	48,415	136	3,345,503
Other financial assets	27,499	2,292	–	29,791
Total financial assets	13,147,577	131,797	7,407	13,286,781
Borrowings from central bank	18,740	–	–	18,740
Deposits from banks and other financial institutions	139,648	1	–	139,649
Placements from banks and other financial institutions	28,246	13,737	–	41,983
Derivative financial liabilities	904	1,681	85	2,670
Financial assets sold under repurchase agreements	39,325	–	–	39,325
Customer deposits	12,091,500	30,597	420	12,122,517
Debt securities issued	102,224	–	–	102,224
Other financial liabilities	73,170	2,526	2	75,698
Total financial liabilities	12,493,757	48,542	507	12,542,806
Net on-balance sheet position	653,820	83,255	6,900	743,975
Net notional amount of derivative financial instruments	26,176	(13,916)	(12,294)	(34)
Credit commitments	657,405	8,819	3,974	670,198

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.4 Market risk (continued)

Foreign exchange rate risk (continued)

	As at December 31, 2021			
	RMB	USD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and deposits with central bank	1,186,222	3,188	48	1,189,458
Deposits with banks and other financial institutions	87,316	2,233	1,233	90,782
Placements with banks and other financial institutions	257,491	22,602	–	280,093
Derivative financial assets	1,048	4,850	155	6,053
Financial assets held under resale agreements	265,229	–	–	265,229
Loans and advances to customers	6,205,695	25,601	5,903	6,237,199
Financial assets measured at fair value through profit or loss	668,009	82,588	–	750,597
Financial assets measured at fair value through other comprehensive income-debt instruments	301,462	4,670	–	306,132
Financial assets measured at fair value through other comprehensive income-equity instruments	11,888	–	–	11,888
Financial assets measured at amortized cost	3,231,554	48,423	26	3,280,003
Other financial assets	25,862	6,150	4	32,016
Total financial assets	12,241,776	200,305	7,369	12,449,450
Borrowings from central bank	17,316	–	–	17,316
Deposits from banks and other financial institutions	154,809	–	–	154,809
Placements from banks and other financial institutions	27,515	15,050	–	42,565
Derivative financial liabilities	1,046	3,979	151	5,176
Financial assets sold under repurchase agreements	34,643	–	–	34,643
Customer deposits	11,327,612	26,057	404	11,354,073
Debt securities issued	81,426	–	–	81,426
Other financial liabilities	52,836	5,738	1	58,575
Total financial liabilities	11,697,203	50,824	556	11,748,583
Net on-balance sheet position	544,573	149,481	6,813	700,867
Net notional amount of derivative financial instruments	91,727	(83,409)	(9,986)	(1,668)
Credit commitments	618,525	6,575	6,190	631,290

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.4 Market risk (continued)

Foreign exchange rate risk (continued)

Exchange rate sensitivity analysis

The table below indicates the potential effect of appreciation or depreciation of USD spot and forward exchange rate against RMB by 5% on net profit of the Group.

Exchange rate changes	As at June 30, 2022	As at December 31, 2021
5% of appreciation of USD against RMB	2,269	2,231
5% of depreciation of USD against RMB	(2,269)	(2,231)

The impact on the net profit arises from the effects of fluctuation in RMB exchange rate on the net positions of foreign monetary assets and liabilities. The effect on the net profit is based on the assumption that the Group's net foreign currency at the end of the reporting period remains unchanged. The Group mitigates its foreign currency risk through active management of its foreign exchange exposures, based on the management expectation of future foreign currency fluctuation. Therefore the above sensitivity analysis may differ from the actual situation.

41.5 Liquidity risk

Liquidity risk refers to the risk of failure to obtain sufficient funds by commercial bank at a reasonable cost in a timely manner to repay maturing debts, fulfill other payment obligations and meet other financial needs during normal business operation. Events or factors that cause the Group's liquidity risk include: deposit customers withdrawing deposits, loan customers withdrawing credit facilities, debtors failing to repay principal and interest, excessive mismatch of maturity of assets and liabilities, difficulty in disposal assets, deterioration in financing capability, etc. The objective of liquidity risk management of the Group is to meet the liquidity needs and fulfill its payment obligation to external parties during the normal operation or at a highly stressed condition which is achieved through the establishment of a scientific and comprehensive liquidity risk management mechanism, through which liquidity risk can be timely identified, measured and effectively mitigated. The Group adheres to prudent liquidity risk management strategy and effectively balances the rhythm and structure of capital source and utilization.

The Group conducts liquidity risk stress tests on a quarterly basis to identify potential liquidity risks and continually improve stress testing methods based on regulatory and internal management requirements. The stress test results show that under the various pressure scenario assumptions, the Group can pass the minimum life expectancy test.

The Group is mainly funded by personal deposits, which is considered a stable source of funding. On the other hand, the Group primarily invests in assets with high liquidity such as deposits with banks and other financial institutions, and government bonds. During the reporting period, the Group's liquidity regulatory indicators were functioning normally, with sufficient liquidity as a whole and safe and controllable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.5 Liquidity risk (continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities

	As at June 30, 2022								
	Overdue	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Cash and deposits with central bank	–	58,208	–	526	–	–	–	1,170,761	1,229,495
Deposits with banks and other financial institutions	–	17,223	8,843	30,616	101,872	–	–	–	158,554
Placements with banks and other financial institutions	–	–	29,677	32,089	161,859	37,550	–	–	261,175
Derivative financial assets	–	–	314	1,038	676	740	–	–	2,768
Financial assets held under resale agreements	–	–	238,639	34,983	17,504	–	–	–	291,126
Loans and advances to customers	11,512	–	323,137	459,396	2,103,808	1,388,380	2,471,061	–	6,757,294
Financial assets measured at fair value through profit or loss	10	174,354	39,920	62,393	218,741	136,786	192,667	2,076	826,947
Financial assets measured at fair value through other comprehensive income-debt instruments	23	–	16,733	18,356	59,333	265,382	13,246	–	373,073
Financial assets measured at fair value through other comprehensive income-equity instruments	–	–	–	–	–	–	–	11,055	11,055
Financial assets measured at amortized cost	48	–	42,720	93,355	625,649	1,286,829	1,296,902	–	3,345,503
Other financial assets	1,946	15,485	164	6,478	269	481	4,652	316	29,791
Total financial assets	13,539	265,270	700,147	739,230	3,289,711	3,116,148	3,978,528	1,184,208	13,286,781
Borrowings from central bank	–	–	–	–	18,740	–	–	–	18,740
Deposits from banks and other financial institutions	–	129,716	98	106	4,385	5,344	–	–	139,649
Placements from banks and other financial institutions	–	–	10,751	10,557	20,675	–	–	–	41,983
Derivative financial liabilities	–	–	588	513	808	761	–	–	2,670
Financial assets sold under repurchase agreements	–	–	16,203	14,693	8,429	–	–	–	39,325
Customer deposits	–	3,909,154	533,713	889,803	5,443,271	1,346,576	–	–	12,122,517
Debt securities issued	–	–	–	1,785	445	–	99,994	–	102,224
Other financial liabilities	–	10,425	19,172	31,636	2,215	6,772	5,478	–	75,698
Total financial liabilities	–	4,049,295	580,525	949,093	5,498,968	1,359,453	105,472	–	12,542,806
Net liquidity	13,539	(3,784,025)	119,622	(209,863)	(2,209,257)	1,756,695	3,873,056	1,184,208	743,975

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.5 Liquidity risk (continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities (continued)

	As at December 31, 2021								
	Overdue	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Cash and deposits with central bank	–	65,572	–	551	–	–	–	1,123,335	1,189,458
Deposits with banks and other financial institutions	–	9,009	2,511	12,138	67,124	–	–	–	90,782
Placements with banks and other financial institutions	–	–	68,873	26,024	149,809	35,387	–	–	280,093
Derivative financial assets	–	–	661	1,964	2,480	948	–	–	6,053
Financial assets held under resale agreements	–	–	202,768	20,500	41,961	–	–	–	265,229
Loans and advances to customers	12,854	–	328,464	437,716	1,837,016	1,256,093	2,365,056	–	6,237,199
Financial assets measured at fair value through profit or loss	10	124,137	25,862	85,175	184,435	148,299	180,879	1,800	750,597
Financial assets measured at fair value through other comprehensive income-debt instruments	17	–	14,841	29,268	74,631	176,421	10,954	–	306,132
Financial assets measured at fair value through other comprehensive income-equity instruments	–	–	–	–	–	–	–	11,888	11,888
Financial assets measured at amortized cost	196	–	54,499	77,358	568,754	1,327,201	1,251,995	–	3,280,003
Other financial assets	2,115	22,068	372	2,203	175	529	4,274	280	32,016
Total financial assets	15,192	220,786	698,851	692,897	2,926,385	2,944,878	3,813,158	1,137,303	12,449,450
Borrowings from central bank	–	–	2,960	1,401	12,955	–	–	–	17,316
Deposits from banks and other financial institutions	–	143,604	907	771	675	8,852	–	–	154,809
Placements from banks and other financial institutions	–	–	6,944	6,764	28,857	–	–	–	42,565
Derivative financial liabilities	–	–	883	1,458	1,879	956	–	–	5,176
Financial assets sold under repurchase agreements	–	–	17,156	10,480	7,007	–	–	–	34,643
Customer deposits	–	3,967,774	813,541	1,957,890	3,483,183	1,131,685	–	–	11,354,073
Debt securities issued	–	–	–	695	747	–	79,984	–	81,426
Other financial liabilities	–	16,531	16,699	10,957	2,552	6,546	5,290	–	58,575
Total financial liabilities	–	4,127,909	859,090	1,990,416	3,537,855	1,148,039	85,274	–	11,748,583
Net liquidity	15,192	(3,907,123)	(160,239)	(1,297,519)	(611,470)	1,796,839	3,727,884	1,137,303	700,867

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.5 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows of non-derivative financial assets and financial liabilities by remaining maturities:

The Group manages its inherent liquidity risk in the short term based on the expected undiscounted cash flows.

	As at June 30, 2022								
	Overdue	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and deposits with central bank	–	58,208	–	526	–	–	–	1,170,761	1,229,495
Deposits with banks and other financial institutions	–	17,223	8,851	31,025	103,531	–	–	–	160,630
Placements with banks and other financial institutions	–	–	29,691	33,990	165,181	38,579	–	–	267,441
Financial assets held under resale agreements	–	–	239,080	35,158	17,757	–	–	–	291,995
Loans and advances to customers	13,458	–	344,224	510,305	2,288,228	2,012,846	3,658,407	–	8,827,468
Financial assets measured at fair value through profit or loss	10	174,354	40,459	62,739	221,339	143,626	196,703	2,076	841,306
Financial assets measured at fair value through other comprehensive income-debt instruments	23	–	20,141	19,112	64,159	280,755	14,611	–	398,801
Financial assets measured at fair value through other comprehensive income-equity instruments	–	–	–	–	–	–	–	11,055	11,055
Financial assets measured at amortized cost	48	–	44,258	100,428	693,407	1,591,521	1,566,647	–	3,996,309
Other financial assets	–	15,485	164	6,478	269	481	4,652	316	27,845
Total non-derivative financial assets	13,539	265,270	726,868	799,761	3,553,871	4,067,808	5,441,020	1,184,208	16,052,345
Non-derivative financial liabilities									
Borrowings from central bank	–	–	359	56	18,848	–	–	–	19,263
Deposits from banks and other financial institutions	–	129,716	98	109	4,496	5,892	–	–	140,311
Placements from banks and other financial institutions	–	–	10,758	10,653	20,992	–	–	–	42,403
Financial assets sold under repurchase agreements	–	–	16,211	14,741	8,489	–	–	–	39,441
Customer deposits	–	3,909,154	534,100	892,876	5,517,952	1,428,482	–	–	12,282,564
Debt securities issued	–	–	–	2,095	1,426	14,084	120,415	–	138,020
Other financial liabilities	–	10,425	19,189	31,663	2,329	7,110	5,538	–	76,254
Total non-derivative financial liabilities	–	4,049,295	580,715	952,193	5,574,532	1,455,568	125,953	–	12,738,256
Net liquidity	13,539	(3,784,025)	146,153	(152,432)	(2,020,661)	2,612,240	5,315,067	1,184,208	3,314,089

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.5 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flows of non-derivative financial assets and financial liabilities by remaining maturities (continued)

	As at December 31, 2021								
	Overdue	Repayable on demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and deposits with central bank	–	65,572	–	551	–	–	–	1,123,335	1,189,458
Deposits with banks and other financial institutions	–	9,009	2,515	12,418	68,248	–	–	–	92,190
Placements with banks and other financial institutions	–	–	68,948	27,731	153,737	35,973	–	–	286,389
Financial assets held under resale agreements	–	–	202,853	20,601	42,610	–	–	–	266,064
Loans and advances to customers	14,969	–	365,336	513,352	2,095,048	1,950,360	3,266,765	–	8,205,830
Financial assets measured at fair value through profit or loss	10	124,137	25,712	84,942	185,237	155,844	184,663	1,800	762,345
Financial assets measured at fair value through other comprehensive income-debt instruments	17	–	14,932	29,695	77,725	189,045	12,213	–	323,627
Financial assets measured at fair value through other comprehensive income-equity instruments	–	–	–	–	–	–	–	11,888	11,888
Financial assets measured at amortized cost	196	–	57,102	83,177	632,671	1,635,125	1,534,418	–	3,942,689
Other financial assets	–	22,068	372	2,203	175	529	4,274	280	29,901
Total non-derivative financial assets	15,192	220,786	737,770	774,670	3,255,451	3,966,876	5,002,333	1,137,303	15,110,381
Non-derivative financial liabilities									
Borrowings from central bank	–	–	2,963	1,404	13,009	–	–	–	17,376
Deposits from banks and other financial institutions	–	143,604	908	774	824	9,199	–	–	155,309
Placements from banks and other financial institutions	–	–	6,950	6,854	29,312	–	–	–	43,116
Financial assets sold under repurchase agreements	–	–	17,165	10,515	7,056	–	–	–	34,736
Customer deposits	–	3,967,774	814,237	1,965,022	3,529,656	1,194,359	–	–	11,471,048
Debt securities issued	–	–	–	900	2,095	11,980	92,955	–	107,930
Other financial liabilities	–	16,531	16,715	10,975	2,659	6,804	5,347	–	59,031
Total non-derivative financial liabilities	–	4,127,909	858,938	1,996,444	3,584,611	1,222,342	98,302	–	11,888,546
Net liquidity	15,192	(3,907,123)	(121,168)	(1,221,774)	(329,160)	2,744,534	4,904,031	1,137,303	3,221,835

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.5 Liquidity risk (continued)

Analysis of the undiscounted contractual cash flow of derivative financial instruments by remaining maturities

Derivative financial instruments settled on a net basis

The fair values of the Group's derivative financial instruments that will be settled on a net basis are primarily related to changes in interest rates. The tables below present the undiscounted contractual cash flows of the Group's net derivative positions based on their remaining contractual maturities:

	As at June 30, 2022					
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest rate derivative financial instruments	3	3	(11)	(13)	(1)	(19)

	As at December 31, 2021					
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest rate derivative financial instruments	6	–	(8)	1	–	(1)

Derivative financial instruments settled on a gross basis

The fair values of the Group's derivative financial instruments that will be settled on a gross basis are primarily related to changes in foreign exchange rates and interest rates. The tables below present the undiscounted contractual cash flows of the Group's gross derivative positions based on their remaining contractual maturities:

	As at June 30, 2022					
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Derivative financial instruments settled on a gross basis						
– Cash inflow	86,102	64,981	58,874	–	–	209,957
– Cash outflow	(86,403)	(64,507)	(59,081)	–	–	(209,991)
Total	(301)	474	(207)	–	–	(34)

	As at December 31, 2021					
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Derivative financial instruments settled on a gross basis						
– Cash inflow	90,030	160,388	177,043	1	–	427,462
– Cash outflow	(90,529)	(178,298)	(177,178)	–	–	(446,005)
Total	(499)	(17,910)	(135)	1	–	(18,543)

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.5 Liquidity risk (continued)

Credit commitments

The off-balance sheet items of the Group are listed in the following table by remaining contractual maturity, and the financial guarantees are listed in the notional amount according to the earliest contract expiration date:

	As at June 30, 2022			
	Within 1 year	1 to 5 years	Over 5 years	Total
Loan commitments	41,007	71,313	12,379	124,699
Bank acceptances	66,513	–	–	66,513
Guarantees and letters of guarantees	21,835	21,962	4,294	48,091
Letters of credit	51,265	–	–	51,265
Unused credit card commitments	379,630	–	–	379,630
Total	560,250	93,275	16,673	670,198

	As at December 31, 2021			
	Within 1 year	1 to 5 years	Over 5 years	Total
Loan commitments	50,747	88,695	13,181	152,623
Bank acceptances	36,158	–	–	36,158
Guarantees and letters of guarantees	20,301	17,949	4,609	42,859
Letters of credit	32,209	–	–	32,209
Unused credit card commitments	367,441	–	–	367,441
Total	506,856	106,644	17,790	631,290

41.6 Operational risk

Operational risk refers to risks caused by inadequate or problematic internal procedures, employee misconduct and IT system failures, and external events. The types of operational risks that the Group may face include seven categories: internal fraud, external fraud, employment systems and workplace safety, customers, products and business activities, damage to physical assets, information technology system failures, execution, delivery and process management.

Guided by the operational risk appetite approved by the Board of Directors, the Group's senior management is mainly responsible for establishing and implementing the operational risk management policies and limits. The policies aim to continuously improve the internal control mechanism, reinforce the supervision and inspection framework, improve the information technology capability, enrich the basis of operation management, intensify monitoring reports, regulate staff behaviour, foster risk management culture and initiative awareness to regulations and ensure the security of business operation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.7 Fair value of financial instruments

Most of the balance sheet items of the Group are financial assets and financial liabilities. The fair value measurement of non-financial assets and non-financial liabilities will not have a significant impact on the Group's overall financial performance.

During the six-month period ended June 30, 2022 and the year ended December 31, 2021, there were no assets or liabilities which were discontinued being measured at fair value by the Group.

(1) Valuation techniques, parameters and processes

The fair value of financial assets and financial liabilities is determined according to the following methods:

– The fair value of financial assets and financial liabilities with standard terms and conditions and traded in an active market is determined by reference to the market price.

– For non-option derivative financial instruments, the fair value is determined by discounted cash flow analysis using the applicable yield curve within the term of the instrument.

– The fair value of other financial assets and financial liabilities is determined according to the generally accepted pricing model or the current market price observable for similar instruments based on the discounted cash flow analysis. If there is no observable market transaction price for similar instruments, the net assets are used for valuation, and the price is analyzed by the management.

The Group has established an independent valuation process for financial assets and financial liabilities to satisfy segregation of duties and relevant departments are respectively responsible for valuation, model validation and accounting treatment.

(2) Fair value hierarchy

Financial instruments at fair value are classified into the following three levels of measurement hierarchy:

Level 1: Fair value is determined based on quoted market prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Where quoted prices are not available from open markets, the fair value of financial instruments is determined by valuation techniques.

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.7 Fair value of financial instruments (continued)

(3) Financial assets and financial liabilities not measured at fair value on the statement of financial position

Financial assets and liabilities not measured at fair value mainly represent deposits with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers measured at amortized cost, financial assets measured at amortized cost, borrowings from central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions, financial assets sold under repurchase agreements, customer deposits and debt securities issued.

The tables below summarize the carrying amounts and the fair values of the financial assets measured at amortized cost and debt securities issued which are not set out in the statement of financial position.

	As at June 30, 2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortized cost	3,345,503	3,395,194	–	2,857,420	537,774
Financial liabilities					
Debt securities issued	102,224	102,698	–	102,698	–

	As at December 31, 2021				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortized cost	3,280,003	3,334,758	–	2,772,136	562,622
Financial liabilities					
Debt securities issued	81,426	81,911	–	81,911	–

Except for the financial assets and liabilities above, the fair value of other financial assets and financial liabilities not measured at fair value in the statement of financial position are determined using discounted future cash flows. There is no significant difference between their carrying amounts and fair value.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position

The tables below summarize the fair values of the financial assets and financial liabilities measured at their fair value on the statement of financial position.

	As at June 30, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances to customers				
– Measured at FVTOCI	–	631,127	–	631,127
Subtotal	–	631,127	–	631,127
Financial assets measured at FVTPL				
– Debt securities	–	75,319	–	75,319
– Interbank certificates of deposits	–	151,850	–	151,850
– Asset-backed securities	–	33	–	33
– Fund investments	–	453,026	91,072	544,098
– Trust investment plans and asset management plans	–	–	53,216	53,216
– Wealth management products issued by financial institutions	–	354	–	354
– Equity instruments	917	–	1,160	2,077
Subtotal	917	680,582	145,448	826,947
Derivative financial assets				
– Exchange rate derivatives	–	1,791	–	1,791
– Interest rate derivatives	–	889	–	889
– Precious metal derivatives	–	88	–	88
Subtotal	–	2,768	–	2,768
Financial assets measured at FVTOCI-debt instruments				
– Debt securities	–	372,577	–	372,577
– Interbank certificates of deposits	–	496	–	496
Subtotal	–	373,073	–	373,073
Financial assets measured at FVTOCI-equity instruments				
– Equity instruments	7,158	1,500	2,397	11,055
Subtotal	7,158	1,500	2,397	11,055
Total financial assets	8,075	1,689,050	147,845	1,844,970
Financial liabilities				
Derivative financial liabilities				
– Exchange rate derivatives	–	(1,708)	–	(1,708)
– Interest rate derivatives	–	(903)	–	(903)
– Precious metal derivatives	–	(59)	–	(59)
Total financial liabilities	–	(2,670)	–	(2,670)

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

	As at December 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances to customers				
– Measured at FVTOCI	–	594,407	–	594,407
Subtotal	–	594,407	–	594,407
Financial assets measured at FVTPL				
– Debt securities	–	67,310	–	67,310
– Interbank certificates of deposits	–	182,663	–	182,663
– Asset-backed securities	–	45	–	45
– Fund investments	–	390,373	50,865	441,238
– Trust investment plans and asset management plans	–	–	57,541	57,541
– Equity instruments	637	–	1,163	1,800
Subtotal	637	640,391	109,569	750,597
Derivative financial assets				
– Exchange rate derivatives	–	5,002	–	5,002
– Interest rate derivatives	–	1,049	–	1,049
– Precious metal derivatives	–	2	–	2
Subtotal	–	6,053	–	6,053
Financial assets measured at FVTOCI-debt instruments				
– Debt securities	–	302,244	–	302,244
– Interbank certificates of deposits	–	391	–	391
– Debt financing plans	–	–	3,497	3,497
Subtotal	–	302,635	3,497	306,132
Financial assets measured at FVTOCI-equity instruments				
– Equity instruments	9,491	–	2,397	11,888
Subtotal	9,491	–	2,397	11,888
Total financial assets	10,128	1,543,486	115,463	1,669,077
Financial liabilities				
Derivative financial liabilities				
– Exchange rate derivatives	–	(4,106)	–	(4,106)
– Interest rate derivatives	–	(1,052)	–	(1,052)
– Precious metal derivatives	–	(18)	–	(18)
Total financial liabilities	–	(5,176)	–	(5,176)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

For financial instruments traded in active markets, the determination of fair values is based on quoted market prices. Where quoted prices are not available from open markets, the fair value of financial instruments is determined by valuation techniques.

Parameters used in valuation techniques mainly include debt securities prices, interest rates, exchange rates, equity prices, volatility level, correlation, pre-payment rate and counterparties' credit spread.

(a) Basis of determining the market price for recurring fair value measurements categorized within Level 1

Quoted prices are used for financial instruments with quoted prices in an active market.

(b) Valuation techniques, key parameters used for recurring fair value measurement categorized within Level 2

Financial investments

Financial investments using valuation techniques mainly consist of debt securities, interbank certificates of deposits and investment fund, etc. The fair value of RMB bonds and interbank certificates of deposits is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. The fair value of foreign currency bonds and interbank certificates of deposits is determined based on the valuation results of Bloomberg. The fair value of these bonds and interbank certificates of deposits is determined based on a valuation technique for which all significant inputs are observable market data. The fair value of the investment fund classified as Level 2 derived from the observable quoted price in market. The fair value of the equity instruments classified as Level 2 is measured by discounted cash flow method.

Derivatives

Derivatives using valuation techniques with market observable inputs are mainly foreign exchange forwards and swaps, interest rate swaps, cross currency interest rate swaps, and precious metals swaps, etc. The most frequently applied valuation techniques include discounted cash flow method and Black-Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc.

Loans and advances to customers

The loans and advances to customers involving valuation techniques are mainly forfaiting and discounted bills. The fair value of these forfaiting and discounted bills is measured by discounted cash flow method.

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

(c) Quantitative information about the significant unobservable inputs used in Level 3 fair value measurements is summarized below:

June 30, 2022		Fair Value	Valuation technique	Unobservable inputs: Inputs	Unobservable inputs: Relationship of unobservable inputs to fair value
Financial assets					
Financial assets measured at FVTPL					
– Fund investments	(i)	91,072	Net asset method	Net assets	Positive correlation
– Trust investment plans and asset management plans	(i)	53,216	Net asset method	Net assets	Positive correlation
– Equity instruments	(i)	1,160	Net asset method	Net assets	Positive correlation
Subtotal		145,448			
Financial assets measured at FVTOCI -equity instruments	(i)	2,397	Net asset method	Net assets	Positive correlation
Total		147,845			

December 31, 2021		Fair Value	Valuation technique	Unobservable inputs: Inputs	Unobservable inputs: Range of inputs	Unobservable inputs: Relationship of unobservable inputs to fair value
Financial assets						
Financial assets measured at FVTPL						
– Fund investments	(i)	50,865	Net asset method	Net assets		Positive correlation
– Trust investment plans and asset management plans	(i)	57,541	Net asset method	Net assets		Positive correlation
– Equity instruments	(i)	1,163	Net asset method	Net assets		Positive correlation
Subtotal		109,569				
Financial assets measured at FVTOCI-debt instruments						
– Debt financing plans	(ii)	3,497	Discounted cash flow method	Discount rate	3.52%-6.05%	Negative correlation
Financial assets measured at FVTOCI-equity instruments	(i)	2,397	Net asset method	Net assets		Positive correlation
Total		115,463				

(i) The fair value of fund investments, trust investment plans and asset management plans, equity instruments measured at FVTPL, and equity instruments measured at FVTOCI are all determined using net asset method, where the significant unobservable inputs are the net assets.

(ii) The fair value of debt financing plans measured at FVTOCI is measured using the discounted cash flow method, where the significant unobservable inputs are the yield curves of similar financial instruments to be used as discount rates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022

(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

(c) Quantitative information about the significant unobservable inputs used in Level 3 fair value measurements is summarized below: (continued)

Changes in Level 3 are analyzed below:

	Six-month period ended June 30, 2022			
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI –debt instruments	Financial assets measured at FVTOCI –equity instruments	Loans and advances to customers
Balance at the beginning of the period	109,569	3,497	2,397	–
Increased	39,443	–	–	–
Settled	(5,579)	(3,497)	–	–
Total gains or losses recognized in				
– Profit or loss	2,015	–	–	–
Balance at the end of the period	145,448	–	2,397	–

	Year ended December 31, 2021			
	Financial assets measured at FVTPL	Financial assets measured at FVTOCI –debt instruments	Financial assets measured at FVTOCI –equity instruments	Loans and advances to customers
Balance at the beginning of the year	52,446	3,939	1,553	459,105
Increased	50,510	3,458	500	–
Settled	(1,840)	(3,899)	–	(38,970)
Total gain or loss recognized in				
– Profit or loss	8,453	–	–	–
– Other comprehensive income	–	(1)	344	962
Transfers out of level 3	–	–	–	(421,097)
Balance at the end of the year	109,569	3,497	2,397	–

All of the total gains or losses recognized in profit or loss are unrealized gains or losses for financial assets measured at FVTPL held at the end of reporting period.

41 Financial risk management (continued)

41.7 Fair value of financial instruments (continued)

(4) Financial assets and financial liabilities measured at fair value on the statement of financial position (continued)

(d) Transfers between Levels

During the period ended June 30, 2022, there were no changes of fair value hierarchies.

During the year 2021, due to changes in market conditions for certain securities, quoted prices in active markets were available. Therefore, these securities were transferred from Level 2 to Level 1 of the fair value hierarchy during the year 2021. Besides, due to changes in the valuation techniques of certain financial instruments or significant inputs used in their fair value measurements, which was previously unobservable became observable or validated by the market, etc., certain financial instruments were transferred from Level 3 to Level 2 of the fair value hierarchy during the year 2021.

41.8 Capital management

The Group's capital management aims at meeting regulatory requirements, continuously improving the ability to mitigate risks and increasing returns on capital. Accordingly, the Group has set its capital adequacy objectives and employed various means and methods to meet its management objectives, including performance assessment against plans and budgets, and limit management; to ensure its capital management meets external regulatory, credit rating, risk compensation and shareholders' value requirements; help drive risk management across the Group; ensure a disciplinary expansion of its assets; and continually improve its business structure and operating models.

The Group has maintained a relatively fast pace of development in terms of business scale in recent years with an increase in the demand of capital accordingly. In order to ensure that the Group meets regulatory capital adequacy requirements and maximises returns to shareholders without compromising its risk management, the Group makes strong efforts to promote the establishment of capital constraints system, enhances the management of both total amount and structure of risk assets, and promotes the transformation of its business model towards a capital efficient one through the comprehensive use of several measurement tools such as capital planning, limit management, economic capital management and estimation of internal capital adequacy, in order to ensure that the capital adequacy ratios meet the risk coverage and regulatory requirements continuously.

In accordance with the *Capital Rules for Commercial Banks (Provisional)* 《商業銀行資本管理辦法(試行)》 and the related provisions promulgated by the CBIRC, and *Additional Regulations Supervision on Systemically Important Banks (for Trial Implementation)* 《系統重要性銀行附加監管規定(試行)》 issued by the PBOC and the CBIRC, as at June 30, 2022, the Group's core tier 1 capital adequacy ratio should be 8.00%, tier 1 capital adequacy ratio should be 9.00%, and capital adequacy ratio should be 11.00% (as at December 31, 2021: 8.00%, 9.00% and 11.00%, respectively). During the six-month period ended June 30, 2022, the Group continuously intensified the monitoring, analyzing and reporting of capital adequacy ratios, constantly optimized the risk asset structure, increases internal capital accumulation, and promoted the supplement of external capital, in order to ensure that the Group's capital adequacy ratio meets regulatory requirements and internal management needs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(All amounts in millions of RMB unless otherwise stated)

41 Financial risk management (continued)

41.8 Capital management (continued)

The Group's regulatory capital as calculated according to the *Capital Rules for Commercial Banks (Provisional)* (商業銀行資本管理辦法(試行)) promulgated by the CBIRC at June 30, 2022 and December 31, 2021 is as follows:

		As at June 30, 2022	As at December 31, 2021
Core tier 1 capital adequacy ratio	(1)	9.33%	9.92%
Tier 1 capital adequacy ratio	(1)	12.02%	12.39%
Capital adequacy ratio	(1)	14.60%	14.78%
Core tier 1 capital		652,789	637,186
Deductions of core tier 1 capital	(2)	(2,440)	(2,162)
Core tier 1 capital – net		650,349	635,024
Other tier 1 capital		187,974	157,982
Tier 1 capital – net		838,323	793,006
Tier 2 capital			
Directly issued qualifying tier 2 instruments including related premium		99,994	79,984
Excess provision for loan loss		79,867	72,749
Non-controlling interests recognized in tier 2 capital		245	253
Net capital	(3)	1,018,429	945,992
Risk-weighted assets	(4)	6,973,885	6,400,338

(1) Core tier 1 capital adequacy ratio is equal to net core tier 1 capital divided by risk-weighted assets; tier 1 capital adequacy ratio is equal to net tier 1 capital divided by risk-weighted assets; and capital adequacy ratio is equal to net capital divided by risk-weighted assets.

(2) Deductions from core tier 1 capital include other intangible assets (not including land use rights).

(3) Net capital is equal to total capital net of deductions from total capital.

(4) Risk-weighted assets include credit risk-weighted assets measured using the risk-weighted method, market risk-weighted assets measured using the standardized method, and operational risk-weighted assets measured using the basic indicator approach.

42 Redemption of preference shares

On May 30, 2022, the Board of Directors of the Bank passed the resolution and approved the Proposal on the Redemption of the Offshore Preference Shares issued by the Bank in 2017. The Bank has obtained the approval of the CBIRC about the redemption of the USD7,250 million of the offshore preference shares. In accordance with the relevant provisions of the issuance documents, the Bank will redeem all of the offshore preference shares on September 27, 2022.

43 Reclassification of comparative figures

Certain comparative figures have been reclassified to conform to the current period presentation.

APPENDIX I: SUPPLEMENTARY FINANCIAL INFORMATION

Leverage ratio

In millions of RMB, except for percentages

Item	As at June 30, 2022	As at March 31, 2022	As at December 31, 2021	As at September 30, 2021
Tier 1 capital – net	838,323	840,751	793,006	776,553
On- and off-balance sheet assets after adjustments	13,931,845	13,733,769	13,010,219	12,673,915
Leverage ratio (%)	6.02	6.12	6.10	6.13

Relevant accounting items corresponding to regulatory leverage ratio items and differences between regulatory items and accounting items

In millions of RMB

No.	Item	As at June 30, 2022
1	Consolidated total assets	13,426,421
2	Consolidation adjustments	–
3	Customer assets adjustments	–
4	Derivatives adjustments	1,901
5	Securities financing transactions adjustments	26,812
6	Off-balance sheet items adjustments	479,151
7	Other adjustments	(2,440)
8	On- and off-balance sheet assets after adjustments	13,931,845

Leverage ratio, Tier 1 capital – net, On- and off-balance sheet assets after adjustments and relevant details

In millions of RMB, except for percentages

No.	Item	As at June 30, 2022
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	13,132,527
2	Less: Deduction from tier 1 capital	2,440
3	On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)	13,130,087
4	Replacement costs of various derivatives (excluding eligible margin)	1,792
5	Potential risk exposures of various derivatives	2,877
6	Total collateral deducted from the balance sheet	–
7	Less: Assets receivable arising from the provision of eligible margin	–
8	Less: Derivative assets arising from central counterpart transactions when providing clearing services to customers	–
9	Nominal principal arising from sales of credit derivatives	–
10	Less: Deductible assets arising from sales of credit derivatives	–
11	Derivative assets	4,669
12	Accounting assets arising from securities financing transactions	291,126
13	Less: Deductible assets arising from securities financing transactions	–
14	Counter-party credit risk exposures arising from securities financing transactions	26,812
15	Assets arising from agency services in connection with securities financing transactions	–
16	Securities financing transactions assets	317,938
17	Off-balance sheet assets	2,144,360
18	Less: Decrease in off-balance sheet items due to credit conversion	1,665,209
19	Off-balance sheet items after adjustments	479,151
20	Tier 1 capital – net	838,323
21	On- and off-balance sheet assets after adjustments	13,931,845
22	Leverage ratio (%)	6.02

International Claims

The Bank regards all claims on third parties outside the Chinese mainland and claims denominated in foreign currencies on third parties in the Chinese mainland as international claims.

International claims include loans and advances to customers, deposits with the central bank, deposits and placements with banks and other financial institutions, investments in debt securities and others.

A country or geographical region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

International Claims

In millions of RMB

	As at June 30, 2022			
	Public sector	Banks and other financial institutions	Non-bank private sectors	Total
Asia Pacific	2,733	57,588	45,762	106,083
– of which attributed to Hong Kong	–	20,726	12,561	33,287
North and South America	2,481	4,110	930	7,521
Europe	–	15,303	7,556	22,859
Other areas	144	–	–	144
Total	5,358	77,001	54,248	136,607

In millions of RMB

	As at December 31, 2021			
	Public sector	Banks and other financial institutions	Non-bank private sectors	Total
Asia Pacific	5,568	124,073	48,523	178,164
– of which attributed to Hong Kong	–	37,232	13,263	50,495
North and South America	5,101	1,346	673	7,120
Europe	–	6,108	7,457	13,565
Other areas	89	–	–	89
Total	10,758	131,527	56,653	198,938

Gross Amount of Overdue Loans to Customers

In millions of RMB, except for percentages

	As at June 30, 2022	As at December 31, 2021
Total loans to customers which have been overdue with respect to either principal or interest for periods		
Within 3 months (inclusive)	21,221	18,294
between 3 months and 6 months (inclusive)	10,369	10,289
between 6 months and 12 months (inclusive)	11,764	11,440
Over 12 months	20,164	17,336
Total	63,518	57,359
As a percentage of total loans to customers[1] (%)		
Within 3 months (inclusive)	0.30	0.28
between 3 months and 6 months (inclusive)	0.15	0.16
between 6 months and 12 months (inclusive)	0.17	0.18
Over 12 months	0.29	0.27
Total	0.91	0.89

1 In calculating the percentage, total loans to customers does not include accrued interest.

APPENDIX II: COMPOSITION OF CAPITAL

Composition of Capital

In millions of RMB, except for percentages

Item		As at June 30, 2022
Core tier 1 capital:		
1	Paid-in capital	92,384
2	Retained earnings	424,348
2a	Surplus reserve	50,105
2b	General reserve	157,451
2c	Undistributed profits	216,792
3	Accumulated other comprehensive income and disclosed reserve	135,140
3a	Capital reserve	125,486
3b	Others	9,654
4	Valid portion to core tier 1 capital during the transition period (only applicable to non-joint stock companies. Fill in 0 for joint stock banks)	–
5	Valid portion of minority interests	917
6	Core tier 1 capital before regulatory adjustments	652,789
Core tier 1 capital: Regulatory adjustments		
7	Prudential valuation adjustments	–
8	Goodwill (net of deferred tax liabilities)	–
9	Other intangible assets other than land use rights (net of deferred tax liabilities)	2,440
10	Net deferred tax assets that rely on future profitability and arise from operating losses	–
11	Reserves that relate to the cash flow hedging of items that are not measured at fair value	–
12	Shortfall of provision for loan impairment	–
13	Gain on sale related to asset securitization	–
14	Unrealized gains and losses resulted from changes in the fair value of liabilities due to changes in own credit risk	–
15	Defined-benefit pension fund net assets (net of deferred tax liabilities)	–
16	Direct or indirect holding in own ordinary shares	–
17	Reciprocal cross-holdings in core tier 1 capital between banks or between banks and other financial institutions	–
18	Deductible amount of insignificant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–
19	Deductible amount of significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–
20	Mortgage servicing rights	–
21	Deductible amount in net deferred tax assets that rely on the bank's future profitability	–
22	Deductible amount exceeding the 15% threshold for significant minority capital investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation and undeducted portion of net deferred tax assets that rely on the bank's future profitability	–
23	Including: Deductible amount of significant minority investments in capital instruments issued by financial institutions	–
24	Including: Deductible amount of mortgage servicing rights	–
25	Including: Deductible amount in net deferred tax assets that rely on the bank's future profitability	–
26a	Investments in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–

APPENDIX II: COMPOSITION OF CAPITAL

Item		As at June 30, 2022
26b	Shortfall in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–
26c	Other items that should be deducted from core tier 1 capital	–
27	Undeducted shortfall that should be deducted from additional tier 1 capital and tier 2 capital	–
28	Total regulatory adjustments to core tier 1 capital	2,440
29	Core tier 1 capital	650,349
Additional tier 1 capital:		
30	Additional tier 1 capital instruments and related premium	187,852
31	Including: Portion classified as equity	187,852
32	Including: Portion classified as liabilities	–
33	Invalid instruments to additional tier 1 capital after the transition period	–
34	Valid portion of minority interests	122
35	Including: Invalid portion to additional tier 1 capital after the transition period	–
36	Additional tier 1 capital before regulatory adjustments	187,974
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 capital between banks or between banks and other financial institutions	–
39	Deductible amount of insignificant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–
40	Significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–
41a	Investments in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–
41b	Shortfall in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–
41c	Other items that should be deducted from additional tier 1 capital	–
42	Undeducted shortfall that should be deducted from tier 2 capital	–
43	Total regulatory adjustments to additional tier 1 capital	–
44	Additional tier 1 capital	187,974
45	Tier 1 capital (core tier 1 capital + additional tier 1 capital)	838,323
Tier 2 capital:		
46	Tier 2 capital instruments and related premium	99,994
47	Invalid instruments to tier 2 capital after the transition period	–
48	Valid portion of minority interests	245
49	Including: Invalid portion to tier 2 capital after the transition period	–
50	Valid portion of surplus provision for loan impairment	79,867
51	Tier 2 capital before regulatory adjustments	180,106
Tier 2 capital: Regulatory adjustments		
52	Direct or indirect investments in own tier 2 instruments	–
53	Reciprocal cross-holdings in tier 2 capital between banks or between banks and other financial institutions	–
54	Deductible portion of insignificant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–
55	Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–
56a	Investments in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	–

Item		As at June 30, 2022
56b	Shortfall in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation	–
56c	Other items that should be deducted from tier 2 capital	–
57	Total regulatory adjustments to tier 2 capital	–
58	Tier 2 capital	180,106
59	Total capital (tier 1 capital + tier 2 capital)	1,018,429
60	Total risk-weighted assets	6,973,885
Requirements for capital adequacy ratio and reserve capital		
61	Core tier 1 capital adequacy ratio	9.33
62	Tier 1 capital adequacy ratio	12.02
63	Capital adequacy ratio	14.60
64	Institution specific capital requirements	3.00
65	Including: Capital conservation buffer requirement	2.50
66	Including: Countercyclical buffer requirement	–
67	Including: SIB buffer requirement	0.50
68	Percentage of core tier 1 capital meeting buffers to risk-weighted assets	4.33
Domestic minimum requirements for regulatory capital		
69	Core tier 1 capital adequacy ratio	5.00
70	Tier 1 capital adequacy ratio	6.00
71	Capital adequacy ratio	8.00
Amounts below the thresholds for deduction		
72	Undeducted amount of insignificant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	58,688
73	Undeducted amount of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	–
74	Mortgage servicing rights (net of deferred tax liabilities)	–
75	Other net deferred tax assets that rely on the bank's future profitability (net of deferred tax liabilities)	61,938

APPENDIX II: COMPOSITION OF CAPITAL

Item		As at June 30, 2022
Valid caps of surplus provision for loan impairment to tier 2 capital		
76	Provision for loan impairment under the weighted approach	236,910
77	Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	79,867
78	Surplus provision for loan impairment under the internal ratings-based approach	–
79	Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	–
Capital instruments subject to phase-out arrangements		
80	Valid cap to core tier 1 capital for the current period due to phase-out arrangements	–
81	Excluded from core tier 1 capital due to phase-out arrangements	–
82	Valid cap to additional tier 1 capital for the current period due to phase-out arrangements	–
83	Excluded from additional tier 1 capital due to phase-out arrangements	–
84	Valid cap to tier 2 capital for the current period due to phase-out arrangements	–
85	Excluded from tier 2 capital for the current period due to phase-out arrangements	–

Detailed description of related items

In millions of RMB

Item	Balance sheet under regulatory scope of consolidation	Code
Goodwill	–	a
Intangible assets	4,314	b
Including: Land use rights	1,874	c
Deferred income tax liabilities	–	
Including: Deferred tax liabilities related to goodwill	–	d
Including: Deferred tax liabilities related to other intangible assets other than land use rights	–	e
Paid-in capital	92,384	
Including: Amount included in core tier 1 capital	92,384	f
Other equity instruments	187,852	g
Including: Preference shares	47,869	
Including: Perpetual bonds	139,983	
Capital reserve	125,486	h
Others	9,654	i
Surplus reserve	50,105	j
General reserve	157,451	k
Undistributed profits	216,792	l

Correspondence between all the items disclosed in the second step and items in the disclosure template of capital composition

In millions of RMB

Item		As at June 30, 2022	Code
Core tier 1 capital:			
1	Paid-in capital	92,384	f
2	Retained earnings	424,348	j+k+l
2a	Surplus reserve	50,105	j
2b	General reserve	157,451	k
2c	Undistributed profits	216,792	l
3	Accumulated other comprehensive income and disclosed reserve	135,140	h+i
3a	Capital reserve	125,486	h
3b	Others	9,654	i
4	Valid portion to core tier 1 capital during the transition period (only applicable to non-joint stock companies. Fill in 0 for joint stock banks)	–	
5	Valid portion of minority interests	917	
6	Core tier 1 capital before regulatory adjustments	652,789	
Core tier 1 capital: Regulatory adjustments			
7	Prudential valuation adjustments	–	
8	Goodwill (net of deferred tax liabilities)	–	a-d
9	Other intangible assets other than land use rights (net of deferred tax liabilities)	2,440	b-c-e
10	Net deferred tax assets that rely on future profitability and arise from operating losses	–	
11	Reserves that relate to the cash flow hedging of items that are not measured at fair value	–	
12	Shortfall of provision for loan impairment	–	
13	Gain on sale related to asset securitization	–	
14	Unrealized gains and losses resulted from changes in the fair value of liabilities due to changes in own credit risk	–	
15	Defined-benefit pension fund net assets (net of deferred tax liabilities)	–	
16	Direct or indirect holding in own ordinary shares	–	
17	Reciprocal cross-holdings in core tier 1 capital between banks or between banks and other financial institutions	–	
18	Deductible amount of insignificant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	
19	Deductible amount of significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	
20	Mortgage servicing rights	–	
Additional tier 1 capital:			
21	Additional tier 1 capital instruments and related premium	187,852	
22	Including: Portion classified as equity	187,852	g

APPENDIX II: COMPOSITION OF CAPITAL

Main Features of Regulatory Capital Instruments

No.	Item	Ordinary shares (A shares)	Ordinary shares (H shares)	Preference shares (overseas)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
1	Issuer	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.	Postal Savings Bank of China Co., Ltd.
2	Identification code	601658.SH	1658.HK	4612	2028006.IB	2128011.IB	2228001	2128028.IB	2128029.IB	2228017.IB	2228018.IB
3	Applicable laws	PRC laws	PRC laws/laws of Hong Kong, PRC	The creation and issuance of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by and shall be construed in accordance with PRC laws	PRC laws	PRC laws	PRC laws	PRC laws	PRC laws	PRC laws	PRC laws
4	Including: Applicable to rules for the transitional period of the Capital Rules for Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	Including: Applicable to the rules after expiration of the transitional period of the Capital Rules for Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	Including: Applicable to bank/group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level
7	Instrument type	Core tier 1 capital instruments	Core tier 1 capital instruments	Additional tier 1 capital instruments	Additional tier 1 capital instruments	Additional tier 1 capital instruments	Additional tier 1 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments

No.	Item	Ordinary shares (A shares)	Ordinary shares (H shares)	Preference shares (overseas)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
8	Amount that can be included in regulatory capital (in millions; on the latest reporting date)	RMB142,264	RMB75,606	RMB47,869	RMB79,989	RMB29,997	RMB29,997	RMB49,997	RMB9,999	RMB34,998	RMB5,000
9	Par value of instrument (in millions)	RMB72,528	RMB19,856	USD7,250	RMB80,000	RMB30,000	RMB30,000	RMB50,000	RMB10,000	RMB35,000	RMB5,000
10	Accounting treatment	Share capital, capital reserve	Share capital, capital reserve	Other equity instruments	Other equity instruments	Other equity instruments	Other equity instruments	Bonds payable	Bonds payable	Bonds payable	Bonds payable
11	Initial issuance date	November 28, 2019	September 20, 2016	September 27, 2017	March 16, 2020	March 19, 2021	January 14, 2022	August 19, 2021	August 19, 2021	March 4, 2022	March 4, 2022
12	Dated or perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Dated	Dated	Dated	Dated
13	Including: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	August 23, 2031	August 23, 2036	March 8, 2032	March 8, 2037
14	Issuer's redemption (subject to regulatory approval)	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15	Including: Redemption date (or contingent redemption date) and amount	Not applicable	Not applicable	The first redemption date is September 27, 2022, full or part	The first redemption date is March 18, 2025, full or part	The first redemption date is March 23, 2026, full or part	The first redemption date is January 18, 2027, full or part	August 23, 2026 redemption in part or full	August 23, 2031 redemption in part or full	March 8, 2027 redemption in part or full	March 8, 2032 redemption in part or full
16	Including: Subsequent redemption date (if any)	Not applicable	Not applicable	September 27 each year after the first redemption date	March 18 each year after the first redemption date	March 23 each year after the first redemption date	January 18 each year after the first redemption date	Not applicable	Not applicable	Not applicable	Not applicable

APPENDIX II: COMPOSITION OF CAPITAL

No.	Item	Ordinary shares (A shares)	Ordinary shares (H shares)	Preference shares (overseas)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
17	Including: Fixed or floating interest payment or dividend	Floating	Floating	Floating: The dividend yield is fixed in a single dividend yield adjustment cycle (5 years) and is reset every 5 years	Floating: The coupon rate is fixed in a single coupon rate adjustment cycle (5 years) and is reset every 5 years	Floating: The coupon rate is fixed in a single coupon rate adjustment cycle (5 years) and is reset every 5 years	Floating: The coupon rate is fixed in a single coupon rate adjustment cycle (5 years) and is reset every 5 years	Fixed	Fixed	Fixed	Fixed
18	Including: Coupon rate and relevant indicators	Not applicable	Not applicable	The dividend yield in the first 5 years is 4.50% and is reset every 5 years based on the yield of 5-year US treasury bond on the resetting date plus 263.4 basis points	The coupon rate in the first 5 years is 3.69% and is reset every 5 years based on the arithmetic average of the yield to maturity of the 5-year product of the yield to maturity curve of China Bonds published on ChinaBond.com (or other websites approved by China Central Depository & Clearing Co., Ltd.) (rounded to 0.01%) plus 125 basis points to reset the coupon rate 5 trading days (excluding the day) before the adjustment date of the benchmark interest rate	The coupon rate in the first 5 years is 4.42% and is reset every 5 years based on the arithmetic average of the yield to maturity of the 5-year product of the yield to maturity curve of China Bonds published on ChinaBond.com (or other websites approved by China Central Depository & Clearing Co., Ltd.) (rounded to 0.01%) plus 133 basis points to reset the coupon rate 5 trading days (excluding the day) before the adjustment date of the benchmark interest rate	The coupon rate in the first 5 years is 3.46% and is reset every 5 years based on the arithmetic average of the yield to maturity of the 5-year product of the yield to maturity curve of China Bonds published on ChinaBond.com (or other websites approved by China Central Depository & Clearing Co., Ltd.) (rounded to 0.01%) plus 83 basis points to reset the coupon rate 5 trading days (excluding the day) before the adjustment date of the benchmark interest rate	3.44%	3.75%	3.54%	3.74%

No.	Item	Ordinary shares (A shares)	Ordinary shares (H shares)	Preference shares (overseas)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
19	Including: Existence of dividend brake mechanism	Not applicable	Not applicable	Yes	Yes	Yes	Yes	No	No	No	No
20	Including: Discretion to cancel dividend or interest payment	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion	No	No	No	No
21	Including: Existence of redemption incentive mechanism	No	No	No	No	No	No	No	No	No	No
22	Including: Cumulative or non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Not applicable	Not applicable	Not applicable	Not applicable
23	Conversion into shares	No	No	Yes	No	No	No	No	No	No	No

APPENDIX II: COMPOSITION OF CAPITAL

No.	Item	Ordinary shares (A shares)	Ordinary shares (H shares)	Preference shares (overseas)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
24	Including: Please specify the trigger condition for share conversion, if allowed	Not applicable	Not applicable	Upon the occurrence of any additional tier 1 capital instrument trigger event, that is, the core tier 1 capital adequacy ratio drops to 5.125% or below; or upon the occurrence of any tier 2 capital instrument trigger event, which means either of the following circumstances (whichever is earlier): (1) the CBIRC having concluded that a share conversion or write-off is necessary without which the Bank would become non-viable; (2) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the Bank would become non-viable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

No.	Item	Ordinary shares (A shares)	Ordinary shares (H shares)	Preference shares (overseas)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
25	Including: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable	Upon the occurrence of any additional tier 1 capital instrument trigger event, the Bank shall have the right to, without the consent of holders of preference shares, convert all or part of the issued and outstanding offshore preference shares into ordinary H shares; Upon the occurrence of any tier 2 capital instrument trigger event, the Bank shall have the right to, without the consent of holders of preference shares, convert all of the issued and outstanding offshore preference shares into ordinary H shares	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

APPENDIX II: COMPOSITION OF CAPITAL

No.	Item	Ordinary shares (A shares)	Ordinary shares (H shares)	Preference shares (overseas)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
26	Including: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable	Not applicable	The initial conversion price is the average trading price of ordinary H shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution (March 24, 2017) on the Offshore Preference Shares issuance	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
27	Including: Please specify share conversion is mandatory or not, if allowed	Not applicable	Not applicable	Mandatory	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
28	Including: Please specify the instrument type after conversion, if allowed	Not applicable	Not applicable	Core tier 1 capital	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
29	Including: Please specify the issuer of the instrument after conversion, if allowed	Not applicable	Not applicable	The Bank	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
30	Write-down or not	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes

No.	Item	Ordinary shares (A shares)	Ordinary shares (H shares)	Preference shares (overseas)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
31	Including: Please specify the trigger point of write-down, if allowed	Not applicable	Not applicable	Not applicable	Trigger events refer to either of the following circumstances (whichever is earlier): 1. the CBIRC having concluded that a write-off is necessary without which the issuer would become non-viable; 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Trigger events refer to either of the following circumstances (whichever is earlier): 1. the CBIRC having concluded that a write-off is necessary without which the issuer would become non-viable; 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Trigger events refer to either of the following circumstances (whichever is earlier): 1. the CBIRC having concluded that a write-off is necessary without which the issuer would become non-viable; 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Non-viability trigger events refer to either of the following circumstances (whichever is earlier): 1. the CBIRC having concluded that a write-off is necessary without which the issuer would become non-viable; 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Non-viability trigger events refer to either of the following circumstances (whichever is earlier): 1. the CBIRC having concluded that a write-off is necessary without which the issuer would become non-viable; 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Non-viability trigger events refer to either of the following circumstances (whichever is earlier): 1. the CBIRC having concluded that a write-off is necessary without which the issuer would become non-viable; 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable	Non-viability trigger events refer to either of the following circumstances (whichever is earlier): 1. the CBIRC having concluded that a write-off is necessary without which the issuer would become non-viable; 2. the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the issuer would become non-viable
32	Including: Please specify write-down in part or in full, if allowed	Not applicable	Not applicable	Not applicable	Part or full	Part or full	Part or full	Part or full	Part or full	Part or full	Part or full
33	Including: Please specify the write-down is perpetual or temporary, if allowed	Not applicable	Not applicable	Not applicable	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
34	Including: Please specify the book entry value recovery mechanism, if temporary write-down is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

APPENDIX II: COMPOSITION OF CAPITAL

No.	Item	Ordinary shares (A shares)	Ordinary shares (H shares)	Preference shares (overseas)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
35	Hierarchy of claims in liquidation (please specify instrument types enjoying higher priorities)	After depositor, general creditor, and holders of subordinated debts (including tier 2 capital bonds) and additional tier 1 capital instruments	After depositor, general creditor, and holders of subordinated debts (including tier 2 capital bonds) and additional tier 1 capital instruments	After depositors, general creditors, and holders of subordinated debts (including tier 2 capital bonds), pari passu with those capital instruments with the same repayment order	After depositors, general creditors, and holders of subordinated debts that are senior to the current bonds and before all classes of shares held by shareholders of the issuer; the current bonds are in the same priority as additional tier 1 capital instruments of the issuer with the same repayment order	After depositors, general creditors, and holders of subordinated debts that are senior to the current bonds and before all classes of shares held by shareholders of the issuer; the current bonds are in the same priority as additional tier 1 capital instruments of the issuer with the same repayment order	After depositors, general creditors, and holders of subordinated debts that are senior to the current bonds and before all classes of shares held by shareholders of the issuer; the current bonds are in the same priority as additional tier 1 capital instruments of the issuer with the same repayment order	The repayment sequence of the bond principal and the interest payment sequence are after depositors and general creditors, and before equity capital, additional tier 1 capital instruments and hybrid capital bonds; the current bonds are in the same liquidation order as other subordinated debts which are issued by the issuer with the same repayment order as the current bonds and are paid in the same order as additional tier 2 capital instruments that may be issued in the future with the same repayment order as the current bonds	The repayment sequence of the bond principal and the interest payment sequence are after depositors and general creditors, and before equity capital, additional tier 1 capital instruments and hybrid capital bonds; the current bonds are in the same liquidation order as other subordinated debts which are issued by the issuer with the same repayment order as the current bonds and are paid in the same order as additional tier 2 capital instruments that may be issued in the future with the same repayment order as the current bonds	The repayment sequence of the bond principal and the interest payment sequence are after depositors and general creditors, and before equity capital, additional tier 1 capital instruments and hybrid capital bonds; the current bonds are in the same liquidation order as other subordinated debts which are issued by the issuer with the same repayment order as the current bonds and are paid in the same order as additional tier 2 capital instruments that may be issued in the future with the same repayment order as the current bonds	The repayment sequence of the bond principal and the interest payment sequence are after depositors and general creditors, and before equity capital, additional tier 1 capital instruments and hybrid capital bonds; the current bonds are in the same liquidation order as other subordinated debts which are issued by the issuer with the same repayment order as the current bonds and are paid in the same order as additional tier 2 capital instruments that may be issued in the future with the same repayment order as the current bonds
36	Does the instrument contain temporary illegible attribute ?	No	No	No	No	No	No	No	No	No	No
37	Including: If yes, please specify such attribute	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable