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交通銀行股份有限公司
Bank of Communications Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 03328)

2022 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the “**Board of Directors**”) of Bank of Communications Co., Ltd. (the “**Bank**”) is pleased to announce the unaudited consolidated financial information (the “**Interim Results**”) of the Bank and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”), which was prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. The Board of Directors of the Bank and the Audit Committee of the Board of Directors have reviewed and confirmed the Interim Results.

I. CORPORATE INFORMATION

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

Secretary of the Board of Directors and Company Secretary

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II. FINANCIAL HIGHLIGHTS

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

<i>(in millions of RMB unless otherwise stated)</i>			
Key financial data	January to June 2022	January to June 2021	Increase/ (decrease) (%)
Net interest income	85,093	78,486	8.42
Net fee and commission income	24,654	24,966	(1.25)
Net operating income	143,568	134,051	7.10
Credit impairment losses	36,827	33,082	11.32
Operating expenses	38,923	35,537	9.53
Profit before tax	45,617	46,588	(2.08)
Net profit (attributable to shareholders of the Bank)	44,040	42,019	4.81
Earnings per share (in RMB yuan) ¹	0.55	0.54	1.85
	30 June 2022	31 December 2021	Increase/ (decrease)(%)
Total assets	12,580,576	11,665,757	7.84
Loans and advances to customers ²	7,087,730	6,560,400	8.04
Total liabilities	11,591,640	10,688,521	8.45
Deposits from customers ²	7,811,363	7,039,777	10.96
Shareholders’ equity (attributable to shareholders of the Bank)	976,543	964,647	1.23
Net assets per share (attributable to ordinary shareholders of the Bank, in RMB yuan) ³	10.80	10.64	1.50
Net capital ⁴	1,152,895	1,139,957	1.13
Including: Net core tier-1 capital ⁴	794,487	783,877	1.35
Other tier-1 capital ⁴	176,386	176,348	0.02
Tier-2 capital ⁴	182,022	179,732	1.27
Risk-weighted assets ⁴	7,956,077	7,379,912	7.81

Key financial indicators (%)	January to June 2022	January to June 2021	Change (percentage point)
Annualised return on average assets	0.73	0.78	(0.05)
Annualised weighted average return on net assets ¹	10.45	10.93	(0.48)
Net interest margin ⁵	1.53	1.55	(0.02)
Cost-to-income ratio ⁶	28.31	27.78	0.53

	30 June 2022	31 December 2021	Change (percentage point)
Non-performing loan ratio	1.46	1.48	(0.02)
Provision coverage ratio	173.10	166.50	6.60
Capital adequacy ratio ⁴	14.49	15.45	(0.96)
Tier-1 capital adequacy ratio ⁴	12.20	13.01	(0.81)
Core tier-1 capital adequacy ratio ⁴	9.99	10.62	(0.63)

Notes:

1. Calculated pursuant to the requirements of *Regulations on the Preparation of Information Disclosure for Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings per Share* (2010 Revision) issued by the China Securities Regulatory Commission (“CSRC”).
2. Loans and advances to customers do not include interest receivable on related loans. Deposits from customers include interest payable on related deposits.
3. Refers to shareholders’ equity attributable to ordinary shareholders of the Bank after the deduction of other equity instruments against the total issued ordinary shares at the end of the period.
4. Calculated pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* by the China Banking and Insurance Regulatory Commission (“CBIRC”).
5. Represented the ratio of net interest income to total average interest-bearing assets.
6. Calculated as operating expenses divided by net operating income after the deduction of other operating expenses, consistent with the financial report in accordance with China Accounting Standards.

III. CHANGES IN SHARES AND SHAREHOLDERS

(I) Changes in Ordinary Shares

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

1. Shareholdings of Top 10 Ordinary Shareholders as at the end of the Reporting Period¹

Name of shareholders	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares	Shares pledged or frozen	Nature of shareholders
Ministry of Finance of the People's Republic of China	–	13,178,424,446	17.75	A Share	Nil	Government
HKSCC Nominees Limited ^{2, 5}	800,536	14,980,359,220	20.17	H Share	Unknown	Foreign legal entity
The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) ^{2, 3}	–	13,886,417,698	18.70	H Share	Nil	Foreign legal entity
The National Council for Social Security Fund (“SSF”) ^{2, 4}	–	3,105,155,568	4.18	A Share	Nil	Government
	–	1,405,555,555	1.89	H Share	Nil	
China Securities Finance Corporation Limited	–	1,891,651,202	2.55	A Share	Nil	State-owned legal entity
Hong Kong Securities Clearing Company Ltd. (“HKSCC”)	404,980,496	1,263,890,952	1.70	A Share	Nil	Foreign legal entity
Capital Airports Holdings Limited	–	1,246,591,087	1.68	A Share	Nil	State-owned legal entity
Shanghai Haiyan Investment Management Co., Ltd. ⁵	–	808,145,417	1.09	A Share	Nil	State-owned legal entity
Yunnan Hehe (Group) Co., Ltd. ⁵	–	745,305,404	1.00	A Share	Nil	State-owned legal entity
FAW Equity Investment (Tianjin) Co., Ltd.	–	663,941,711	0.89	A Share	Nil	State-owned legal entity

Notes:

- The relevant data and information are based on the Bank's register of members at the Share Registrar and Transfer Office.
- The aggregate number of shares held by HKSCC Nominees Limited represents the total number of H shares of the Bank held by all institutional and individual investors who maintained account with it as at the end of the Reporting Period. The data included 249,218,915 and 7,644,877,777 H shares indirectly held by the Hongkong and Shanghai Banking Corporation Limited (“HSBC”) and the National Council for Social Security Fund (“SSF”) respectively, which were registered under HKSCC Nominees Limited. The data did not include 13,886,417,698 and 1,405,555,555 H shares of the Bank directly held by the aforementioned two shareholders respectively, which were registered in the Bank's register of members.

3. According to the disclosure forms of interests filed with the Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”) by HSBC Holdings plc, **HSBC beneficially held 14,135,636,613 H shares of the Bank as at the end of the Reporting Period, representing 19.03% of the Bank’s total ordinary shares issued.** HSBC beneficially held 249,218,915 more H shares than shown on the Bank’s register of members. The discrepancy was due to a purchase of H shares by HSBC from the secondary market in 2007 and thereafter receiving bonus shares issued by the Bank and participating in the rights issue of the Bank. Those extra shares have been registered under HKSCC Nominees Limited.
4. This included the 1,970,269,383 A shares of the Bank held by the Sixth Transfer Account for State-owned Capital of the SSF. Other than the above shareholdings, the SSF held additional 7,644,877,777 H shares of the Bank, of which 7,027,777,777 H shares were registered under HKSCC Nominees Limited and 617,100,000 H shares were indirectly held by certain asset managers (including Hong Kong Stock Connect). **As at the end of the Reporting Period, the SSF held a total of 12,155,588,900 A shares and H shares of the Bank, representing 16.37% of the Bank’s total ordinary shares issued.**
5. Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd. are parties acting in concert as defined under Provisional Measures on Shareholdings Administration of Commercial Banks (CBRC Order No. 1 of 2018). 7 subordinate enterprises of China National Tobacco Corporation including Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd. authorised and entrusted China National Tobacco Corporation to represent at the Shareholders’ General Meeting of the Bank and to exercise the right to vote. HKSCC Nominees Limited is a wholly-owned subsidiary of HKSCC. Apart from this, the Bank is not aware of the existence of any related relationship among the other Top 10 shareholders, or whether they are parties acting in concert as defined in the Provisional Measures on Shareholdings Administration of Commercial Banks.

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

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

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

Name of substantial shareholders	Capacity	Number of H shares	Nature of interest ¹	Percentage of total H shares (%)	Percentage of total issued shares (%)
Ministry of Finance of the People's Republic of China	Beneficial owner	4,553,999,999 ²	Long position	13.01	6.13
HSBC Holdings plc	Interests of controlled corporations	14,135,636,613 ³	Long position	40.37	19.03
The National Council for Social Security Fund	Beneficial owner	9,050,433,332 ⁴	Long position	25.85	12.19

Notes:

1. Long positions held other than through equity derivatives.
2. To the knowledge of the Bank, as at the end of the Reporting Period, the Ministry of Finance of the People's Republic of China ("Ministry of Finance") held 4,553,999,999 H shares of the Bank, representing 6.13% of the total ordinary shares and 13,178,424,446 A shares of the Bank, representing 17.75% of the total shares issued by the Bank.
3. HSBC Holdings plc wholly owns HSBC Asia Holdings Limited, which wholly owns HSBC. HSBC beneficially held 14,135,636,613 H shares of the Bank. Pursuant to the SFO, HSBC Holdings plc was deemed to own the interests associated with the 14,135,636,613 H shares held by HSBC.
4. To the knowledge of the Bank, as at the end of the Reporting Period, the SSF held 9,050,433,332 H shares and 3,105,155,568 A shares of the Bank (please refer to details in Shareholdings of Top 10 Ordinary Shareholders and relevant notes), representing 12.19% and 4.18% of the total ordinary shares issued by the Bank respectively.

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

(II) Information of Preference Shares

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

Name of shareholders	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares held	Shares pledged or frozen	Nature of shareholders
China Mobile Communications Corporation	-	100,000,000	22.22	Domestic preference share	Nil	State-owned legal entity
Hwabao Trust Co., Ltd. – Hwabao Trust – Baofu Investment No. 1 Collective Capital Trust Plan	-	48,910,000	10.87	Domestic preference share	Nil	Others
CCB Trust Co., Ltd. – “Qian Yuan – Ri Xin Yue Yi” open-ended wealth management single fund trust	-	20,000,000	4.44	Domestic preference share	Nil	Others
Bosera Funds – ICBC-Bosera – ICBC – Flexible Allocation No. 5 Specific Multi-customer Asset Management Plan	-	20,000,000	4.44	Domestic preference share	Nil	Others
China Ping An Life Insurance Co., Ltd. – Self-owned capital	-	18,000,000	4.00	Domestic preference share	Nil	Others
China National Tobacco Corporation – Henan Branch	-	15,000,000	3.33	Domestic preference share	Nil	State-owned legal entity
China Life Property & Casualty Insurance Company Limited – Traditional – Common insurance product	-	15,000,000	3.33	Domestic preference share	Nil	Others
CITIC Securities – Postal Saving Bank – CITIC Securities Xingchen No.28 Collective Asset Management Plan	-	14,000,000	3.11	Domestic preference share	Nil	Others
Everbright Securities Asset Management (“EBSAM”) – Everbright Bank – EBSAM Xinyou No.4 Collective Asset Management Plan	-	13,000,000	2.89	Domestic preference share	Nil	Others
CMW Asset Management – CMB – China Merchants Wealth – Chengcai No.1 Collective Asset Management Plan	-	10,225,000	2.27	Domestic preference share	Nil	Others

Notes:

1. Shareholdings of preference shareholders are summarised according to the Bank's register of members of preference shareholders.
2. "Percentage" refers to the percentage of number of preference shares held by preference shareholders in the total number of preference shares.
3. The Bank is not aware of the existence of any related relationship among the Top 10 preference shareholders, or any relationship between the above shareholders and Top 10 ordinary shareholders, or whether they are parties acting in concert.

2. *Dividends Distribution of Preference Shares*

In accordance with the resolution and authorisation of the Shareholders' General Meeting, the 26th meeting of the 9th Session of Board of Directors of the Bank was held on 29 April 2022, at which the proposal for the dividend distribution of the domestic preference shares was considered and approved.

The dividend on domestic preference shares was calculated at the nominal dividend yield of 4.07% and amounted to 1,831,500,000, which will be distributed on 7 September 2022. Please refer to the announcement published by the Bank for details of dividend distribution of preference shares.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Financial Statement Analysis

In the first half of 2022, amid the sophisticated and challenging global environment, and the scattered and frequent outbreaks of the pandemic over the country, the overall economy showed a certain degree of fluctuations. In the face of internal and external changes and the impact of the pandemic, the banking industry continued to increase its support for the real economy by focusing on preventing and tackling financial risks, thus stabilising the entire economy.

During the Reporting Period, the Group strictly adhered to the decisions and plans of the Party Central Committee and the State Council and implemented the "three major tasks" under their financial planning. The Group overcame the shocks and challenges of unexpected factors such as the rebound of the epidemic in Shanghai and other places. It also played the role of the main force of state-owned financial companies in serving the country's most fundamental interests by coordinating development with safety, focusing on the goal of achieving the three-year planning in asset quality, strictly controlling the increment risk, clearing the inventory and comprehensively strengthening the risk management system and capacity building. The Group also adhered to the people-oriented approach and improved the adaptability of financial services with the strategy of "customer + scenario + tool", which enabled the business performance to make ongoing progress and quality improvement while maintaining stability.

The Group realised a steady improvement on profitability. During the Reporting Period, the Group's net profit (attributable to shareholders of the Bank) amounted to 44.040 billion, representing a year-on-year increase of 4.81%. The Group's operating income amounted to 143.568 billion, representing a year-on-year increase of 7.10%. The net interest margin stood at 1.53%; the annualised return on average assets stood at 0.73% and the annualised weighted average return on net assets was 10.45%.

The Group achieved faster growth in deposits and loans. As at the end of the Reporting Period, the Group's total assets amounted to 12.58 trillion, representing an increase of 7.84% over the end of the previous year. The balance of the Group's loans and advances to customers increased by 527.330 billion or 8.04% over the end of the previous year to 7.09 trillion. The balance of the Group's deposits from customers increased by 771.586 billion or 10.96% over the end of the previous year to 7.81 trillion.

The Group continued to improve asset quality. As at the end of the Reporting Period, non-performing loan ratio of the Group was 1.46%, representing a decrease of 0.02 percentage point over the end of the previous year. Overdue loan ratio was 1.26%, representing a decrease of 0.07 percentage point over the end of the previous year. Provision coverage ratio was 173.10%, representing an increase of 6.60 percentage points over the end of the previous year.

1. Analysis on Key Income Statement Items

(1) Profit before tax

During the Reporting Period, the Group's profit before tax decreased by 0.971 billion on a year-on-year basis, representing a decrease of 2.08% to 45.617 billion. Profit before tax was mainly derived from net interest income and net fee and commission income. Credit impairment losses increased by 3.745 billion or 11.32% on a year-on-year basis.

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

(in millions of RMB unless otherwise stated)

	For the six months ended 30 June		
	2022	2021	Increase/ (decrease)(%)
Net interest income	85,093	78,486	8.42
Net non-interest income	58,475	55,565	5.24
Including: Net fee and commission income	24,654	24,966	(1.25)
Net operating income	143,568	134,051	7.10
Credit impairment losses	(36,827)	(33,082)	11.32
Impairment losses on other assets	(690)	(418)	65.07
Insurance business expense	(13,790)	(10,925)	26.22
Other operating expenses	(46,644)	(43,038)	8.38
Including: Operating expenses	(38,923)	(35,537)	9.53
Profit before tax	45,617	46,588	(2.08)
Income tax	(1,485)	(3,715)	(60.03)
Net profit	44,132	42,873	2.94
Net profit (attributable to shareholders of the Bank)	44,040	42,019	4.81

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

(in millions of RMB unless otherwise stated)

	For the six months ended 30 June 2022		Increase/ (decrease) on a year-on-year basis (%)
Item	Amount	Proportion (%)	
Net interest income	85,093	59.27	8.42
Net fee and commission income	24,654	17.17	(1.25)
Net gains arising from trading activities	9,954	6.93	(2.11)
Net gains arising from financial investments	660	0.46	(14.51)
Net share of profits of associates and joint ventures	70	0.05	(38.60)
Insurance business income	13,519	9.42	22.65
Other operating income	9,618	6.70	12.86
Total net operating income	143,568	100.00	7.10

(2) *Net interest income*

During the Reporting Period, the Group's net interest income increased by 6.607 billion on a year-on-year basis to 85.093 billion, accounting for 59.27% of the net operating income, which was a major component of the Group's income. The increase in net interest income was attributable to the increase in the scale of interest-bearing assets. The increase was mainly generated from customer loans.

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

(in millions of RMB unless otherwise stated)

	For the six months ended 30 June 2022			For the six months ended 30 June 2021		
		Interest	Annualised		Interest	Annualised
	Average	income/	average rate	Average	income/	average rate
	balance	(expense)	of return	balance	(expense)	of return
			(cost) (%)			(cost) (%)
Assets						
Cash and balances with central banks	767,769	5,264	1.38	791,467	5,383	1.37
Due from and placements with banks and other financial institutions	830,602	7,204	1.75	735,194	5,788	1.59
Loans and advances to customers	6,746,222	143,177	4.28	6,030,466	129,626	4.33
Investment securities	2,903,146	46,923	3.26	2,669,703	43,155	3.26
Interest-bearing assets	11,247,739	202,568	3.63	10,226,830	183,952	3.63
Non-interest-bearing assets	1,075,607			985,071		
Total assets	12,323,346			11,211,901		
Liabilities and Shareholders' Equity						
Deposits from customers	7,240,760	76,882	2.14	6,653,433	69,536	2.11
Due to and placements from banks and other financial institutions	2,114,868	20,766	1.98	1,956,558	19,154	1.97
Debt securities and others	1,414,821	19,827	2.83	1,188,987	16,776	2.85
Interest-bearing liabilities	10,770,449	117,475	2.20	9,798,978	105,466	2.17
Shareholders' equity and non-interest-bearing liabilities	1,552,897			1,412,923		
Total Liabilities and Shareholders' Equity	12,323,346			11,211,901		
Net interest income		85,093			78,486	
Net interest spread¹			1.43			1.46
Net interest margin²			1.53			1.55
Net interest spread^{1,3}			1.65			1.67
Net interest margin^{2,3}			1.74			1.76

Notes:

1. Represented the difference between the annualised average rate of return on total average interest-bearing assets and the annualised average cost ratio of total average interest-bearing liabilities.
2. Represented the annualised net interest income to total average interest-bearing assets.
3. Took into account the tax exemption on the interest income from bonds.

During the Reporting Period, the Group's net interest income increased by 8.42% on a year-on-year basis. The net interest spread was 1.43%, representing a decrease of 3 basis points on a year-on-year basis. The net interest margin decreased by 2 basis points on a year-on-year basis to 1.53%.

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

<i>(in millions of RMB)</i>			
Comparison between January to June 2022 and January to June 2021			
	Increase/(Decrease) due to		Net increase/ (decrease)
	Amount	Interest rate	
Interest-bearing assets			
Cash and balances with central banks	(161)	42	(119)
Due from and placements with banks and other financial institutions	752	664	1,416
Loans and advances to customers	15,369	(1,818)	13,551
Investment securities	3,768	–	3,768
Changes in interest income	19,728	(1,112)	18,616
Interest-bearing liabilities			
Deposits from customers	6,145	1,201	7,346
Due to and placements from banks and other financial institutions	1,547	65	1,612
Debt securities issued and others	3,192	(141)	3,051
Changes in interest expenses	10,884	1,125	12,009
Changes in net interest income	8,844	(2,237)	6,607

During the Reporting Period, the Group's net interest income increased by 6.607 billion on a year-on-year basis, of which the increase of 8.844 billion was due to changes in the average balances of assets and liabilities and the decrease of 2.237 billion was due to changes in the annualised average rate of return and the annualised average rate of cost.

① Interest Income

During the Reporting Period, the Group's interest income increased by 18.616 billion or 10.12% on a year-on-year basis to 202.568 billion. The interest income from loans and advances to customers, investment securities and cash and balances with central banks accounted for 70.68%, 23.16% and 2.60% of total interest income respectively.

A. Interest income from loans and advances to customers

Interest income from loans and advances to customers was the largest component of the Group's interest income. During the Reporting Period, interest income from loans and advances to customers increased by 13.551 billion or 10.45% on a year-on-year basis to 143.177 billion, which was mainly due to the impact on the average balance of loans and advances to customers increasing by 715.756 billion or 11.87% on a year-on-year basis. The increase was mainly generated from medium and long-term corporate and personal loans.

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

(in millions of RMB unless otherwise stated)

	January to June 2022			January to June 2021		
	Average balance	Interest income	Annualised average rate of return (%)	Average balance	Interest income	Annualised average rate of return (%)
Corporate loans	4,274,664	85,363	4.03	3,856,489	77,262	4.04
- Short-term loans	1,368,390	23,465	3.46	1,316,730	22,377	3.43
- Medium and long-term loans	2,906,274	61,898	4.29	2,539,759	54,885	4.36
Personal loans	2,251,824	55,645	4.98	2,004,541	49,886	5.02
- Short-term loans	568,007	14,890	5.29	533,345	14,504	5.48
- Medium and long-term loans	1,683,817	40,755	4.88	1,471,196	35,382	4.85
Discounted bills	219,734	2,169	1.99	169,436	2,478	2.95
Total loans and advances to customers	6,746,222	143,177	4.28	6,030,466	129,626	4.33

B. Interest income from investment securities

During the Reporting Period, interest income from investment securities increased by 3.768 billion or 8.73% on a year-on-year basis to 46.923 billion, which was mainly due to the year-on-year increase of 233.443 billion or 8.74% in average balance of securities investment.

C. Interest income from cash and balances with central banks

The balances with central banks mainly included balances in statutory reserves and in excess reserves. During the Reporting Period, interest income from cash and balances with central banks decreased by 0.119 billion or 2.21% on a year-on-year basis to 5.264 billion, which was mainly due to the year-on-year decrease of 23.698 billion or 2.99% in average balance of cash and balances with central banks.

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

During the Reporting Period, the interest income from balances due from and placements with banks and other financial institutions increased by 1.416 billion or 24.46% on a year-on-year basis to 7.204 billion, which was mainly due to the year-on-year increase of 95.408 billion or 12.98% in average balance due from and placements with banks and other financial institutions and the year-on-year increase of 16 basis points in the annualised average rate of return on due from and placements with banks and other financial institutions.

② Interest expenses

During the Reporting Period, the Group's interest expenses increased by 12.009 billion or 11.39% on a year-on-year basis to 117.475 billion. The interest expenses on deposits from customers, balances due to and placements from banks and other financial institutions, and debt securities issued and other interest-bearing liabilities accounted for 65.45%, 17.68% and 16.88% respectively.

A. Interest expenses on deposits from customers

Deposits from customers is the Group's primary funding source. During the Reporting Period, interest expenses on deposits from customers increased by 7.346 billion or 10.56% on a year-on-year basis to 76.882 billion, accounting for 65.45% of total interest expenses. The increase in interest expenses on deposits from customers was mainly due to a year-on-year increase of 587.327 billion or 8.83% in average balance of deposits from customers.

Analysis of the average cost of deposits from customers by product type

(in millions of RMB unless otherwise stated)

	January to June 2022			January to June 2021		
	Average balance	Interest income	Annualised average rate of return (%)	Average balance	Interest income	Annualised average rate of return (%)
Corporate deposits	4,694,613	48,136	2.07	4,364,792	43,414	2.01
- Demand deposits	1,914,985	8,835	0.93	1,910,236	8,272	0.87
- Time deposits	2,779,628	39,301	2.85	2,454,556	35,142	2.89
Personal deposits	2,546,147	28,746	2.28	2,288,641	26,122	2.30
- Demand deposits	788,675	1,399	0.36	779,876	1,964	0.51
- Time deposits	1,757,472	27,347	3.14	1,508,765	24,158	3.23
Total deposits from customers	7,240,760	76,882	2.14	6,653,433	69,536	2.11

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

During the Reporting Period, interest expenses on balances due to and placements from banks and other financial institutions increased by 1.612 billion or 8.42% on a year-on-year basis to 20.766 billion, which was mainly due to a year-on-year increase of 158.31 billion or 8.09% in average balance of balances due to and placements from banks and other financial institutions.

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

During the Reporting Period, interest expenses on debt securities issued and other interest-bearing liabilities increased by 3.051 billion or 18.19% on a year-on-year basis to 19.827 billion, which was mainly due to a year-on-year increase of 225.834 billion or 18.99% in average balance of debt securities issued and others.

(3) *Net fee and commission income*

Net fee and commission income was an important component of the Group's net operating income. During the Reporting Period, the Group's net fee and commission income decreased by 0.312 billion or 1.25% on a year-on-year basis to 24.654 billion. This is mainly due to a decrease in net fee and commission income from wealth management services and a slow growth in net fee and commission income from settlement services and bank cards with the impact of capital market and other factors as well as fee reductions.

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

	<i>(in millions of RMB unless otherwise stated)</i>		
	For the six months ended 30 June		
	2022	2021	Increase/ (decrease) (%)
Bank cards	9,923	9,750	1.77
Wealth management business	5,232	6,081	(13.96)
Custody and other fiduciary businesses	4,249	3,972	6.97
Agency services	3,394	3,324	2.11
Investment banking	1,968	1,945	1.18
Guarantee and commitment	1,489	1,358	9.65
Settlement services	720	713	0.98
Others	97	156	(37.82)
Total fee and commission income	27,072	27,299	(0.83)
Less: Fee and commission expense	(2,418)	(2,333)	3.64
Net fee and commission income	24,654	24,966	(1.25)

The year-on-year decrease in fee income from wealth management business was mainly due to the fact that the Group implemented the requirements of the New Regulation on Assets Management and continued to promote the net-worth transformation of wealth management products. The rate of net worth products was lower than before after the transformation.

(4) *Operating expenses*

During the Reporting Period, the Group's operating expenses increased by 3.386 billion or 9.53% on a year-on-year basis to 38.923 billion. The Group's cost-to-income ratio was 28.31%, representing a year-on-year increase of 0.53 percentage point. The cost-to-income ratio was 26% if the tax exemption effect of bond interest income and other income was restored.

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

	<i>(in millions of RMB unless otherwise stated)</i>		
	For the six months ended 30 June		
	2022	2021	Increase/ (decrease) (%)
Staff remuneration, bonus, allowance and welfare	9,776	9,321	4.88
Other staff costs	5,021	4,839	3.76
Operating expenses	19,916	17,400	14.46
Depreciation and amortisation	4,210	3,977	5.86
Total operating expenses	38,923	35,537	9.53

(5) *Asset impairment losses*

During the Reporting Period, the Group's asset impairment losses were 37.517 billion, representing a year-on-year increase of 4.017 billion or 11.99%, of which the credit impairment losses on loans increased by 3.419 billion or 10.97% on a year-on-year basis to 34.592 billion. Since the beginning of this year, under the context of changes unseen in a century intertwined with unprecedented pandemic outbreak, the complexity, severity and uncertainty encountered by the country's economic environment have increased with more risks and challenges. Pursuant to the Notice of the China Banking and Insurance Regulatory Commission on Issuing the Administrative Measures for the Implementation of the Expected Credit Losses of Commercial Banks (Yinbaojianguai [2022] No. 10), the Group has updated the parameters of the impairment model in a timely manner to reflect the impact of changes in the external environment on asset credit risk. It also strengthened its risk identification by increasing the underlying asset impairment losses to maintain a higher level of risk tolerance.

(6) *Income tax*

During the Reporting Period, the Group's income tax expenses decreased by 2.23 billion or 60.03% on a year-on-year basis to 1.485 billion. The effective tax rate of 3.26% was lower than the statutory tax rate of 25%, which was mainly due to the tax exemption on interest income from treasury bonds and local treasury bonds held by the Group in accordance with the relevant tax provisions.

2. *Analysis on Key Balance Sheet Items*

(1) *Assets*

As at the end of the Reporting Period, the Group's total assets increased by 914.819 billion or 7.84% over the end of the previous year to 12,580.576 billion, mainly due to the increase in the scale of loans granted and financial investments. The balances (after provision) of the key components of the Group's total assets and their proportions to the total assets as at the dates indicated are shown below:

(in millions of RMB unless otherwise stated)

	30 June 2022		31 December 2021	
	Balance	Proportion (%)	Balance	Proportion (%)
Loans and advances to customers (after provision)	6,923,521	55.03	6,412,201	54.97
Financial investments	3,692,614	29.35	3,523,249	30.20
Cash and balances with central banks	746,660	5.94	734,728	6.30
Due from and placements with banks and other financial institutions	799,743	6.36	632,708	5.42
Others	418,038	3.32	362,871	3.11
Total assets	12,580,576	100.00	11,665,757	100.00

① *Loans and advances to customers*

During the Reporting Period, the Group fully implemented the overall requirements of “preventing the epidemic, stabilising the economy and coordinating development with safety” to proactively respond to external changes. It also iteratively optimised and issued more than 90 financially supportive policies, optimised its credit policies and approval procedures and connected with the credit demand in a highly effective manner to fully support the resumption of work and production for enterprises.

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

(in millions of RMB unless otherwise stated)

	30 June 2022		31 December 2021		31 December 2020	
	Proportion		Proportion		Proportion	
	Balance	(%)	Balance	(%)	Balance	(%)
Corporate loans	4,553,848	64.25	4,138,582	63.09	3,707,471	63.39
- Short-term loans	1,448,111	20.43	1,309,291	19.96	1,251,162	21.39
- Medium and long-term loans	3,105,737	43.82	2,829,291	43.13	2,456,309	42.00
Personal loans	2,348,890	33.14	2,285,096	34.83	1,980,882	33.87
- Mortgage	1,528,420	21.56	1,489,517	22.70	1,293,773	22.12
- Credit card	480,853	6.78	492,580	7.51	464,110	7.94
- Others	339,617	4.80	302,999	4.62	222,999	3.81
Discounted bills	184,992	2.61	136,722	2.08	160,071	2.74
Total	7,087,730	100.00	6,560,400	100.00	5,848,424	100.00

As at the end of the Reporting Period, the Group's total loans and advances to customers increased by 527.33 billion or 8.04% over the end of the previous year to 7,087.73 billion, among which the Renminbi loans from domestic branches increased by 482.282 billion or 8.21% over the end of the previous year.

The corporate loan balance was 4,553.848 billion, achieving an increase of 415.266 billion or 10.03% over the end of the previous year, whose proportion in loans and advances to customers increased by 1.16 percentage points to 64.25% over the end of the previous year. Short term loans increased by 138.820 billion, and medium and long-term loans increased by 276.446 billion, whose proportion in loans and advances to customers increased to 43.82%.

The balance of personal loans was 2,348.890 billion, representing an increase of 63.794 billion or 2.79% over the end of the previous year, whose proportion in loans and advances to customers decreased by 1.69 percentage points to 33.14% over the end of the previous year. Mortgage loans increased by 38.903 billion or 2.61% over the end of the previous year, whose proportion in loans and advances to customers decreased by 1.14 percentage points to 21.56%. Credit card loans decreased by 11.727 billion or 2.38% over the end of the previous year.

Discounted bills increased by 48.270 billion or 35.31% over the end of the previous year.

Distribution of the loans and advances to customers by security types

(in millions of RMB unless otherwise stated)

	30 June 2022		31 December 2021	
	Balance	Proportion (%)	Balance	Proportion (%)
Unsecured loans	2,315,087	32.66	2,085,835	31.79
Guaranteed loans	1,152,964	16.27	1,056,138	16.10
Loans secured by collateral	2,579,849	36.40	2,488,276	37.93
Pledged loans	1,039,830	14.67	930,151	14.18
Total	7,087,730	100.00	6,560,400	100.00

Expected credit loss allowance for loans and advances to customers

(in millions of RMB)

	30 June 2022	31 December 2021
Balance at the end of the previous year	161,162	140,561
Accrual/(Reversal) in the period	34,592	62,945
Write-offs and disposals in the period	(20,375)	(47,519)
Recovered after written-off	3,523	6,324
Others	(211)	(1,149)
Balance at the end of the period	178,691	161,162

② Financial investments

As at the end of the Reporting Period, the Group's net balance of financial investments increased by 169.365 billion or 4.81% over the end of the previous year to 3,692.614 billion.

The breakdown of investments by nature

(in millions of RMB unless otherwise stated)

	30 June 2022		31 December 2021	
	Balance	Proportion (%)	Balance	Proportion (%)
Bonds	3,188,676	86.35	3,021,272	85.75
Equity instruments and others	503,938	13.65	501,977	14.25
Total	3,692,614	100.00	3,523,249	100.00

The breakdown of investments by the presentation basis of financial statements

(in millions of RMB unless otherwise stated)

	30 June 2022		31 December 2021	
	Balance	Proportion (%)	Balance	Proportion (%)
Financial investments at fair value through profit and loss	666,260	18.04	638,483	18.12
Financial investments at amortised cost	2,375,762	64.34	2,203,037	62.53
Financial investments at fair value through other comprehensive income	650,592	17.62	681,729	19.35
Total	3,692,614	100.00	3,523,249	100.00

At the end of the reporting period, the Group's bond investment balance was 3,188.676 billion, representing an increase of 167.404 billion or 5.54% over the end of the previous year. In the future, the Bank will strengthen its research and judgment on the economic and financial situation and strive work better in the incremental allocation and stock optimisation of securities investment. Firstly is to maintain the overall strategy of focusing on interest rate bond investment and make good investment arrangements for government bonds and local government bonds. Secondly is to track national industrial policy trends and changes in business operations in real time and make a sound project reserve for credit bonds and investment arrangements. Thirdly is to increase bond transaction flow and speed up the turnover of national debt and policy bank bonds. Fourthly is to accurately grasp the timing of the Federal Reserve and major central banks to raise interest rates and shrink their balance sheets and improve the overall yield of bond assets by optimising the investment structure of domestic and foreign currencies.

The breakdown of investment securities by issuers

(in millions of RMB unless otherwise stated)

	30 June 2022		31 December 2021	
	Balance	Proportion (%)	Balance	Proportion (%)
Government and central banks	2,493,642	78.20	2,325,896	76.98
Public sector entities	50,253	1.58	27,073	0.90
Interbank institutions and other financial institutions	458,538	14.38	472,688	15.65
Corporate entities	186,243	5.84	195,615	6.47
Total	3,188,676	100.00	3,021,272	100.00

As at the end of the Reporting Period, financial bonds held by the Group amounted to 458.538 billion, including bonds issued by policy banks of 118.136 billion and by interbank institutions and non-bank financial institutions of 340.402 billion, which accounted for 25.76% and 74.24% of the total bonds respectively.

Top 10 financial bonds held by the Group

(in millions of RMB unless otherwise stated)

Bond name	Face value	Annual interest rate		Maturity date	Impairment allowance
		(%)			
Policy Bank Bond issued in 2018	6,903	4.99	2023/01/24		1.50
Policy Bank Bond issued in 2017	6,330	4.39	2027/09/08		1.37
Policy Bank Bond issued in 2017	5,688	4.44	2022/11/09		1.24
Policy Bank Bond issued in 2018	5,009	4.98	2025/01/12		1.09
Policy Bank Bond issued in 2018	4,400	4.97	2023/01/29		0.96
Policy Bank Bond issued in 2017	3,330	4.30	2024/08/21		0.73
Government-backed institutional Bond issued in 2017	3,000	4.38	2022/08/30		14.34
Policy Bank Bond issued in 2019	2,993	2.70	2024/03/19		0.41
Policy Bank Bond issued in 2018	2,751	4.88	2028/02/09		0.60
Policy Bank Bond issued in 2019	2,138	2.70	2024/03/12		0.29

③ Foreclosed asset

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

	<i>(in millions of RMB)</i>	
	30 June 2022	31 December 2021
Original value of foreclosed assets	1,421	1,437
Less: Impairment allowance	(411)	(407)
Net value of foreclosed assets	1,010	1,030

(2) *Liabilities*

As at the end of the Reporting Period, the Group's total liabilities increased by 903.119 billion or 8.45% over the end of the previous year to 11,591.640 billion. Among them, deposits from customers increased by 771.586 billion or 10.96% over the end of the previous year, which accounted for 67.39% of total liabilities and represented an increase of 1.53 percentage points over the end of the previous year. The balance of due to and placements from interbank institutions and other financial institutions decreased by 49.395 billion or 4.50% over the end of the previous year to 1,047.245 billion, which accounted for 9.03% of total liabilities and represented a decrease of 1.23 percentage points over the end of the previous year.

Deposits from customers

Deposits from customers is the Group's primary funding source. As at the end of the Reporting Period, the Group's balance of deposits from customers increased by 771.586 billion or 10.96% over the end of the previous year to 7,811.363 billion. In terms of the customer structure, the proportion of corporate deposits was 63.78%, representing a decrease of 0.85 percentage point over the end of the previous year. The proportion of personal deposits was 34.92%, representing an increase of 0.79 percentage point over the end of the previous year. In terms of deposit tenure, the proportion of demand deposits decreased by 3.82 percentage points over the end of the previous year to 37.55%, while the proportion of time deposits increased by 3.76 percentage points over the end of the previous year to 61.15%.

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

(in millions of RMB unless otherwise stated)

	30 June 2022		31 December 2021		31 December 2020	
	Proportion		Proportion		Proportion	
	Balance	(%)	Balance	(%)	Balance	(%)
Corporate deposits	4,982,175	63.78	4,550,020	64.63	4,341,524	65.71
- Demand deposits	2,106,968	26.97	2,061,672	29.28	2,005,934	30.36
- Time deposits	2,875,207	36.81	2,488,348	35.35	2,335,590	35.35
Personal deposits	2,728,060	34.92	2,402,812	34.13	2,192,231	33.18
- Demand deposits	826,457	10.58	850,831	12.09	812,534	12.30
- Time deposits	1,901,603	24.34	1,551,981	22.04	1,379,697	20.88
Other deposits	4,415	0.06	3,359	0.05	5,499	0.08
Accrued interest	96,713	1.24	83,586	1.19	68,076	1.03
Total	7,811,363	100.00	7,039,777	100.00	6,607,330	100.00

(3) Off-balance sheet items

The Group's off-balance sheet items included derivative financial instruments, contingencies, commitments and collaterals.

The Group entered into various derivative financial instruments relating to interest rate contracts, exchange rate contracts, precious metals and commodity contracts for trading, hedging, asset and liability management and on behalf of customers. Please refer to VII. Financial Report 8 Derivative Financial Instruments for the details of nominal amounts and fair value of the derivative financial instruments.

The Group's contingencies and commitments are mainly pending litigation, credit commitments and financial guarantees, capital commitments, operating lease commitments, securities underwriting and bond acceptance commitments. Please refer to VII. Financial Report 10 Contingencies for details about contingencies and VII. Financial Report 11 Commitments for details about commitments.

Some of the Group's assets are used as collaterals for inter-bank repurchase and other debt business.

3. *Analysis on Key Cash Flow Items*

As at the end of the Reporting Period, the balance of cash and cash equivalents of the Group was 179.143 billion, representing a net decrease of 15.165 billion over the end of the previous year.

The cash flow from operating activities was a net inflow of 89.109 billion, representing an increase of 201.852 billion on a year-on-year basis, which was mainly due to the increase of deposits from customers.

The cash flow from investment activities was a net outflow of 108.278 billion, representing an increase of 117.242 billion on a year-on-year basis, which was mainly due to the increase of bond investment.

The cash flow from financing activities was a net inflow of 2.109 billion, representing a decrease of 76.014 billion on a year-on-year basis, which was mainly due to the decrease in cashflow due to the issuance of perpetual bonds in the same period last year and the increase in cash outflow from repayment of matured bonds in the current period.

4. *Segment Analysis*

(1) *Operating results by geographical segments*

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

(in millions of RMB unless otherwise stated)

	For the six months ended 30 June							
	2022		2021					
	Profit	Proportion	Net	Proportion	Profit before	Proportion	Net operating	Proportion
	before tax	(%)	operating income ¹	(%)	tax	(%)	income ¹	(%)
Yangtze River Delta	20,869	45.75	55,611	38.73	21,857	46.92	49,911	37.23
Pearl River Delta	4,193	9.19	12,500	8.71	4,148	8.90	11,561	8.62
Bohai Rim Economic Zone	2,351	5.15	16,203	11.29	2,364	5.07	14,844	11.07
Central China	14,705	32.24	19,155	13.34	9,606	20.63	18,115	13.52
Western China	2,835	6.21	11,955	8.33	3,272	7.02	10,942	8.16
North Eastern China	279	0.61	3,795	2.64	(1,488)	(3.19)	3,617	2.70
Overseas	2,251	4.93	5,494	3.83	4,661	10.00	7,165	5.35
Head Office ²	(1,866)	(4.08)	18,855	13.13	2,168	4.65	17,896	13.35
Total ³	45,617	100.00	143,568	100.00	46,588	100.00	134,051	100.00

Notes:

1. Including net interest income, net fee and commission income, net gains arising from trading activities, net gains arising from financial investments, net gains from investments in associates and joint ventures, insurance business income and other operating income. Same applies hereinafter.
2. Head Office included the Pacific Credit Card Centre. Same applies hereinafter.
3. Total included profit/(loss) attributable to non-controlling interests.
4. Due to the adjustment to the standards of dividing segments, comparative data has been restated in accordance with the current presentation.

(2) *Deposits and loans and advances by geographical segments*

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

(in millions of RMB unless otherwise stated)

	30 June 2022		31 December 2021	
	Loan and advances balances	Proportion (%)	Loan and advances balances	Proportion (%)
Yangtze River Delta	1,947,910	27.48	1,780,637	27.14
Pearl River Delta	945,967	13.35	857,521	13.07
Bohai Rim Economic Zone	1,079,193	15.23	965,957	14.72
Central China	1,172,880	16.55	1,092,985	16.66
Western China	841,414	11.87	774,445	11.80
North Eastern China	254,452	3.59	247,023	3.77
Overseas	365,089	5.15	348,948	5.32
Head Office	480,825	6.78	492,884	7.52
Total	7,087,730	100.00	6,560,400	100.00

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

(in millions of RMB unless otherwise stated)

	30 June 2022		31 December 2021	
	Deposit balances	Proportion (%)	Deposit balances	Proportion (%)
Yangtze River Delta	2,082,172	26.66	1,878,481	26.68
Pearl River Delta	1,005,116	12.87	871,667	12.38
Bohai Rim Economic Zone	1,639,760	20.98	1,491,168	21.18
Central China	1,253,666	16.05	1,130,712	16.06
Western China	830,309	10.63	763,629	10.85
North Eastern China	376,598	4.82	360,775	5.12
Overseas	523,230	6.70	456,074	6.48
Head Office	3,799	0.05	3,685	0.05
Accrued interest	96,713	1.24	83,586	1.20
Total	7,811,363	100.00	7,039,777	100.00

(3) *Operating results by business segments*

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

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

(in millions of RMB unless otherwise stated)

	For the six months ended 30 June			
	2022		2021	
	Amount	Proportion (%)	Amount	Proportion (%)
Net operating income	143,568	100.00	134,051	100.00
Corporate banking	61,403	42.77	60,493	45.13
Personal banking	68,592	47.78	62,886	46.91
Treasury businesses	13,047	9.09	10,072	7.51
Other businesses	526	0.36	600	0.45
Profit before tax	45,617	100.00	46,588	100.00
Corporate banking	13,903	30.48	13,168	28.27
Personal banking	20,826	45.65	24,698	53.01
Treasury businesses	11,027	24.17	8,540	18.33
Other businesses	(139)	(0.30)	182	0.39

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

5. Capital Adequacy Ratio

(1) *Measurement scope*

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

(2) *Measurement method*

The Group calculated the capital adequacy ratios pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* issued by the CBIRC and the relevant requirements. Since the adoption of the Advanced Approach of Capital Management upon the first approval by the CBIRC in 2014, the Bank steadily promoted the implementation and deepened the application of advanced methods in accordance with regulatory requirements. Upon the approval by the CBIRC in 2018, the Bank expanded the application scope of advanced methods and ended the parallel period. According to the *Additional Regulatory Rules on Systemically Important Banks (Trial Implementation)* issued by the People's Bank of China (the "PBOC") and the CBIRC in 2021, the additional capital requirement of the Group is 0.75%.

(3) *Measurement result*

As at the end of the Reporting Period, the Group's capital adequacy ratio, tier-1 capital adequacy ratio and core tier-1 capital adequacy ratio were 14.49%, 12.20%, and 9.99% respectively, all of which met the regulatory requirements.

	<i>(in millions of RMB unless otherwise stated)</i>			
	30 June 2022		31 December 2021	
	The Group	The Bank	The Group	The Bank
Net core tier-1 capital	794,487	661,461	783,877	659,155
Net tier-1 capital	970,873	836,250	960,225	833,945
Net capital	1,152,895	1,011,638	1,139,957	1,006,266
Core tier-1 capital adequacy ratio (%)	9.99	9.28	10.62	10.01
Tier-1 capital adequacy ratio (%)	12.20	11.73	13.01	12.67
Capital adequacy ratio (%)	14.49	14.19	15.45	15.29

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

(4) *Risk-weighted assets*

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

	<i>(in millions of RMB)</i>	
	30 June 2022	31 December 2021
Credit risk-weighted asset	7,276,312	6,783,546
Covered under internal rating-based approach	5,486,734	5,056,176
Not covered under internal rating-based approach	1,789,578	1,727,370
Market risk-weighted asset	285,227	201,828
Covered under internal model approach	224,144	141,505
Not covered under internal model approach	61,083	60,323
Operational risk-weighted asset	394,538	394,538
Additional risk-weighted assets due to use of capital floor	0	0
Total risk-weighted assets	7,956,077	7,379,912

(5) *Credit risk exposure*

	30 June 2022		<i>(in millions of RMB)</i> 31 December 2021	
	Covered	Not covered		
	under	under	Covered	Not covered
	Internal	internal	under	under
	rating-	rating-	Internal	internal
	based	based	rating-based	rating-based
	approach	approach	approach	approach
Corporate risk exposure	5,539,704	248,752	4,944,646	225,957
Sovereign risk exposure	0	2,444,982	0	2,306,379
Financial institution risk exposure	1,015,300	520,093	819,672	507,572
Retail risk exposure	2,611,371	380,732	2,589,668	328,978
Equity risk exposure	0	65,190	0	62,009
Asset securitisation risk exposure	0	6,202	0	11,123
Other risk exposures	0	1,135,889	0	1,063,090
Total	9,166,375	4,801,840	8,353,986	4,505,108

(6) *Market risk capital requirement*

	<i>(in millions of RMB)</i> 30 June 2022 31 December 2021	
Risk type		
Market risk covered under internal model approach	17,932	11,320
Market risk not covered under internal model approach	4,886	4,826
Interest rate risk	3,596	4,070
Stock risk	115	126
Foreign exchange risk	1,158	619
Commodity risk	14	11
Option risk	3	—
Total	22,818	16,146

(7) *Value at risk (VaR)*

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

	<i>(in millions of RMB)</i>							
	January to June 2022				January to June 2021			
	At the end of the period	Average	Maximum	Minimum	At the end of the period	Average	Maximum	Minimum
Value at risk (VaR)	1,659	1,367	1,834	867	733	1,446	1,856	683
Stressed value at risk (SVaR)	3,754	3,410	4,251	2,663	1,889	1,560	1,927	1,319

(8) *Equity risk of banking book*

	<i>(in millions of RMB)</i>					
	30 June 2022			31 December 2021		
	Publicly traded equity risk exposure ¹	Non- publicly traded equity risk exposure ¹	Unrealised potential risk returns ²	Publicly traded equity risk exposure ¹	Non- publicly traded equity risk exposure ¹	Unrealised potential risk returns ²
Investee type						
Financial institutions	3,499	6,557	–	3,423	5,114	–
Non-financial institutions	10,182	50,754	(5,173)	12,073	48,347	(4,800)
Total	13,681	57,311	(5,173)	15,496	53,461	(4,800)

Notes:

- Publicly traded equity risk exposure referred to the equity risk exposure of the investee as a listed company, while non-publicly traded equity risk exposure referred to the equity risk exposure of the investee as a non-listed company.
- Unrealised potential risk returns were unrealised using gains(losses) reflected in the balance sheet instead of using the profit or loss items.

6. *Leverage Ratio*

The Group calculated the leverage ratio pursuant to the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)* issued by the CBIRC. According to the *Additional Regulatory Rules on Systemically Important Banks (Trial Implementation)* issued by the PBOC and the CBIRC in 2021, the additional required leverage ratio of the Group is 0.375%. As at the end of the Reporting Period, the Group's leverage ratio was 7.05%, which met the regulatory requirements.

	<i>(in millions of RMB unless otherwise stated)</i>			
	30 June	31 March	31 December	30 September
	2022	2022	2021	2021
Net tier-1 capital	970,873	979,545	960,225	940,024
Balance of adjusted on- and off				
balance sheet assets	13,770,696	13,416,205	12,632,573	12,402,546
Leverage ratio (%)	7.05	7.30	7.60	7.58

(II) **Business Review**

1. *Development strategies and implementation*

The Group is grounded in on a new business stage by fully implementing the new development philosophy. It is committed to advancing high-quality development while building a new development pattern of services, and continues to make steady progress towards the strategic goal of building “a world-class bank”. During the Reporting Period, the Group continued to focus on the high-quality development as required by the “14th Five-Year Plan”. By leveraging the geographical advantages of the Yantze River Delta, the Group insisted on serving the major strategic tasks handed over to Shanghai by the central government and achieved innovative breakthroughs on the construction of “Shanghai Base” and New Digital BoCom. It also advocated the notion of green development by creating four major business features and enhancing five professional capabilities to promote reasonable growth in business volume and steady improvement in quality.

(1) *Leverage the advantage of “Shanghai Base”*

During the Reporting Period, the Bank provided more than 110 billion in loans for epidemic prevention and control in Shanghai through the green channel. It also introduced a number of measures to relieve businesses in bailouts, assist the resumption of work and production, facilitate foreign trade, fuel consumption recovery and support key projects to help Shanghai speed up economic recovery and revitalisation. The Bank continued to take Shanghai as the base for the innovative launch of mechanism and product to demonstrate and lead the high-quality integrated development of the Yangtze River Delta. Regional loans from technology finance customers and inclusive loans for small and micro enterprises increased over the end of the previous year, while the year-on-year increase in the size of cross-border business was higher than the average level of the peer industry. During the Reporting Period, the Yangtze River Delta region realised a total profit of 20.869 billion, accounting for 45.75% of the Group’s profit.

(2) *Construct a “New Digital BoCom”*

The Group facilitated the application of full-process digitalisation, precisely connected the real economy with the diverse needs of the people and improved the ability to attract customers through the strategy of “full contact, full scenario and full ecology”. During the Reporting Period, the number of behalf personal customers increased by 137,500 over the beginning of the year. During the Reporting Period, the Bank gained 304,800 new customers from opening bank retail scenarios with the construction of a new ecosystem of G-end, B-end and C-end partners. By focusing on the two areas of B2B payment and retail credit, the Bank promoted the construction of enterprise-level architecture and progressed the construction of service support for data center application, AI and other general capability platform in an orderly manner. The new generation of credit card distributed system was launched, realizing the smooth operation of the credit card system from the mainframe to the open distributed architecture. The application scenario of digital RMB was further expanded, with a total of 3.6775 million wallets opened and a cumulative consumption amount of RMB168 million by the end of the Reporting Period.

(3) *Create four business features*

Inclusive finance The Bank implemented the requirements on “enhancing the inclusiveness of finance”, accessed more customers and scenarios, satisfied the financial needs in various areas including small and micro enterprises, urban governance, rural revitalisation and livelihood consumption, and thereby steadily improved the quality and efficiency of inclusive financial businesses. During the Reporting Period, the balance of inclusive loans for small and micro enterprises increased by 19.21% compared with over the end of the previous year, the number of customers with loan balance increased by 15.84% over the end of the previous year; new retail customers acquired from scenario derivations (including Inclusive e-Loan, Medical Payment, Open Banking, etc.) accounted for more than 13% of the total new retail customers. The amount of payments made by new customers of the Open Banking increased by 326% year-on-year, and the Benefit Medical Payment has been launched in 35 cities across China.

Trade finance The Bank served to create a new development pattern and facilitate the “dual circulation”. Concentrating on the core node enterprises on the industrial chain, supply chain and value chain, the Bank attempted to further develop chain-based financial services, so as to better satisfy enterprises’ needs in daily production and operation activities, enhance customer stickiness and attract more deposits for settlement purpose. In the first half of the year, centring around the cross-border trade, the supply chain finance and other businesses, the Bank optimised business processes, expanded scenario-based services and improved the business convenience. The volume of cross-border e-commerce increased by 413% year-on-year, and the volume of integrated foreign trade service platforms increased by 114% year-on-year. The volume of financing for cross-border trade increased by 43.57% year-on-year.

Sci-tech finance In response to the strategy of reinvigorating China with science and technology, the Bank built an integrated service system with characteristics of both commercial bank and investment bank, and improve the ability of serving strategic emerging industries, advanced manufacturing industry, sci-tech innovation, green and low-carbon, and the upgrading of traditional industries, etc. By optimising customer structure and asset structure, the Bank was able to increase the interest income and the income from intermediary businesses. Focusing on the key customer segments, including “specialization, delicacy, characterization and novelty” enterprises, small and medium-sized scientific and technological enterprises, high-tech enterprises, enterprises listed on the Sci-Tech Innovation Board (“STAR Market”) and enterprises to be listed, the Bank improved the policies, products, data and systems, also innovated the integrated business model of “special-level of sci-tech finance”. As at the end of the Reporting Period, sci-tech finance credit customers increased by 21.72% over the end of the previous year; the balance of loans to strategic emerging industries increased by 71.85% over the end of the previous year; there were 1,785 “little giant” enterprises of “specialization, delicacy, characterization and novelty” with the market share of 36.30%, loan balances increased by 28.72% over the end of the previous year. The balance of green loan increased by 20.42% and the balance of green bond investments increased by 104% over the end of the previous year.

Wealth finance The Bank actively served people’s demands for a better life and the national strategy of coping with the ageing population, continuously expand customer services and thus built an integrated operating system of “Great Wealth-Great Asset Management-Great Investment Bank” to provide comprehensive financial services for people’s wealth accumulation, preservation, appreciation and inheritance. Besides, the Bank also kept scaling up asset under management (AUM). As at the end of the Reporting Period, individual financial assets under management (AUM¹) managed by domestic branches increased by 5.2% over the end of the previous year. The mobile banking MAU increased by 6.4% over the end of the previous year. During the Reporting Period, the Group reported fees and commission income from wealth management of 8.543 billion through the consignment of wealth management products, funds and wealth management business.

¹ Excluding the fair value of customer’s securities.

2. *Corporate banking*

- ◆ The Bank supported the real economy and increased credit support. During the Reporting Period, the Group's corporate loan balance increased by 415.266 billion or 10.03% over the end of the previous year, in which related loans to the manufacturing industry, loans to strategic emerging industries, green credit, loans for “specialisation, delicacy, characterisation and novelty” small and medium-sized enterprises loans and the agriculture-related loans increased by 20.48%, 71.85%, 20.42%, 28.4% and 15.8% respectively.
- ◆ The Bank served national strategies and supported the development of key areas. As at the end of the Reporting Period, the balance of loans of three major regions including the Yangtze River Delta, the Beijing-Tianjin-Hebei Region and the Guangdong-Hong Kong-Macao Greater Bay Area increased by 9.92% over the end of the previous year. Balance of loans in these three major regions accounted for 53.05%, representing an increase of 0.90 percentage point over the end of the previous year.
- ◆ The Bank deepened business features and accelerated the rapid development of industrial chain finance as well as sci-tech finance. During the Reporting Period, the volume of industrial value chain financial business increased by 35.66% year-on-year, and the sci-tech finance credit customers increased by 21.72% over the end of the previous year.

(1) *Customer development*

The Bank accelerated the construction of customer projects, deepened the stratified customer operation, and established the refined and professional service system. As at the end of the Reporting Period, the total number of corporate customers of domestic branches increased by 5.76% over the end of the previous year. For group customers, the Bank enhanced its services and supports for the strategies of reinvigorating China and Green Development, promoted the integrated expansion programme among the upstream and downstream, the ecosystem and the investment chain, continuously optimised the credit management policies and processes, and strengthened the synergistic collaborative services within the Group. As at the end of the Reporting Period, the number of the Bank's group customers reached 88.4 thousand, representing an increase of 5,498 over the end of the previous year. For government institutions customers, the Bank actively participated in the construction of digital government and the process of urban digital transformation, assisted in the provision of convenient government affair services, and expanded the dominant position in the cooperation between banks and governments. As at the end of the Reporting Period, the number of government institutions customers reached 72.9 thousand, representing an increase of 2,079 over the end of the previous year. For small and micro basic customers, the Bank enhanced the supporting for digital marketing, established the "Four-in-One" service system with the electronic channels, online products, outbound call services and outlet supports, and continuously improved services for the basic customer segments. As at the end of the Reporting Period, the number of small and micro basic customers reached 2,150.4 thousand, representing an increase of 118 thousand over the end of the previous year.

(2) *Scenario construction*

The Bank intensively explored scenario construction through digital thinking and achieved effects in subdivided scenarios such as medical care, schools, parks and central corporate treasury. Benefit Medical Payment has been launched in 35 cities including Shanghai, Nanjing, Dalian, Guangzhou and Yichang. The Intelligent Financial Services Platform had reached 100 thousand registered customers in total, representing an increase of 21 thousand over the end of the previous year, and received 230.529 billion in settlement volume, representing an increase of 131.80% year-on-year. The Bank maintained its leading position in the innovative services of the "Smart Bookkeeping" in Beijing, with the amount of cumulative transactions exceeding 60 billion in the first half of the year. Following the reform trend of the central corporate treasury system, the Bank provided business and technical supports for the construction of central corporate treasury system in the fields of wealth management and global cash management.

(3) *Services to inclusive small and micro enterprises*

With the supports of FinTech and big data, the Bank promoted the “Online products+Scenario customisation” mode, enhanced the batched, scenario-based, intelligent and online operating capabilities, and launched a batch of scenario-customised products. For small and micro enterprises in the industrial chain, the Bank built projects such as “Ouyeel Chain”, “Dairy Chain”, “Liquor Chain”, “Fodder Chain”, etc.; for small and micro enterprises in the field of science and technology innovation, the Bank launched the “Inclusive e-Loan” on the scenario-customised scientific and technological projects in Suzhou, Shenzhen, Anhui, Hunan, Xiamen, Shanghai, Shannxi and other places; for small and micro enterprises in specific industries, the Bank launched special projects such as “Cigarette Loan”, “Government Purchase Loan”, “Medical Insurance Loan” and “Household Loan”. The Bank focused on small and micro key areas, key customer segments and key products, continuously increased the credit issuance to support small and micro enterprises in the recovery, resumption of production and manufacturing as well as the high-quality development. At the end of the Reporting Period, the balance of inclusive loans to small and micro enterprises was 403.893 billion, which was an increase of 19.21% over the end of the previous year. The number of customers with loan balances was 245.8 thousand, representing an increase of 15.84% over the end of the previous year. The accumulated average interest rate of inclusive loans to small and micro enterprises was 3.84%, representing a decrease of 0.16 percentage point. Non-performing loan ratio of inclusive small and micro enterprises was 0.94%, representing a decrease of 0.22 percentage point over the end of the previous year. Also, 2,763 business outlets of the Bank provided financial services such as financing services to small and micro enterprises.

² The Bank cooperated with “Ouyeel” platform (under the Baowu Group) on the integrated businesses for the online approval and loan issuance.

(4) *Industrial chain finance*

The Bank implemented the requirements of stabilising and strengthening the chain, and stimulated special authorisation, system innovation and process optimisation, to meet the personalised financing needs of enterprises in the principle of “one policy for one chain”. Concentrating on technological empowerment, the Bank developed an industrial chain rapid financing product line. The volume incurred of rapid discounted bills amounted to 44.350 billion, and the volume incurred of Express Pay reached 3.934 billion. The Bank also launched BoCom’s self-built smart transaction chain platform. Moreover, the Bank connected with 16 mainstream platforms, such as TravelSky and CSCC, to realise convenient and cross-scenario financial cooperation, and automate the whole process of rapid payment, which greatly improved user experience. By making use of innovative products, the Bank was able to cooperate deeply with leading enterprises in key industries such as electricity, construction, automobiles and pharmaceuticals to meet the financing demands of both upstream and downstream enterprises. During the Reporting Period, the industrial chain finance business increased by 35.66% on a year-on-year basis. As at the end of the Reporting Period, the balance of industrial chain finance reached 174.449 billion, representing an increase of 11.83% over the end of the previous year.

(5) *Investment bank*

The Bank intensified its efforts in scaling up full financing to build an innovative investment bank. During the Reporting Period, the bond underwriting according to NAFMII (debt financing instruments for non-financial enterprises) reached 223.573 billion, representing an increase of 18.54% on a year-on-year basis. The Bank practiced green finance and mainly underwrote green bonds (including carbon neutrality bonds) amounting to RMB4.165 billion, representing an increase of 47.23% on a year-on-year basis. It developed nine Credit Risk Mitigation Warrants (CRMW) amounting to 3.65 billion. By virtue of scenario innovation, the Bank delved into mergers and acquisitions. In the first half of the year, the newly increased scale of domestic and overseas mergers and acquisitions finance was 51.2 billion, representing an increase of 26% on a year-on-year basis. Focusing on the characteristic of “sci-tech finance”, 7 private equity investment funds were set up to invest in strategic emerging industries and sci-tech innovation enterprises. “Win to Fortune e-Smart”, an information consultancy service, was upgraded and an investment banking full financing platform was launched to further integrate “financing” and “intelligence” collaborative service. The ability to innovate products and services was lifted in all respects and so highly recognised by the market that the Bank was awarded “Excellent ABS Originating Institution” by China Central Depository & Clearing Co., Ltd. and other awards.

3. *Personal Banking Businesses*

- ◆ The Bank enhanced the capacities of asset allocation and customer service with “financial assets + data assets”, and upgraded service solutions for government affairs, travel, education, medical care, food and beverage consumption and other livelihood scenarios to acquire more customers online. As at the end of the Reporting Period, the number of middle and high-end customers³ increased by 5.76% over the end of the previous year. During the Reporting Period, the number of debit card customers acquired online increased by 2.44 percentage points compared with the previous year while that of credit cards accounted for over 55% of the total.
- ◆ The Bank strengthened digital operation and product supply capabilities and intensified wealth finance features. As at the end of the Reporting Period, personal financial assets under management (AUM⁴) of domestic branches reached 4,477.528 billion, representing an increase of 5.2% over the end of the previous year.
- ◆ The Bank developed consumer finance business to better meet people’s various consumer demands. As at the end of the Reporting Period, the balance of personal loans was 2,348.890 billion, representing an increase of 2.79% over the end of the previous year, and the market share of personal consumption loans (including credit cards) was over 4.99%⁵, representing an increase of 0.04 percentage point over the end of the previous year.

(1) *Retail customers*

Focusing on people’s diversified financial demands, the Bank enhanced the capacities of asset allocation and customer service with “financial assets + data assets”. The Bank implemented digital transformation, increased collaboration on customer acquisition and scenario-based service provision, consolidated the customer base, and optimised customer structure, thereby keeping scaling up AUM steadily. As at the end of the Reporting Period, the number of retail customers of domestic branches (including debit card and credit card customers) increased by 1.82% over the end of the previous year to 189 million. The number of qualified customers of OTO Fortune increased by 5.79% over the end of the previous year to 2,118.9 thousand.

³ Including the qualified OTO Fortune customers of domestic branches and the private banking customers of the Group.

⁴ Excluding the fair value of customer’s securities.

⁵ Standards of 17 commercial banks. Same applies hereinafter.

(2) *Wealth management*

Adhering to the concept of “customer orientation and continuous value creation for customers”, the Bank developed the feature of wealth finance by leveraging its advantages of wealth management products, services, and brands. The Bank horizontally leveraged the integrated advantage of the Group to build a full-chain wealth management operating system and vertically developed a sound pension financial service system to enhance customer stickiness. During the Reporting Period, the Bank focused on wealth finance digital operations, extended the depth and breadth of customer management systems with data-driven technology, and provided omni-channel and full-link marketing services through the retail digital marketing middle office. As at the end of the Reporting Period, the number of cooperative institutions on the online open platform for wealth increased to 48. The platform provided customers with more professional investment information, product promotion, investor education, investment companion and other services.

In addition, the Bank enhanced product creation and supply capabilities. By adhering to open integration, the Bank introduced quality products and established partnerships with 9 external institutions on wealth management products consignment to enrich customers’ investment choices. Quantitative indicators were considered together with experts’ experience to build the “OTO Best Choice” product system covering wealth management, funds and insurance to provide customers with more professional wealth allocation choices. In the first half of 2022, the average yield of the “OTO Best Choice” fund overperformed the market average. Besides, the Bank introduced more low-fluctuating fixed income funds and fixed income+ funds with low starting points and stepped up efforts to drive the growth of the holding scale of personal non-monetary public funds. According to the data published by the Asset Management Association of China, as at the end of the Reporting Period, the Bank ranked the fifth in the banking industry in terms of the holding scale of non-monetary public funds.

During the Reporting Period, revenue from consignment of personal wealth management products by domestic branches was 5.373 billion. The balance of personal public fund products on consignment was 296.622 billion, and the net income of funds on consignment (including securities dealers and exclusive accounts) was 1.623 billion; the balance of wealth management products on consignment was 871.923 billion, and the net income of wealth management was 1.584 billion; the balance of insurance products on consignment was 236.559 billion, and the net income of agency insurance business was 1.855 billion, making the Bank one of the market leaders in terms of the growth rate of insurance income.

(3) Scenario and payment

With a focus on inclusive livelihood scenarios, the Bank practised customer management through digital means. Through government affairs apps used by citizens, the Bank provided solutions of “Payment + Wallet” to citizens covering services such as payment and inquiries. In order to meet the demands of travel scenarios such as urban traffic, new energy vehicle charging, tourism and car owner services, the Bank established a membership system and introduced more payment discounts to provide citizens with safe and compliant account and payment services. The Bank provided medical payment functions on scenarios such as medical service and online sales of medicines. The Bank deepened the construction of smart schools and provided education industry solutions to schools through open banking. To serve the national rural revitalisation strategy, the Bank launched debit cards themed on rural revitalisation and provided customers with exclusive rights and interests such as guidance on agricultural technology and preferential settlement service charges.

At the end of the Reporting Period, the accumulated number of debit cards issued amounted to 169.0228 million, representing a net increase of 3.2714 million over the end of the previous year. During the Reporting Period, the number of debit card customers acquired online increased by 2.44 percentage points compared with the end of the previous year. Under the support of cooperative institutions, the Bank upgraded payment products to improve card holders’ payment experience on mainstream platforms. The Bank launched marketing activities in retail stores, supermarkets, entities for transportation, culture and travel through cooperation with China Unionpay and other leading platforms to enrich consumption payment scenarios. During the Reporting Period, the accumulated consumption paid by debit cards amounted to 1,166.026 billion.

(4) Consumer finance

The Bank firmly implemented the decisions and arrangements of the CPC Central Committee and the State Council on real estate regulation, continued to optimise the credit policies, and improved the online service level of housing loans. As at the end of the Reporting Period, the personal housing mortgage loan balance increased by 2.61% to 1,528.420 billion over the end of the previous year, and the balance of the domestic market accounted for 4.86%, representing an increase of 0.05 percentage point from the beginning of the year.

The Bank accelerated the innovation and iteration of consumption loan products, on the basis of meeting customers' demands concerning clothing, food, housing, travel and medical care to improve the whole-process customer experience. The Bank also provided supporting territorial differentiated credit policies and service solutions to enhance consumer loan services for new citizens. It actively provided relief measures to the retail credit customers affected by the pandemic. As at the end of the Reporting Period, the balance of personal non-housing consumption loans increased by 27.45% over the end of the previous year to 68.285 billion, and the incremental amount increased by 11.020 billion on a year-on-year basis.

(5) *Private banking*

The Bank satisfied customers' long-term demands for security and wealth inheritance via insurance trust services, which resulted in synergy development with large-value insurance policies and facilitated the accelerated growth of family wealth management business. As at the end of the Reporting Period, the scale of family trusts increased by 37.66% over the end of the previous year. The Bank also launched equity family trust services to enhance its wealth management characteristics. It enhanced service companion for customers and developed asset allocation model system to improve its capability of providing professional asset allocation services. As at the end of the Reporting Period, the number of private banking customers of the Group was 73,700, increasing by 4.77% over the end of the previous year. The value of assets managed by the Group for private banking customers was 1,029.8 billion, increasing by 3.69% over the end of the previous year.

(6) *Credit card*

The Bank expanded its customer basis by enhancing the off-line customer acquisition and improving the conversion rate of the on-line scenario traffics. It launched out innovative products such as credit cards themed with national cultures to attract quality young customers. As at the end of the Reporting Period, the number of credit cards registered with domestic branches was 75,286,300, increasing by 1,017,500 over the end of the previous year. During the Reporting Period, the proportion of customers acquired online was 55.98%, representing an increase of 3.63 percentage points on a year-on-year basis; new active accounts saw a growth of 19.10% on a year-on-year basis. The Bank continued the marketing campaigns such as “Super Red Friday”, “Weekly Swipe” and launched special activities against the COVID-19, and therefore achieved steady improvement in its share of the consumption market and the amount of mobile payment transactions. During the Reporting Period, the cumulative amount of consumption through credit cards was 1,507.142 billion, representing a year-on-year increase of 3.83%. In detail, the average consumption of active accounts increased by 3.59% on a year-on-year basis and the amount of mobile payment transactions increased by 24.55% on a year-on-year basis. The balance in instalments increased by 3.66% on a year-on-year basis. As at the end of the Reporting Period, the credit card overdraft balance in domestic branches was 480.771 billion⁶.

(7) *Pension finance*

The Bank actively served the national strategy of coping with the ageing population and boosted the development of pension finance and elderly care industry finance to facilitate the overall layout of pension financial services. It continuously strengthened the account management and custody services for China’s National Social Security Fund, Basic Pension Insurance Funds and Enterprise Annuity Funds. It also actively participated in the pilot program of personal pension reform and was approved as a qualified pilot bank for pension wealth management products, ranking first in the industry in terms of the scale of pension targeted securities investment funds. The Bank enhanced its efforts in the research and development of unique credit products to strengthen its credit support for elderly care service institutions. As at the end of the Reporting Period, the number of customers in the elderly care service industry receiving credit granting services from the Bank increased by 42.42% over the end of the previous year. The age-appropriate function modification work has been finished for mobile banking and Go Pay APP, which served more than 530,000 elderly customers in total in the first half of the year.

⁶ The credit card overdraft balance in domestic branches includes the balance of personal credit card loans and the balance of corporate business card loans.

4. *Interbank and Financial Market Businesses*

- ◆ The Bank actively supported the construction of Shanghai as an international financial centre, accelerated the expansion of financial scenarios for interbank cooperation, intensively participated in the market development of bonds, currencies, foreign exchange and commodities of China, and transformed financial market innovation into quality products and services satisfying the demands of customers, to improve the capability to serve the real economy.

(1) *Inter-bank businesses*

The Bank enhanced the clearing business and settlement service provided in the financial factor market, improved emergency safeguard mechanism for the settlement in the financial factor market to address COVID-19 and other emergencies, so as to support the smooth development of the financial market. The Bank also participated in facilitating the interconnection between financial markets and financial infrastructure and became a qualified settlement bank for interconnection transactions between the interbank and exchange bond markets. It served the development of futures market and became one of the qualified depository banks initially designated by Shanghai International Energy Exchange for commodity swaps. During the Reporting Period, the volume of the Bank's agent clearing business in Shanghai Clearing House topped in the market, and the volume of securities and futures settlement of the bank was also leading the market.

The Bank served Cross-border Interbank Payment System Co., Ltd. to effectively promote the security of core cross-border Renminbi payment technologies. It actively promoted the CIPS standard transmit product and other cross-border Renminbi business handling and information exchange products, making it a market leader in terms of the number of customers using its CIPS standard transmit product.

(2) *Financial market businesses*

The Bank gave full play to its role of “financial stabiliser” as a large state-owned bank, and actively performed the duties of a market maker in interbank business, maintaining a market leading position in terms of the volume of various interbank financial services.

During the Reporting Period, the trading volume in Renminbi money market of domestic branches amounted to 36.56 trillion; the trading volume in foreign currency market amounted to USD944.2 billion; the trading volume of Renminbi bonds amounted to 2.69 trillion; the trading volume in interbank foreign exchange market amounted to USD1.73 trillion; the trading volume of self-operated gold amounted to 2,570.5 tons, maintaining its market position as an active trading bank.

The Bank proactively supported the construction of Shanghai as an international financial centre and became one of the members of China Foreign Exchange Trading System initially qualified for bank transaction settlement and completed the first day trading of X-LENDING bond lending and borrowing businesses. The Bank seized the new opportunity of market-oriented reforms of insurance fund utilisation and conducted the first bond lending business with insurance peers.

(3) *Asset custody*

The Bank focused on the original business of custody, enhanced the improvement of its capability for securities custody business, vigorously developed public fund custody businesses and provided innovative asset management and project custody services to serve the real economy and improve its value contribution. It supported the national pension Security system reform by seizing the opportunities for personal pension business and actively expanding pension custody businesses. It also deepened cooperation with financial institutions including insurance, securities and trust companies to facilitate the promotion of all product lines and enhance market competitiveness. As at the end of the Reporting Period, the assets under custody reached 12.12 trillion.

(4) *Wealth management business*

The Bank continued to optimise the structure of its wealth management products, accelerated the expansion and increase of distribution channels to further increase the net worth of its wealth management products. As at the end of the Reporting Period, the balance of off-balance sheet wealth management products of the Group reached 1,276.964 billion, among which the balance of net-worth wealth management products was 1,148.520 billion, accounting for 89.94% of the Group's asset management products and representing a year-on-year increase of 18.62 percentage points.

5. *Integrated Operation*

- ◆ The Group established a coordinative development pattern to provide comprehensive financial services for customers by using commercial banking businesses as the body, with other businesses including financial leasing, fund, wealth management, trust, insurance, foreign security and debt-to-equity swap developing alongside.
- ◆ During the Reporting Period, net profits of subsidiaries⁷ that are attributable to shareholders of the Bank amounted to 3.381 billion, the proportion of which to the Group's net profit was 7.68%. As at the end of the Reporting Period, total assets of the subsidiaries are 600.223 billion, the proportion of which to the total assets of the Group was 4.77%.

Bank of Communications Financial Leasing Co., Ltd. As the Bank's wholly-owned subsidiary, it was set up in December 2007 with a registered capital of 14.0 billion. The main business scope includes financing leases and operating leases in sectors such as aviation, shipping and energy power, transportation infrastructure, equipment manufacturing and livelihood services. The company was elected as the Fifth Chief Administration Unit of China Banking Association (CBA) Financial Leasing Committee. During the Reporting Period, the company adhered to the development strategies of "Professionalism, Internationalisation, Differentiation and Characteristics", and deeply engaged in aviation, shipping, traditional financing leasing and other businesses, with its main indicators continuing to rank among the highest in the industry. As at the end of the Reporting Period, the company's total assets, net assets and balance of leasing assets were 349.486 billion, 38.699 billion and 304.195 billion, respectively, representing a year-on-year increase of 9.6%, 7.97% and 6.22% respectively. Total leasing assets of aircraft and ship amounted to 188.614 billion, with fleets of 432 ships and 269 planes. During the Reporting Period, the company's net profit reached 1.887 billion, representing a year-on-year increase of 8.08%.

⁷ Excluding Bank of Communications (Luxembourg) S.A., Bank of Communications (Brazil) Co., Ltd. and Bank of Communications (Hong Kong) Limited, same applies hereinafter.

During the Reporting Period, the company overcame the adverse effects of the pandemic, expedited transformation and innovation, and fully supported the nation's industrial structure policy and the development of key regions. The company made new investments mainly in manufacturing, livelihood services, energy power and transportation, among which incremental investments in the area of "developing the nation into a manufacturing powerhouse" increased by 116.76% on a year-on-year basis. As at the end of the Reporting Period, the balance of leasing assets of the company in the Yangtze River Delta increased by 17.39% over the end of the previous year to 36.975 billion, among which the balance of leasing assets in Shanghai increased by 19.7% over the end of the previous year to 22.942 billion. The company adhered to the concept of leading industry through innovation, actively explored the "sell-buy" method of aircraft assets, and won Asia-Pacific Editor's Deal of the Year awarded by Airline Economics in 2022. The company also successfully completed the registration of external claims under an innovative leasing project. Specifically, it launched the first special purpose vehicle (SPV) cross-border container leasing project among Chinese free trade zones, the first of such kind in domestic finance leasing industry. With this innovative project, the company ensured the supply of containers to enterprises and helped maintain a smooth and stable global logistics supply chain.

Bank of Communications International Trust Co., Ltd. It was set up in October 2007 with a registered capital of 5.765 billion, of which the Bank and Hubei Communications Investment Group Co., Ltd. (previously known as Hubei Provincial Communications Investment Group Co., Ltd.) held 85% and 15% shareholding respectively. Its main business scope includes non-standard investment and financing trusts, securities investment trusts, asset securitisation trusts, family trusts, and charitable trusts. During the Reporting Period, the company actively promoted business transformation and achieved positive results. It issued the first Commercial Mortgage-Backed Medium-term Notes (CMBN) for underground property in the nation, and implemented the Group's first equity family trust. The company deepened the synergy effect of the Group, and increased investments in key regions such as Shanghai, the Yangtze River Delta, the Yangtze River Economic Belt, and the Guangdong-Hong Kong-Macao Greater Bay Area, with incremental investments increased by 56.56%. The company has been rated as Level A (the highest level) for seven consecutive years since the China Trustee Association launched the industry rating, and has won approval from Hubei Office of the CBIRC to engage in the equity investment business with inherent assets. During the year, the value of securitised credit assets publicly issued by the company ranked seventh in the sector. As at the end of the Reporting Period, the total assets, net assets and assets under management (AUM) of the company were 17.884 billion, 14.981 billion and 554.169 billion, respectively. Affected by the decrease in existing business and the restructuring of its trust business, the company's net profit during the Reporting Period decreased by 13.87% on a year-on-year basis to 0.505 billion.

Bank of Communications Schroder Fund Management Co., Ltd. It was set up in August 2005 with a registered capital of 0.2 billion, jointly contributed by the Bank, Schroder Investment Management Limited and China International Marine Containers (Group) Co., Ltd., accounting for 65%, 30% and 5% respectively. Its primary businesses include fund raising, fund sales and asset management. As at the end of the Reporting Period, the yield of equity investment under active management ranked 2/73 in the industry in recent seven years, 4/91 in recent five years, and 25/117 in recent three years. The rate of return of 1 fund product in recent seven years was more than 300%, the rate of return of 3 fund products in recent five years was more than 200%, and the rate of return of 14 fund products in recent three years was more than 100%. During the Reporting Period, the company and the Group jointly focused on the layout and sales of pension financial products, and thus BoCom One Year Stable Pension FOF became the largest FOF product under management in the market, with a scale of nearly 20.0 billion as at the end of the Reporting Period. As at the end of the Reporting Period, the company's total assets and net assets were 7.461 billion and 5.556 billion, respectively, and the public fund under management reached 596.1 billion, representing an increase of 9% over the end of the previous year. Due to the impact of market fluctuations, the company's net profit during the Reporting Period suffered a year-on-year decrease of 14.81% to 0.832 billion.

BOCOM Wealth Management Co., Ltd. As a wholly-owned subsidiary of the Bank, it was set up in June 2019 with a registered capital of 8.0 billion. It primarily issues to customers wealth management products of fixed income, equity, commodities, financial derivatives and hybrid categories. During the Reporting Period, the company contributed to establishing Schroder BOCOM Wealth Management Co., Ltd., and Guomin Pension Insurance Co., Ltd. to align with the nation's development strategy. It was also qualified to participate in the second round of pilot scheme of pension wealth management products. In addition, the company practiced the ESG investment concept, and successfully raised funds for and launched its first Yangtze River Delta ESG-themed wealth management product. The company also actively expanded consignment agencies outside the Bank, and ranked top among wealth management subsidiaries, with the balance of wealth management products reaching 1,148.520 billion as at the end of the Reporting Period. The company was awarded the Gold Financial Product of the Year in terms of Market Influence, and the Outstanding Innovative Wealth Management Product, among others, from media and rating agencies. As at the end of the Reporting Period, the company's total assets and net assets were 10.871 billion and 10.540 billion, respectively. The company's net profit during the Reporting Period was 0.634 billion, representing an increase of 4.51% on a year-on-year basis.

BOCOM MSIG Life Insurance Company Limited. It was set up in January 2010 with a registered capital of 5.1 billion, of which the Bank and the MS&AD Insurance Group contributed 62.50% and 37.50% stock rights, respectively. The business scope includes life insurance, health insurance, accident insurance and reinsurance businesses of the aforementioned insurances in Shanghai as well as regions where its branches were established. During the Reporting Period, the company enriched its products and further adapted its services in areas such as pension finance and financial services for new urban residents, so as to meet customers' protection needs throughout their lifetime. The company also strengthened business innovation, participated in the pilot program of individual tax-deferred commercial pension insurance, and established a team consisting of nearly 100 wealth planners to satisfy the high net-worth customers through allocation of premium and premium trusts. As at the end of the Reporting Period, the company's total assets and net assets were 109.431 billion and 8.007 billion, respectively. During the Reporting Period, the original premium income was 13.550 billion, representing an increase of 19.03% on a year-on-year basis. Affected by the fluctuations in the capital market and decrease in investment income, the net profit was 0.185 billion, representing a decrease of 69.37% on a year-on-year basis.

BOCOM Financial Asset Investment Co., Ltd. As a wholly-owned subsidiary of the Bank, it was set up in December 2017 with a registered capital of 10.0 billion. As one of the first pilot banks to implement debt-to-equity conversion as determined by the State Council, it is mainly engaged in debt-to-equity conversion and supporting services. As at the date of disclosing this announcement, the Bank injected additional capital of 5.0 billion to the company. During the Reporting Period, the company made efforts to develop the main business of market-oriented debt-to-equity swap, and actively reduced leverage ratio and controlled risks to serve the real economy. Its gross incremental investment was 4.739 billion, the amount of withdrawal from projects was 2.09 billion and the net incremental investment of the year was 2.649 billion. As at the end of the Reporting Period, the company's total assets and net assets were 67.265 billion and 20.035 billion, respectively. The company's net profit during the Reporting Period was 0.709 billion, representing an increase of 0.84% on a year-on-year basis. Pursuant to the *Administrative Measures for the Capital of Commercial Banks (Trial Implementation)* issued by the China Banking and Insurance Regulatory Commission ("CBIRC") and the relevant requirements, as at the end of the Reporting Period, the total net value of the company's core tier 1 capital, tier 1 capital and net capital amounted to 20.030 billion, with core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio, and capital adequacy ratio all at 14.60%. The leverage ratio was 29.95%, which met the regulatory requirements.

BoCom International Holdings Company Limited. It was set up in June 1998 (formerly known as Communications Securities Co., Ltd. It changed its name to BoCom International Holdings Company Limited in May 2007). It was listed on the main board of Hong Kong Stock Exchange on 19 May 2017. Its main business is divided into four major sections, namely, securities brokerage and margin financing, corporate finance and underwriting, asset management and consulting, and investment and loan. As at the end of the Reporting Period, the Bank's shareholding of the company was 73.14%. During the Reporting Period, the company adopted the business strategy of "highlighting the businesses in Yangtze River Delta and Pearl River Delta, focusing on two fields of the industry and achieving transformation with intelligent and digital technologies" to provide customers with comprehensive financial services of the integrated industrial chain. As at the end of the Reporting Period, the company's total assets and net assets were HKD29.542 billion and HKD4.609 billion, respectively. During the Reporting Period, the company's investment business suffered net losses of HKD1.678 billion due to the adverse impact of poor market performance.

China BoCom Insurance Co., Ltd. As a wholly-owned subsidiary of the Bank, it was set up in November 2000 with a registered capital of HKD0.4 billion. Its main business includes the operation of 17 types of general insurances approved by the Insurance Authority of Hong Kong. During the Reporting Period, the company took advantage of the Group's only property and casualty insurance platform and a full business license for general insurances to overcome the impact of the pandemic in Hong Kong, and coordinated with the Group to continuously enhance insurance customer experience. The company's gross premiums increased by 23.30% on a year-on-year basis, higher than the growth rate in Hong Kong's general insurance market. The premium profits before expenditure reached HKD15.26 million and remained flat on a year-on-year basis, with the net compensation rate at 18.55%. Affected by multiple factors such as the fifth wave of the pandemic in Hong Kong, capital market fluctuations, and a year-on-year increase in claims paid, the net profit suffered a year-on-year decrease of 26.21% to HKD4.87 million and revenue from business collaboration amounted to HKD7.01 million, representing a year-on-year increase of 15.19%.

6. *Global Service Capabilities*

- ◆ The Group formed an overseas operating network covering major international financial centres across five continents, and had 23 overseas branches (subbranches) and representative offices in 18 countries and regions, with 69 overseas operating outlets.
- ◆ During the Reporting Period, net profit of overseas banking institutions was 3.054 billion, whose contribution to the Group's total net profit was 6.93%. As at the end of the Reporting Period, the total assets of overseas banking institutions were 1,318.503 billion, whose contribution to the Group's total assets was 10.48%.

(1) Internationalisation development

The Group leveraged its solid domestic and overseas service network and operating capabilities to actively provide financial services for Chinese enterprises going global that are in line with the nation's strategies. In doing so, the Group aimed to proactively respond to China's pursuit of high-level opening-up and a new development pattern of "dual circulation," in which domestic and foreign markets reinforce each other. During the Reporting Period, overseas banking institutions closely monitored changes in the global market, improved their emergency plans, strengthened risk prevention, and carried out operational management work in a stable and orderly manner.

(2) International settlement and trade financing

The Bank actively served trade-oriented enterprises, continuously optimised the functions of online trade finance products, and promoted product iteration and upgrade. The balance of EASY-Remittance, EASY-Certificate and EASY-Loan increased by 173%, 113% and 123% from a year earlier, respectively. The Bank also actively implemented the nation's relevant requirements to support the development of new forms of foreign trade, and hence expedited the implementation of newly business and projects such as cross-border e-Commerce, integrated foreign trade services and market procurement trade, which increased by 413%, 114 and 70% in business volume on a year-on-year basis, respectively. In addition, the Bank launched a series of international business stewardship services and other scenario-based innovative products to inject a new momentum of fintech into cross-border trade and facilitate investment and financing. During the Reporting Period, the amount of international settlement processed by the Bank reached USD262.904 billion, representing a year-on-year increase of 14.15%. The volume of financing for cross-border trade reached USD17.594 billion.

(3) *Overseas service network*

The Group had 23 overseas branches (sub-branches) and representative offices in places including Hong Kong, New York, London, Singapore, Tokyo, Frankfurt, Luxembourg and Sydney, providing customers with financial services including deposits, loans, international settlement, trade financing and foreign currency exchange. As at the end of the Reporting Period, the Bank established overseas banking service network with 1,005 banks in 126 countries and regions, set up 238 cross-border Renminbi interbank accounts for 100 overseas Renminbi participating banks in 31 countries and regions. In addition, 82 foreign currency settlement accounts in 27 major currencies were opened in 63 banks in 31 countries and regions.

(4) *Cross-Border Renminbi transactions*

The Bank actively promoted the deployment and application of the CIPS standard transmit product (enterprise version) to complete the “last mile” of cross-border Renminbi payment and clearing services, so as to help construct an independent, secure and controllable cross-border Renminbi payment network. As at the end of the Reporting Period, a total of 507 enterprises adopted the standard transmit product through the Bank, making the Bank ranked first in the market in this regard. The Bank also strived to further align its cross-border Renminbi transactions with its business strategy and strengthened collaboration between domestic and overseas banks. During the Reporting Period, the volume of cross-border Renminbi settlement of domestic and overseas banking institutions reached 668.237 billion, representing an increase of 10.60% on a year-on-year basis.

(5) *Offshore services*

The Bank strengthened the integrated development of offshore and onshore businesses as well as the integrated operation of non-resident accounts, and fully explored the business potentials of the integration of Yangtze River Delta and Lin-Gang Special Area of Shanghai Pilot Free Trade Zone. As at the end of the Reporting Period, the asset balance of offshore business increased by 9.42% over the end of the previous year to USD17.437 billion.

7. *Channel construction*

(1) *Corporate online banking and corporate mobile banking*

Centering on customer experience, the Bank provided professional and intelligent corporate online financial services via PC terminal and mobile terminal, and enhanced its ability to boost high-quality development of corporate customers with the power of FinTech. As at the end of the Reporting Period, the number of contracted customers of corporate online banking (Bank-corporate direct connection) increased by 6.91% over the end of the previous year, and the annual cumulative transaction volume saw an increase of 3.96% on a year-on-year basis. The number of contracted customers of corporate mobile banking increased by 10.68% over the end of the previous year, and the annual cumulative transaction volume saw an increase of 27.62% on a year-on-year basis.

(2) *Personal mobile banking*

Adhering to the customer-oriented principle, the Bank consistently enhanced its capabilities for providing online financial services to enable customers to enjoy convenient services remotely. The Bank also launched special inclusive loans and consumption loans with preferential interest rates during the pandemic to meet online financial service needs of various customer groups. Besides, the Bank leveraged FinTech to empower elderly people to cross the “digital divide” and became one of the first enterprises to pass the assessment by the Ministry of Industry and Information Technology on elderly-oriented and barrier-free transformation of Internet applications. The Bank also cooperated with a number of leading Internet enterprises to promote the opening of Digital renminbi wallets via the Bank, as well as the integration of Digital renminbi into mobile banking payment scenarios. As at the end of the Reporting Period, the number of monthly active users (MAU) of personal mobile banking increased by 6.40% over the end of the previous year to 40.5482 million.

(3) *Go Pay*

The Bank improved search and other platform service functions to provide users with more intelligent, convenient and thoughtful experience. As at the end of the Reporting Period, the accumulated number of registered customers of Go Pay App was 72.6814 million, while the number of MAUs was 24.9551 million. The frequencies of Go Pay APP used in financial and non-financial scenarios were 83.78% and 51.47%, respectively.

(4) *Open banking*

The Bank focused on medical care, travel, education, government affairs and other livelihood scenarios, and launched respective financial service solutions covering accounts, payment and integrated financing to expand its service scope. The Bank also actively served the platform economy and cross-border e-Commerce, and explored service models in areas such as elderly health care, rural revitalisation, judicial auctions and housing support. As at the end of the Reporting Period, 1,673 interfaces were launched for open banking, with an increase of 35.14% over the end of the previous year and a cumulative 1 billion calls. During the Reporting Period, new customers acquired via the retail scenario increased 79.19% on a year-on-year basis to 0.3048 million; and business volume from corporate customers reached 53.898 billion.

(5) *Cloud Banking*

The Bank continuously promoted its brand of “Cloud Banking” and, by utilising innovative remote audio and video services, moved offline services at the outlets online as an important means of emergency services for epidemic prevention and disaster relief, supporting and ensuring the continued operation of outlets. As at the end of the Reporting Period, the number of services provided by the Cloud Banking amounted to 16 thousand, an increase of 322.54% over the end of the previous year. The Bank strived to develop new media channels such as “BoCom” WeChat Mini Program and Cloud Banking to enhance its capability of converting and operating new customers acquired from the channels. As at the end of the Reporting Period, customers served by “BoCom” WeChat Mini Program increased 42.73% over the end of the previous year to 17.7225 million. Cloud Banking was updated and was accessible to WeCom of the Bank, serving 4.008 million customers, a year-on-year increase of 69.24%.

8. *FinTech and Digital Transformation*

(1) Focus on technological innovation to lay a solid technical foundation

The new generation of credit card distributed system was fully launched, realizing the smooth operation of the credit card system under the migration from mainframes to the open distributed architecture. By comprehensively reconstructing the business architecture system, the new system created several highlight functions in the areas of accounts, limits, interest calculations and parameters, and supported rapid product configuration, so as to improve customer experience and operational quality and efficiency.

The Bank strived to deepen the large-scale application of artificial intelligence technologies in various areas to develop enterprise-level capabilities. The unified Optical Character Recognition (“OCR”) platform was applied to mainstream channels such as mobile banking, corporate online banking, mini program and H5 page. It served a total of 167 business scenarios and enjoyed an average daily transaction volume of 0.1811 million. Currently, the time it spent on recognition is 1.19 seconds, shortened by 3.24 seconds over the end of the previous year, with manpower per day for this job reduced by 228 on average. Robotic process automation (RPA) has been promoted and applied in many fields to realize a business processing mode with seamless process connection and efficient resource collaboration, which better support the development of digital operation. In total, 197 process scenarios have been launched, saving an average of 1,840 hours per day in manual processing operations and processing 980,000 business transactions per month. The forecast accuracy of the AI recognition model based on a special name list of anti-money laundering increased from 89% to 94.79%.

The Bank actively promoted the application of privacy computing technology in corporate business, and completed technical verification of various scenarios such as provision of financing services for the small, medium and micro enterprises based on multi-party security computing, image privacy protection, and targeted marketing of cloud loans. The Bank’s bank card marketing service based on privacy computing technology has been included in the application of financial technology innovation regulatory tools of PBOC in Hebei Province.

(2) *Deepen the integration of business and technologies to maintain long-term development momentum*

The Bank strengthened ecosystem construction of various scenarios and further integrated digital transformation into scenarios such as digital China, digital society, digital government, and digital enterprises, so as to improve the capabilities of providing services for customers from the government, industry and consumption (GBC) scenarios. The Bank strengthened open-banking driven mode innovation and service extension, focused on livelihood scenarios, and launched a total of 362 collaborative projects, resulting in acquisition of new customers of 0.3048 million. The Bank also implemented digital renminbi application scenarios around key topics such as “Great Travel”, “Great Medical Care”, “Big Retail”, “Great Livelihood”, and “Great Education”, and launched key projects including pre-sale funds supervision to closely align with the construction of digital city of Xiong’an New Area.

The Bank implemented inclusive finance to support financial needs in areas such as livelihood consumption, small and micro enterprises, and rural revitalisation, and has launched “Benefit Medical Payment” in 35 cities, with 0.68 million registered customers in total. The Bank also introduced 72 scenario-customised products relying on the function of Inclusive e-Loan in 34 branches. Adhering to the concept of customer orientation, the Bank actively transformed its financial products to make them more friendly to the elderly to bridge the digital divide. With the transformed mobile banking APP and official website, the Bank became one of the first enterprises to pass the assessment by the Ministry of Industry and Information Technology on elderly-oriented and barrier-free transformation of Internet applications, providing more comfortable and convenient user experiences for customers.

(3) *Strengthen data support capabilities*

Data governance The Bank strengthened regulated data governance, improved data standard system, introduced data quality management platform, and enhanced data integrity, accuracy and consistency. The Bank also improved its data security management system, and established an impact assessment mechanism of data security to lay a solid foundation for data security.

Data service The Bank improved the unified foundation of big data and utilised the enterprise-level data middle office to provide data service support for the construction, transformation and application of marketing middle office, risk control middle office. The data analysis platform supports business analysis, customer expansion through marketing, risk monitoring, among others, and helps deepen the application of data analysis across the Bank. Besides, the management cockpit and value analysis decision-making platform give full play to data value for business management decisions. The Bank also actively participated in the market-oriented development of data elements and strengthened cooperation with three data exchanges in Beijing, Shanghai and Shenzhen to jointly explore and promote the sharing and application of data elements. In May, the Bank obtained a Level 4 certificate for the Data Management Capability Maturity Assessment Model (DCMM), reaching a new level in data management capability.

(4) Strengthen the safeguard on work security

The Bank adhered to the bottom line of safety production. During the reporting period, the Group's security protection was robust, with no major network security incidents and no leakage of customer information and other important data. The Group retained a high level of information technology risk prevention and control. The bank's production and network operation was smooth, and the security production was successfully completed during important periods such as the Winter Olympic Games, the Winter Paralympic Games and the "two sessions". During the pandemic, the bank made every effort to ensure the continuous operation of our business and the stable operation of various production systems.

(III) Risk Management

The Board of Directors of the Bank established the overall risk appetite of "Stability, Balance, Compliance and Innovation" for the Bank and further set specific indicators of risk limits against various risk types including credit, market, operation, liquidity, interest rate of banking book, information technology and country to control strictly over various risk types. During the reporting period, the Bank formulated the "Methods of strengthening unified risk management" to further clarify the unified risk management requirements for each institution in the Group, implement the risk management responsibilities of operating units, to improve the comprehensive risk management system covering all types of risks and businesses, and thus ensured the bottom line of preventing the occurrence of systematic and regional risks.

1. Risk Management Framework

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

2. Risk Management Tool

The Bank actively practiced digital transformation in risk management and built a strong foundation for risk data across the Bank and an enterprise-level risk management application under the guideline of being market-driven, customer-based, grass roots-oriented and urgency-prioritised to enhance intelligent risk management. It improved the integrated risk monitoring system covering the Group and optimised the unified view of risks. Its risk monitoring system project was awarded the "2021 Top Ten Intelligent Risk Control and Management Innovation Award under the Financial Innovation of China Award" by "The Banker". The Bank pushed forward the construction of risk measurement system, strengthened the unified management of risk measurement throughout the Group and optimised the measurement system covering all types of major risks. The Bank built a unified model management platform, launched the project of implementing new capital management measures and completed the major work of the construction and upgrading of systems.

3. *Credit Risk Management*

During the reporting period, the Bank has continued to enhance its unified credit risk management. The Bank has promoted the development of credit business in an orderly manner and supported the stabilisation and improvement of the real economy, and has vigorously developed green finance. The Bank has actively provided support to key sectors including inclusive small and micro businesses, advanced manufacturing, infrastructure construction, strategic emerging industries, and trade and logistics. The Bank has also strengthened control over real estate, government's implicit debt, large business group customers, overcapacity, credit cards, etc. The Bank has continuously improved its management infrastructure, improved its credit policy framework, the outline of its credit and risk policy, its industry investment guideline, its "one industry one policy", and has been able to adopt special policies swiftly. The Bank has connected to the Unified Registration and Publication System for Chattel Financing of the Credit Reference Centre of the People's Bank of China, and has been promoting online mortgage registration nationwide, and "cross-province" mortgage registration has been enabled for many cities in the Yangtze River Delta. Our system tools are constantly being upgraded, and post-loan/investment management and risk monitoring methods have been further enhanced; Our risk classification has become more accurate and stricter, and our asset quality has been stable and improving.

We increased the disposal of non-performing assets and related debt recovery. During the reporting period, the disposal of non-performing loans was RMB38.247 billion, and the relevant substantial recovery accounted for nearly 47%, an increase of nearly 6 percentage points year-on-year, and the quality and efficiency of disposal improved steadily. This is due to, firstly, the head office has brought professional disposal capability and helped with the disposal of major risk projects, and improved the effectiveness of the disposal of non-performing assets. Secondly, the Bank has actively promoted the securitisation and issuance of non-performing assets, our issuance volume was the second largest in the market during the first half of the year.

For the real estate sector, the Bank has followed the national macro-control policies, and has promoted the steady and healthy development of the real estate market. Firstly, the Bank has strengthened access control, followed the general principle of “implementing policies on a city-by-city basis and a client-by-client basis, differentiating management in level and in category”, adhered to the five-factor client acceptance criteria of “client, region, business status, cost and return”, and strengthened differentiated management. Secondly, the Bank has handled and resolved risks diligently, and has followed the guiding of “three stabilisation” (the stabilisation of land cost, property cost and market expectation) and “three assurance” (the assurance of property delivery, public livelihood and social stability). In accordance with the principles of legal compliance and marketisation, the Bank has cooperated with local governments to carry out “two protections” (protect the real estate market’s stable and healthy development; and protect the rights and interests of home buyers). In accordance with the principles of legal compliance, risk controllability, and business sustainability, steady and orderly, the Bank has supported mergers and acquisitions of high-quality real estate enterprises out of risk and high-quality projects of real estate enterprises in difficulty. Thirdly, the Bank has strengthened risk prevention and control, and has used various internal and external tools to strengthen risk monitoring, investigated risks diligently. The Bank Improved the initiative of risk management, and has achieved early identification, early warning, early detection and early disposal of risks. The Bank has continued to promote the adjustment of industry structure and has strictly adhered to the bottom line of no systemic risks. In the first half of 2022, the operations and financial conditions of some real estate companies continued to be under pressure, liquidity risks were highlighted, and debt defaults or negative public opinion occurred in the open market. The Bank relocated the relevant several real estate project loans to non-performing loans in accordance with the principle of substantive risk judgment, and has further strengthened the risk management and recovery and disposal of related loans. At the end of the reporting period, the non-performing amount and non-performing ratio of the real estate industry increased compared with the beginning of the year, whereas the overall risk is controllable.

For the credit card business, the Bank has continued to optimise the customer base structure and has expanded the scale of high-quality assets. By optimising data management, model application, and risk control system, the Bank has improved customer profiling and precise policy implementation capabilities. The Bank has overcome the adverse impact of the epidemic and has focused on the recovery of substantial non-performing assets. The non-performing ratio has fallen after a short-term surge, and the asset quality was stable and controllable. At the end of the reporting period, the non-performing rate of credit card business was 2.66%, a decrease of 0.05 percentage point from the end of the first quarter.

During the reporting period, the Group has strengthened risk identification, accelerated risk disposal, and tightened asset quality classification standards. The foundation of asset quality has been continuously consolidated, and the level of asset quality has been steadily improved. As at the end of the Reporting Period, the balance of non-performing loans of the Group was 103.232 billion and the non-performing loan ratio was 1.46%, representing an increase of 6.436 billion and a decrease of 0.02 percentage point respectively over the end of the previous year. The balance of overdue loans is basically stable, and the proportion decreased compared with the beginning of the year. The Group adopted prudent classification standards for overdue loans. All the corporate loans overdue for more than 60 days were included in non-performing loans. Loans overdue for over 90 days were included in non-performing loans and accounted for 56% of non-performing loans.

Distribution of loans by five categories of loan classification

(in millions of RMB unless otherwise stated)

	30 June 2022		31 December 2021		31 December 2020	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Pass loan	6,883,398	97.11	6,374,975	97.17	5,668,199	96.92
Special mention loan	101,100	1.43	88,629	1.35	82,527	1.41
Total performing loan balance	6,984,498	98.54	6,463,604	98.52	5,750,726	98.33
Sub-standard loan	46,452	0.66	52,960	0.81	52,652	0.90
Doubtful loan	33,826	0.48	25,978	0.40	26,713	0.46
Loss loan	22,954	0.32	17,858	0.27	18,333	0.31
Total non-performing loan balance	103,232	1.46	96,796	1.48	97,698	1.67
Total	7,087,730	100.00	6,560,400	100.00	5,848,424	100.00

Distribution of special mention loans and overdue loans by business type

(in millions of RMB unless otherwise stated)

	30 June 2022				31 December 2021			
	Special mention loan balance	Special mention loan ratio (%)	Overdue loan balance	Overdue loan ratio (%)	Special mention loan balance	Special mention loan ratio (%)	Overdue loan balance	Overdue loan ratio (%)
Corporate loans	83,635	1.84	51,321	1.13	73,858	1.78	53,503	1.29
Personal loans	17,465	0.74	38,285	1.63	14,737	0.64	33,653	1.47
Mortgage	5,793	0.38	10,494	0.69	3,966	0.27	9,001	0.60
Credit cards	10,146	2.11	22,942	4.77	9,637	1.96	20,462	4.15
Personal business loans	636	0.30	1,934	0.90	381	0.20	1,533	0.81
Others	890	0.71	2,915	2.33	753	0.66	2,657	2.32
Discounted bills	0	0.00	15	0.01	34	0.02	6	0.004
Total	101,100	1.43	89,621	1.26	88,629	1.35	87,162	1.33

The balance of corporate overdue loan was 51.321 billion, representing a decrease of 2.182 billion over the end of the previous year. The overdue loan ratio was 1.13%, representing a decrease of 0.16 percentage point over the end of the previous year. The balance of personal overdue loan was 38.285 billion, representing an increase of 4.632 billion over the end of the previous year. The overdue loan ratio was 1.63%, representing an increase of 0.16 percentage point over the end of the previous year.

Distribution of loans and non-performing loans by business type

(in millions of RMB unless otherwise stated)

	30 June 2022				31 December 2021			
	Loans	Proportion (%)	Non-performing loans	Non-performing loan ratio (%)	Loans	Proportion (%)	Non-performing loans	Non-performing loan ratio (%)
Corporate loans	4,553,848	64.25	81,125	1.78	4,138,582	63.09	77,618	1.88
Personal loans	2,348,890	33.14	22,092	0.94	2,285,096	34.83	19,168	0.84
Mortgage	1,528,420	21.56	5,594	0.37	1,489,517	22.70	5,083	0.34
Credit cards	480,853	6.78	12,794	2.66	492,580	7.51	10,821	2.20
Personal business loans	214,738	3.03	1,582	0.74	188,293	2.87	1,301	0.69
Others	124,879	1.76	2,122	1.70	114,706	1.75	1,963	1.71
Discounted bills	184,992	2.61	15	0.01	136,722	2.08	10	0.01
Total	7,087,730	100.00	103,232	1.46	6,560,400	100.00	96,796	1.48

Distribution of loans and non-performing loans by industry

(in millions of RMB unless otherwise stated)

	30 June 2022				31 December 2021			
	Loans	Proportion (%)	Non-performing loans	Non-performing loans ratio (%)	Loans	Proportion (%)	Non-performing loans	Non-performing loans ratio (%)
Corporate loans	4,553,848	64.25	81,125	1.78	4,138,582	63.09	77,618	1.88
Transportation, storage and postal services	789,077	11.13	7,229	0.92	763,419	11.64	10,873	1.42
Manufacturing	783,050	11.05	27,403	3.50	732,565	11.16	28,305	3.86
Leasing and commercial services	698,520	9.86	11,458	1.64	650,742	9.92	11,517	1.77
Real estate	493,963	6.97	9,403	1.90	419,820	6.40	5,260	1.25
Water conservancy, environmental and other public facilities	420,070	5.93	3,864	0.92	382,201	5.83	3,357	0.88
Production and supply of electric power, heat, gas and water	297,323	4.19	3,222	1.08	268,772	4.10	2,496	0.93
Wholesale and retail trade	263,263	3.71	5,890	2.24	215,554	3.29	5,649	2.62
Construction	190,257	2.68	2,108	1.11	157,729	2.40	1,504	0.95
Finance	123,723	1.75	0	0.00	132,633	2.02	0	0.00
Education, science, culture and public health	126,047	1.78	2,792	2.22	122,196	1.86	2,759	2.26
Mining	125,254	1.77	3,081	2.46	120,216	1.83	2,413	2.01
Others	138,590	1.96	770	0.56	77,884	1.19	743	0.95
Information transmission, software and information technology services	65,933	0.93	735	1.11	60,718	0.93	1,149	1.89
Accommodation and catering	38,778	0.55	3,170	8.17	34,133	0.52	1,593	4.67
Personal loans	2,348,890	33.14	22,092	0.94	2,285,096	34.83	19,168	0.84
Discounted bills	184,992	2.61	15	0.01	136,722	2.08	10	0.01
Total	7,087,730	100.00	103,232	1.46	6,560,400	100.00	96,796	1.48

During the Reporting Period, the Group actively supported the development of real economy with its new loans preferentially going to industries such as leasing and commercial services, manufacturing. The Group maintains reasonable growth in real estate loans and cooperates with relevant departments and local governments to maintain the stable and healthy development of the real estate market and safeguard the rights and interests of housing consumers.

Distribution of loans and non-performing loans by region

(in millions of RMB unless otherwise stated)

	30 June 2022				31 December 2021			
	Loans	Proportion (%)	Non-performing loans	Non-performing loans ratio (%)	Loans	Proportion (%)	Non-performing loans	Non-performing loans ratio (%)
Yangtze River Delta	1,947,910	27.48	22,486	1.15	1,780,637	27.14	22,399	1.26
Pearl River Delta	945,967	13.35	8,576	0.91	857,521	13.07	5,559	0.66
Bohai Rim Economic Zone	1,079,193	15.23	16,357	1.52	965,957	14.72	13,893	1.44
Central China	1,172,880	16.55	15,673	1.34	1,092,985	16.66	19,224	1.76
Western China	841,414	11.87	10,197	1.21	774,445	11.80	9,661	1.25
North Eastern China	254,452	3.59	12,377	4.86	247,023	3.77	12,090	4.89
Overseas	365,089	5.15	4,771	1.31	348,948	5.32	3,139	0.90
Head Office	480,825	6.78	12,795	2.66	492,884	7.52	10,831	2.20
Total	7,087,730	100.00	103,232	1.46	6,560,400	100.00	96,796	1.48

Note:

Head Office included the Pacific Credit Card Centre.

The Group implemented differentiated policies of “One Strategy for One Bank” to make dynamic adjustments to business authorisation based on regional economic traits.

Overdue loans and advances

(in millions of RMB unless otherwise stated)

Overdue period	30 June 2022		31 December 2021	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 3 months	31,898	0.45	23,164	0.35
3 months to 1 year	31,247	0.44	29,433	0.45
1 to 3 years	19,794	0.28	27,164	0.42
Over 3 years	6,682	0.09	7,401	0.11
Total	89,621	1.26	87,162	1.33

As at the end of the Reporting Period, the balance of overdue loans was 89.621 billion, representing an increase of 2.459 billion over the end of the previous year. The overdue ratio was 1.26%, representing a decrease of 0.07 percentage point over the end of the previous year. The balance of loans overdue for over 90 days was 57.723 billion, representing a decrease of 6.275 billion over the end of the previous year.

Restructured loans

(in millions of RMB unless otherwise stated)

	30 June 2022		31 December 2021	
	Amount	Proportion (%)	Amount	Proportion (%)
Restructured loans	12,810	0.18	8,792	0.13
Including: Restructured loans and advances to customers overdue above 3 months	1,186	0.02	1,625	0.02

Loan migration rates

(%)	30 June 2022	2021	2020
Pass loan migration rate	1.11	1.86	1.84
Special mention loan migration rate	25.30	45.72	46.59
Sub-standard loan migration rate	41.60	29.61	25.48
Doubtful loan migration rate	24.11	17.42	19.92

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

Credit risk concentration

As at the end of the Reporting Period, the total loans to the largest single borrower of the Group accounted for 3.18% of the Group's net capital, and the total loans to Top 10 customers accounted for 17.38% of the Group's net capital. The situation of loans to Top 10 single borrowers as at the end of the Reporting Period is shown below.

(in millions of RMB unless otherwise stated)

30 June 2022

	Industry	Amount	Percentage of total loans (%)
Customer A	Production and supply of electric power, heat, gas and water	36,700	0.52
Customer B	Transportation, storage and postal services	35,705	0.50
Customer C	Production and supply of electric power, heat, gas and water	29,000	0.41
Customer D	Manufacturing	16,500	0.23
Customer E	Manufacturing	15,436	0.22
Customer F	Transportation, storage and postal services	14,055	0.20
Customer G	Transportation, storage and postal services	13,714	0.19
Customer H	Real estate	13,248	0.19
Customer I	Transportation, storage and postal services	13,177	0.19
Customer J	Transportation, storage and postal services	12,864	0.18
Total of Top 10 Customers		200,399	2.83

4. *Market Risk Management*

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

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

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

During the Reporting Period, the Group kept improving the market risk management system and process, optimising the risk management system, enhancing the product management, optimizing limit settings and improving the risk management of derivatives business. The Group closely observed market fluctuations, strengthened market research and judgment on the market, enhanced exposure monitoring and risk warning, improved the risk assessment and inspection, and strictly controlled various market risk exposure limits to improve the level of market risk management.

5. *Liquidity Risk Management*

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

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

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

During the Reporting Period, the Group conscientiously implemented the regulatory requirements, continuously strengthened the on- and off-balance sheet liquidity risk management. The Group actively supported the real economy and ensured the liquidity security of the Bank at the same time, with all the liquidity monitoring indicators meeting the regulatory requirements. The Group optimized and improved the liquidity risk management indicator system to promote the coordinated development of the bank's asset and liability business; realised the chronological and effective balance between the source of funds and the use of funds, actively promoted the stable growth of total deposits and issued long-term bonds to supplement stable funding. The Group strengthened the overall dispatch of domestic and foreign currency funds, dynamically regulated the scale, maturity, structure and the pace of operation of interbank liabilities, and flexibly adjusted the investment of non-credit business. The Group also performed cash flow calculation and analysis to ensure the funding position security during the pandemic.

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

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

		31	31
	Standard	30 June	December
	value	2022	2021
			December
			2020
Liquidity ratios (%)	≥25	69.17	67.11
			69.24

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

The daily average liquidity coverage ratio of the Group during the second quarter of 2022 was 128.15% (the daily average within the quarter was the arithmetic average of daily data of the quarter, the number of daily data required was 91). The ratio increased by 12.38 percentage points over the previous quarter, which was mainly due to increase in qualified high-quality liquid asset (HQLA). The Group's qualified HQLA mainly included cash, reserves that were saved in and can be withdrawn from the central bank under stress scenarios and bonds that meet the definition of tier-1 and tier-2 assets in the *Administrative Measures for Liquidity Risk Management of Commercial Banks*. In the first quarter of 2022, the quarter-end net stable funding ratio of the Group was 110.05%, representing an increase of 1.41 percentage points over the previous quarter, which was mainly due to the increase of wholesale funding. In the second quarter of 2022, the quarter-end net stable funding ratio was 109.02%, representing a decrease of 1.03 percentage points over the previous quarter, which was mainly due to the increase in loans to retail and small business customers, non-financial institutions, sovereignty, central banks and public sector entities.

6. *Operational Risk Management*

The Group developed a comprehensive operational risk management system compatible to the nature, scale and product complexity of the Bank's businesses. The Group also standardised the procedures of self-assessment on operational risk controls, operational risk incident management and key risk indicator monitoring. During the Reporting Period, the Group enhanced the management on operational risks in categories and matrix risk assessment mechanism, strengthened operational risk continuity management to the whole group, and strengthened risk monitoring assessment on key areas.

7. *Legal Compliance and Anti-money Laundering*

During the Reporting Period, the Bank continuously promoted legal knowledge education and the construction of compliance culture to improve the legal compliance management system, strictly reviewed the legal compliance of new business, new products and rules and regulations, and strengthened the response to litigation cases and legal risk management. During the reporting period, the Bank improved the anti-money laundering management system, promoted institutional money laundering risk assessment, improved the quality and efficiency of large and suspicious transaction reporting, and strengthened the construction of anti-money laundering system.

8. *Reputation Risk Management*

The Group implemented the *Measures on Reputation Risk Management of Banking and Insurance Institutions (Trial Implementation)*, continuously improved the reputation risk governance structure, established and improved the whole process management mechanism of reputation risk, including pre-assessment, risk monitoring, incident classification, early warning and reporting, corresponding strategies and measures., assessment and accountability, and review and summary, etc., consolidated the normalization construction and properly handled various reputation incidents. During the Reporting Period, reputation risk was well managed, reputation risk was under control and there was no occurrence of significant reputational incidents.

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

The Group set up the risk management system across industries and borders, characterised by “centralised management, clear allocation, adequate tools, IT support, risk quantification, and consolidation of substantially controlled entities”. The risk management of each subsidiary and foreign bank takes into account the unified requirements of the Group and the special requirements of the respective regulatory authorities. During the Reporting Period, considering the uncertainties caused by the global COVID-19 pandemic and changes in the external environment, the Group strengthened the unified risk management of overseas institutions, revised the risk management system of overseas institutions, improved the follow-up mechanism for the rectification of risk assessment issues, and developed and rehearsed various emergency plans to ensure stable operation of business. The Group also strengthened management of key areas such as employees’ awareness of pandemic prevention, liquidity, business continuity and asset quality in overseas institutions. The Group enhanced the consolidation management, refined the full lifecycle management of subsidiaries, and provided better guidance and assessment on the consolidation management of subsidiaries. The Group implemented by-country risk management, improved internal management system, regularly monitored and implemented limit management requirement, carried out by-country risk analysis and risk rating, and continuously monitored and timely responded to by-country risk incidents.

10. *Management of Large Exposure Risk*

The Group thoroughly implemented the requirements of the Administrative Measures for the Large Exposures of Commercial Banks issued by the CBIRC, boosted the construction of management system, and optimised internal management system. The Group continuously monitored situations of large exposure risk, and strictly implement each limit management, so as to improve the Group’s ability to prevent systematic and regional risk. During the Reporting Period, the Group’s large exposure risk indicators all met the regulatory requirements.

11. *Climate and Environmental Risk Management*

The Group actively served the “carbon peak and carbon neutrality” national strategy, integrated climate and environmental risks into its comprehensive risk management system, included climate and environmental risk management as an important part in its medium and long-term plan, actively took measures to improve the governance structure, optimised the management and control means, and prepared to identify and respond to physical risks and transformation risks. During the Reporting Period, the Bank integrated climate risks into its risk appetite management system, consolidated carbon data infrastructure construction, and advanced research on climate risk stress test approaches.

(IV) Outlook

The external environment is complex and severe, with high inflation overseas, accelerated monetary policy tightening in major economies, and geopolitical conflicts increasing the vulnerability of the global financial system and economic momentum; the foundation for sustained domestic economic recovery remains fragile, and there are recurring risks of the pandemic. However, the long-term positive potential and fundamentals of China's economy remain unchanged, and the Group has accelerated the construction of a new "double-cycle" development pattern, strengthened cross-cycle and counter-cyclical adjustment, and taken positive action in macroeconomic policies to expand demand, which has brought a relatively relaxed business environment for the banking industry and new opportunities and new tracks for the Group to develop its strategic depths.

From the second half of 2022, the Group will continue to adhere to the general work keynote of making progress while remaining stability. The Group will fully, accurately and comprehensively implement the new development concept, serve the new development pattern, unwaveringly follow the path of financial development with Chinese characteristics, accelerate the promotion of high-quality development, and promote the achievement of all targets and tasks for the year. Therefore, the Group will specifically focus on the following aspects:

Firstly, enhance the service of the real economy. The Group will actively align with major national strategic directions and policy guidelines, continue to increase credit allocation to inclusive finance, manufacturing, green development, technological innovation, rural revitalisation and infrastructure construction, enhance the stability and sustainability of gross credit growth and continue to optimise the business structure. We need to grasp the favourable window of Shanghai's accelerated economic recovery and revitalisation, and increase the penetration of key industries and major projects, thus building up a home advantage. We will enhance our credit support to areas and industries affected by the pandemic, leverage the advantages of digital inclusive products in terms of "no-touch services", and combine advantageous financing products and convenient financing methods, thereby opening up space for helping enterprises to alleviate their difficulties and provide services for them.

Secondly, we are determined to win the battle for asset quality. We will continue to deepen our risk-based credit management reform, strictly controlling important thresholds for credit entry, approval and post-loan management, and tightening control over loan increases and speeding up repayments. We will improve our regular and systematic comprehensive risk-checking mechanism to achieve "early identification, early warning, early detection and early response" and effectively manage risks in key areas such as liquidity, information system and network security, internal control and crime prevention. We will strengthen the Group's unified risk management system and capability building to comprehensively enhance our risk measurement and monitoring capabilities and digital risk control to prevent and mitigate financial risks.

Thirdly, accelerate the construction of a “New Digital BoCom”. We will use digital thinking to reshape processes, optimise mechanisms and innovate systems to establish a sound data-driven business operation model. We will drive the construction of enterprise-level structure and middle office, strengthen the reuse of enterprise-level capabilities through system innovation and process re-engineering, and achieve the integrated advancement of business objectives and technical objectives. We will seize the trend of online customer demand, expand the service boundary with scenario building and create a closed-loop service process from the customer’s perspective, thus enhancing the ultimate customer experience with online and offline integration. We will build a new enterprise-level digital risk management system based on a unified technology base and data middle office. We will continue to optimise the “one thing” working mechanism in areas such as credit medical care, technology finance and industrial chain financing, and explore applications in new areas such as consumer promotion, new citizen finance and rural revitalisation to create operational highlights and form competitive advantages in the market.

Fourth, enhance value creation capabilities. We will leverage digital transformation to enhance our product capabilities, strengthen our customer base and activate new momentum of development. We will establish a sound tiered and categorised operating system for corporate clients, seize opportunities in the development of digital platforms and open banking, and enhance our ability to provide integrated account, settlement and financing services to different types of clients. We will improve our retail customer tiered operation system, enrich our wealth management product shelves, create product portfolios and build financial ecologies for all customers. We will continue to be international and integrated to better meet the demand of all customers and the whole cycle of investment and financing services, so as to promote stable growth of middle income and enhanced the ability to create common value.

V. CORPORATE GOVERNANCE

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

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

(I) Shareholders' General Meeting

On 28 June 2022, the Bank held the 2021 Annual General Meeting, at which nine proposals were considered and approved, including 2021 Report of the Board of Directors, 2021 Report of the Board of Supervisors and 2021 Financial Report. On 25 August 2022, the Bank held the 2022 First Extraordinary General Meeting, the 2022 First A shares General Meeting, the 2022 First H shares General Meeting, at which four proposals were considered including the amendment on "the Articles of Association of Bank of Communications Co., Ltd.". The results announcements for the above Shareholders' General Meetings were disclosed on the websites of SSE, Hong Kong Stock Exchange and the Bank, and were published via media designated by the CSRC.

(II) Profit Distribution

Pursuant to the 2021 Profit Distribution Plan approved at the 2021 Annual General Meeting of the bank, a cash dividend of 0.355 (inclusive of tax) for each share, totalling 26.363 billion, which was calculated based on a total share capital of 74.263 billion ordinary shares as at 31 December 2021 was approved. The aforementioned dividend was distributed to holders of A share and H share of the Bank on 12 July 2022 and 2 August 2022 respectively.

The Bank will not distribute an interim dividend or convert any capital reserve into share capital for the six months ended 30 June 2022.

(III) Directors, Supervisors and Senior Management

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

Name	Position	Name	Position
Ren Deqi	Chairman of the Board of Directors and Executive Director	Chen Junkui	Non-executive Director
Liu Jun	Vice Chairman of the Board of Directors, Executive Director and President	Luo Xiaopeng	Non-executive Director
Li Longcheng	Non-executive Director	Woo Chin Wan, Raymond	Independent Non-executive Director
Wang Linping	Non-executive Director	Cai Haoyi	Independent Non-executive Director
Chang Baosheng	Non-executive Director	Shi Lei	Independent Non-executive Director
Liao, Yi Chien David	Non-executive Director	Zhang Xiangdong	Independent Non-executive Director
Chan Siu Chung	Non-executive Director	Li Xiaohui	Independent Non-executive Director
Mu Guoxin	Non-executive Director	Ma Jun	Independent Non-executive Director (designated)

Notes:

1. Mr. Mu Guoxin and Mr. Luo Xiaopeng have been non-executive Directors of the Bank since 18 August 2022.
2. The qualification of the director designate is subject to approval by the CBIRC.

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

Name	Position	Name	Position
Xu Jiming	Chairman of the Board of Supervisors and Shareholder Supervisor	Guan Xingshe	Employee Supervisor
Wang Xueqing	Shareholder Supervisor	Lin Zhihong	Employee Supervisor
Li Yao	External Supervisor	Feng Bing	Employee Supervisor
Chen Hanwen	External Supervisor	Po Ying	Employee Supervisor
Su Zhi	External Supervisor		

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

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

Changes in Directors, Supervisors and Senior Management

Newly Elected/Appointed

Name	Position	Change
Mu Guoxin	Non-executive Director	Elected
Luo Xiaopeng	Non-executive Director	Elected
Ma Jun	Independent Non-executive Director (designated)	Elected
Su Zhi	External Supervisor	Elected

Resigned/Retired

Name	Ex-position	Change
Song Hongjun	Ex-Non-executive Director	Retired (Board of Directors Renewal)
Liu Haoyang	Ex-Non-executive Director	Retired (Board of Directors Renewal)
Yeung Chi Wai, Jason	Ex- Independent Non-executive Director	Retired (Board of Directors Renewal)
Zhang Minsheng	Ex-Shareholder Supervisor	Resigned (due to job assignment)
Xia Zhihua	Ex-External Supervisor	Retired (Board of Supervisors Renewal)
Ju Jiandong	Ex-External Supervisor	Retired (Board of Supervisors Renewal)
Wang Feng	Ex-Chief Business Officer (Retail and Private Business Sector)	Retired (due to job assignment)

Changes in the information of Directors, Supervisors and Senior Management

Mr. Liao, Yi Chien David, a non-executive director, ceased to be the managing director of HSBC Group.

Mr. Shi Lei, an independent non-executive director, became an independent director of Hangzhou Meideng Technology Co., Ltd.

Mr. Chen Hanwen, an external supervisor, became an independent director of Shanghai Fuiou Payment Service Co., Ltd., and ceased to be an independent director of Xiamen International Bank Co., Ltd.

Ms. Lin Zhihong, employee Supervisor, ceased to be a non-executive director of BOCOM International Holdings Company Limited.

Ms. Feng Bing, employee Supervisor, ceased to be league secretary of the Bank.

Mr. Tu Hong, Director of Business (Interbank and Market Business), is also the President of Shanghai Branch of the Bank and ceases to be the Chairman of BOCOM Wealth Management Co., Ltd.

Shareholdings of Directors, Supervisors and Senior Management

Name	Position	Class of shares	Number of shares held at the beginning of the Reporting Period (share)	Increase (or decrease) in shareholdings during the Reporting Period (share)	Number of shares held at the end of the Reporting Period (share)	Reason for changes
Ren Deqi	Chairman of the Board of Directors and Executive Director	A share	0	0	0	–
		H share	300,000	0	300,000	–
Chan Siu Chung	Non-executive Director	A share	0	0	0	–
		H share	49,357	0	49,357	–
Guan Xingshe	Employee Supervisor	A share	40,000	0	40,000	–
		H share	0	0	0	–
Lin Zhihong	Employee Supervisor	A share	30,000	10,000	40,000	Purchased from secondary market
		H share	0	0	0	–
Po Ying	Employee Supervisor	A share	65,000	10,000	75,000	Purchased from secondary market
		H share	0	0	0	–
Guo Mang	Executive Vice President	A share	50,000	0	50,000	–
		H share	0	0	0	–
Gu Sheng	Secretary of the Board of Directors	A share	66,100	0	66,100	–
		H share	21,000	0	21,000	–
Tu Hong	Chief Business Officer (Interbank and Market Business Sector)	A share	0	0	0	–
		H share	50,000	0	50,000	–
Lin Hua	Chief Risk Officer	A share	132,100	0	132,100	–
		H share	0	0	0	–
Ng Siu On	BoCom-HSBC Strategic Cooperation Consultant	A share	0	0	0	–
		H share	30,000	0	30,000	–
Resigned/Retired Directors, Supervisors and Senior Management						
Wang Feng	Ex-Chief Business Officer (Retail and Private Business Sector)	A Share	239,335	0	239,335	–
		H Share	140,000	(131,000)	9,000	Sold to secondary market

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

VI. SIGNIFICANT EVENTS

(I) Commitment

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

(II) Material Litigation and Arbitration

During the Reporting Period, the Group was not involved in any material litigation or arbitration that had significant impact⁸ on its operating activities. As at the end of the Reporting Period, the Group was involved in certain outstanding litigations and arbitrations as a defendant or third party with an amount of approximately 2.602 billion.

⁸ "Significant impact" is based on Article 19 of CSRC's *Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 26 – Special Provisions on Information Disclosure by Commercial Banks*, which stipulates that "if the amount of a single litigation matter involved in a commercial bank exceeds 1% of the net assets attributable to the shareholders of the Bank in the audited consolidated financial statements of the previous year, the company shall make a timely announcement".

(III) Punishment

During the Reporting Period, neither the Bank, nor any of its directors, supervisors or senior management was subject to any investigation by competent authorities, any enforcement measures by judiciary authorities, any transferring to the judiciary authorities for criminal responsibilities, any investigation or administrative penalty by the CSRC, any prohibition from access to market or disqualification, any material administrative penalty by administrative departments including environmental, safety supervision, tax and any other administrative departments, any serious disciplinary violations or crime in office that takes retention measures and affect the performance of duties by discipline inspection agency, any administrative regulatory measures taken by the CSRC or any disciplinary sanctions taken by the stock exchanges.

(IV) Integrity

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

(V) Related Party Transactions

During the Reporting Period, all transactions between the Group and its related parties were the monetary transactions conducted in the ordinary course of business. During the Reporting Period, Bank didn't have significant related party transactions under the *CSRC's Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 26 – Special Provisions on Information Disclosure by Commercial Banks (2022 Revision)*, the *Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 3 – Contents and Formats of Semi-annual Reports (2021 Revision)*.

According to the *CSRC's Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 26 – Special Provisions on Information Disclosure by Commercial Banks and the Standards Concerning the Contents*, at the end of the Reporting Period, the balance of loans between the Bank and related natural persons was 6.2932 million, and the overdraft limit of credit cards for related natural persons (including the credit undrawn) was 10.8045 million, whose transaction type mainly included loans and credit card overdrafts.

(VI) Material Contracts and Performance of Obligations Thereunder

1. Material Trust, Sub-contract and Lease

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

2. Material Guarantees

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

(VII) Audit Committee

The Bank has established an Audit Committee under the Board of Directors in accordance with the requirements of the Hong Kong Listing Rules. The Audit Committee is mainly responsible for proposing the appointments, re-appointments or removals of the Bank's auditors who conduct regular statutory audits of the Bank's financial reports and the Committee is also responsible for specific implementation matters, monitoring and evaluating the Bank's relationship with the external auditors and the works of the external auditors, guiding, assessing and evaluating the internal audit work and the implementation of internal audit system, reviewing the Bank's financial information and disclosure, examining the Bank's accounting policies and practices, financial position and financial reporting procedures, and monitoring and evaluating the effectiveness and implementation of the Bank's internal controls.

As at the date of this announcement, the Audit Committee comprised seven members, including Ms. Li Xiaohui, Mr. Li Longcheng, Mr. Chang Baosheng, Mr. Chen Junkui, Mr. Woo Chin Wan, Raymond, Mr. Shi Lei and Mr. Zhang Xiangdong. Ms. Li Xiaohui, Independent Non-executive Director, served as the Chairman. The Audit Committee and the senior management have reviewed the Bank's accounting policies and practices and discussed issues relating to internal controls and financial reporting including reviewing this announcement. At the same time, the Committee is also responsible for the coordination of the Bank's senior management, internal audit departments and other relevant departments as well as their communication with the external auditors so as to ensure that the internal audit department has sufficient resources to operate within the Bank and has appropriate status.

(VIII) Purchase, Sale or Redemption of the Bank's Listed Securities

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

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

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

(X) Appointment of Accounting Firm

With the approval at the 2021 Annual General Meeting, the Bank has appointed KPMG Huazhen LLP to perform the audit of the financial statements prepared by the Group in accordance with China Accounting Standards, the internal control audit and other related professional services and appointed KPMG to perform the audit of the financial statements prepared by the Group in accordance with IFRSs and to provide other related professional services. The term of appointment started upon the approval on the date of the Bank's 2021 Annual General Meeting and will end upon the conclusion of the Bank's 2022 Annual General Meeting.

(XI) Other Significant Events

1. The Bank intended to inject capital of 5.0 billion to BOCOM Financial Asset Investment Co., Ltd., a wholly-owned subsidiary of the Bank, which had been approved by relevant regulatory authorities. For related details, please refer to the announcement the Bank published on 24 January 2022.
2. The Bank issued 30 billion of tier-2 capital bonds in the national interbank bond market. For related details, please refer to the announcement the Bank published on 25 February 2022.
3. The Bank fully redeemed 30 billion 10-year tier-2 capital bonds issued in April 2017. For related details, please refer to the announcement the Bank published on 19 April 2022.

4. The Bank intended to amend the Articles of Association, the Procedural Rules of the Shareholders' General Meeting and the Procedural Rules of the Board of Directors and the Procedural Rules of the Board of Supervisors of the Bank, and the relevant proposals have been considered and approved at the General Meeting of Shareholders and the Class Meeting of Shareholders of the Bank. The revised Articles of Association will become effective upon approval by the CBIRC and the revised Procedural Rules of the Shareholders' General Meeting and the Procedural Rules of the Board of Directors and the Procedural Rules of the Board of Supervisors will also become effective at the same time. For related details, please refer to the announcements the Bank published on 7 July 2022 and 25 August 2022.
5. Bank of Communications Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank, intended to transfer 6 billion of undistributed profits to increase its registered capital (without providing cash option to shareholders). After the transfer, the registered capital of Bank of Communications Financial Leasing Co., Ltd. will be 20 billion, and the Bank will continue to maintain its wholly-owned control over the company. For related details, please refer to the announcement the Bank published on 26 August 2022.

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

VII. FINANCIAL REPORT

Unaudited condensed consolidated interim statement of profit or loss and other comprehensive income

(All amounts presented in millions of RMB except when otherwise indicated)

	Six months ended 30 June	
	2022	2021
Interest income	202,568	183,952
Interest expense	(117,475)	(105,466)
Net interest income	85,093	78,486
Fee and commission income	27,072	27,299
Fee and commission expense	(2,418)	(2,333)
Net fee and commission income	24,654	24,966
Net gains arising from trading activities	9,954	10,169
Net gains arising from financial investments	660	772
<i>Including: Net (loss) or gains on derecognition of financial assets measured at amortised cost</i>	(13)	40
Share of profits of associates and joint ventures	70	114
Insurance business income	13,519	11,022
Other operating income	9,618	8,522
Net operating income	143,568	134,051
Credit impairment losses	(36,827)	(33,082)
Other assets impairment losses	(690)	(418)
Insurance business expense	(13,790)	(10,925)
Other operating expenses	(46,644)	(43,038)
Profit before tax	45,617	46,588
Income tax expense	(1,485)	(3,715)
Net profit for the period	44,132	42,873

(All amounts presented in millions of RMB except when otherwise indicated)

Six months ended 30 June

2022 2021

Other comprehensive income, net of tax

Items that may be reclassified subsequently to profit or loss:

Changes in fair value of debt instruments measured at fair value through other comprehensive income

Amount recognised in equity	(7,739)	708
Amount reclassified to profit or loss	630	(335)

Expected credit losses of debt instruments measured at fair value through other comprehensive income

Amount recognised in equity	296	(179)
Amount reclassified to profit or loss	—	—

Effective portion of gains or losses on hedging instruments in cash flow hedges

Amount recognised in equity	709	972
Amount reclassified to profit or loss	(97)	(740)

Translation differences for foreign operations	4,122	(1,344)
Others	131	5

Subtotal	(1,948)	(913)
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Items that will not be reclassified subsequently to profit or loss:

Actuarial losses on pension benefits	(20)	58
Changes in fair value of equity investments designated at fair value through other comprehensive income	(192)	(455)
Changes in fair value attributable to changes in the credit risk of financial liability designated at fair value through profit or loss	46	(36)
Others	1	7

Subtotal	(165)	(426)
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Other comprehensive income, net of tax	(2,113)	(1,339)
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Total comprehensive income for the period	42,019	41,534
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(All amounts presented in millions of RMB except when otherwise indicated)

	Six months ended 30 June	
	2022	2021
Net profit attributable to:		
Shareholders of the parent company	44,040	42,019
Non-controlling interests	<u>92</u>	<u>854</u>
	<u>44,132</u>	<u>42,873</u>
Total comprehensive income attributable to:		
Shareholders of the parent company	41,776	40,799
Non-controlling interests	<u>243</u>	<u>735</u>
	<u>42,019</u>	<u>41,534</u>
Basic and diluted earnings per share for profit attributable to the shareholders of the parent company		
<i>(in RMB yuan)</i>	<u>0.55</u>	<u>0.54</u>

Unaudited condensed consolidated interim statement of financial position

(All amounts presented in millions of RMB except when otherwise indicated)

	As at 30 June 2022	As at 31 December 2021
ASSETS		
Cash and balances with central banks	746,660	734,728
Due from and placements with banks and other financial institutions	799,743	632,708
Derivative financial assets	56,150	39,220
Loans and advances to customers	6,923,521	6,412,201
Financial investments at fair value through profit or loss	666,260	638,483
Financial investments at amortised cost	2,375,762	2,203,037
Financial investments at fair value through other comprehensive income	650,592	681,729
Investments in associates and joint ventures	7,389	5,779
Property and equipment	179,238	171,194
Deferred tax assets	38,856	32,061
Other assets	136,405	114,617
Total assets	12,580,576	11,665,757
LIABILITIES AND EQUITY		
LIABILITIES		
Due to and placements from banks and other financial institutions	1,898,934	1,947,768
Financial liabilities at fair value through profit or loss	59,887	50,048
Derivative financial liabilities	39,488	36,074
Deposits from customers	7,811,363	7,039,777
Certificates of deposits issued	982,520	892,020
Income taxes payable	4,953	4,725
Debt securities issued	518,676	503,525
Deferred tax liabilities	1,508	1,889
Other liabilities	274,311	212,695
Total liabilities	11,591,640	10,688,521

(All amounts presented in millions of RMB except when otherwise indicated)

	As at 30 June 2022	As at 31 December 2021
EQUITY		
Share capital	74,263	74,263
Other equity instruments	174,790	174,790
Including: Preference shares	44,952	44,952
Perpetual bonds	129,838	129,838
Capital surplus	111,428	111,428
Other reserves	364,948	346,092
Retained earnings	251,114	258,074
Equity attributable to shareholders of the parent company	976,543	964,647
Equity attributable to non-controlling interests of ordinary shares	9,082	9,424
Equity attributable to non-controlling interests of other equity instruments	3,311	3,165
Non-controlling interests	12,393	12,589
Total equity	988,936	977,236
Total equity and liabilities	12,580,576	11,665,757

Unaudited condensed consolidated interim statement of changes in equity

(All amounts presented in millions of RMB except when otherwise indicated)

	Equity attributable to shareholders of the parent company														Attributable to non-controlling interests			Total																																		
	Other equity instruments						Other reserves																																													
	Revaluation reserve for								the changes in credit risk of the financial liabilities designated at fair value		Effective portion of gains or losses on hedging instruments in cash flow hedges		Translation differences for foreign operations			Actuarial changes reserve																																				
	Share capital			Preference Share			Perpetual bonds			Capital surplus			Statutory reserve			Discretionary surplus reserve			Statutory general reserve			through other comprehensive income			at fair value through profit or loss			in cash flow hedges			for foreign operations			Reserve			Others			Retained earnings			Attributable to the shareholders of the parent company			Non-controlling interests of ordinary shares			Non-controlling interests of other equity instruments			
As at 1 January 2022	74,263	44,952	129,838	111,428	79,967	140,022	130,280	1,531	(24)	(104)	(6,884)	(87)	1,391	258,074	964,647	9,424	3,165	977,236																																		
Total comprehensive income	-	-	-	-	-	-	-	(6,874)	46	618	3,834	(20)	132	44,040	41,776	38	205	42,019																																		
Dividends paid to ordinary shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(26,363)	(26,363)	(380)	-	(26,743)																																		
Dividends paid to preference shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,832)	(1,832)	-	-	(1,832)																																		
Interest paid to perpetual bond holders	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,685)	(1,685)	-	-	(1,685)																																		
Interest paid to non-cumulative subordinated additional tier-1 capital securities holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(59)	(59)																																		
Transferred to reserves	-	-	-	-	7,784	-	13,328	-	-	-	-	-	-	(21,112)	-	-	-	-																																		
Transfer of other comprehensive income to retained earnings	-	-	-	-	-	-	-	8	-	-	-	-	-	(8)	-	-	-	-																																		
As at 30 June 2022	74,263	44,952	129,838	111,428	87,751	140,022	143,608	(5,335)	22	514	(3,050)	(107)	1,523	251,114	976,543	9,082	3,311	988,936																																		

(All amounts presented in millions of RMB except when otherwise indicated)

	Equity attributable to shareholders of the parent company												Attributable to non-controlling interests					Total														
	Other equity instruments					Other reserves																										
	Revaluation reserve for the changes in							Revaluation credit risk of the financial liabilities			Effective gains or losses on hedging			Translation differences			Actuarial changes			Retained earnings			Attributable to the shareholders of the parent company			Non-controlling interests of ordinary shares			Non-controlling interests of other equity instruments			
	Discretionary surplus reserve			Statutory general reserve		through other comprehensive income		at fair value through profit or loss		in cash flow hedges		for foreign operations		reserve		Others			earnings		company		shares		instruments							
Share capital	Preference Share	Perpetual bonds	Capital surplus	Statutory reserve	surplus reserve	general reserve	income	or loss	instruments	for foreign operations	reserve	Others	earnings	company	shares	instruments																
As at 1 January 2021	74,263	44,952	88,340	111,428	72,431	139,930	123,163	456	12	(532)	(3,517)	(142)	1,375	214,448	866,607	8,763	3,258	878,628														
Total comprehensive income	-	-	-	-	-	-	-	(144)	(36)	231	(1,341)	58	12	42,019	40,799	711	24	41,534														
Capital contribution to holders of other equity instruments	-	-	41,498	-	-	-	-	-	-	-	-	-	-	-	41,498	-	-	41,498														
Dividends paid to ordinary shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(23,541)	(23,541)	(388)	-	(23,929)														
Dividends paid to preference shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,755)	(1,755)	-	-	(1,755)														
Interest paid to non-cumulative subordinated additional tier-1 capital securities holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(61)	(61)														
Transferred to reserves	-	-	-	-	7,100	-	6,715	-	-	-	-	-	-	(13,815)	-	-	-	-														
Transfer of other comprehensive income to retained earnings	-	-	-	-	-	-	-	(1)	-	-	-	-	-	1	-	-	-	-														
As at 30 June 2021	74,263	44,952	129,838	111,428	79,531	139,930	129,878	311	(24)	(301)	(4,858)	(84)	1,387	217,357	923,608	9,086	3,221	935,915														

Unaudited condensed consolidated interim statement of cash flows

(All amounts presented in millions of RMB except when otherwise indicated)

	Six months ended 30 June	
	2022	2021
Cash flows from operating activities:		
Profit before tax:	45,617	46,588
Adjustments for:		
Provision for credit impairment losses	36,827	33,082
Provision for other assets impairment losses	690	418
Provision for insurance contracts reserve	9,623	10,053
Depreciation and amortization	7,980	7,320
Provision/(Reversal) for outstanding litigation and unsettled obligation	103	(54)
Net gains on the disposal of property, equipment and other assets	(246)	(302)
Interest income on financial investments	(46,923)	(43,155)
Fair value net losses	3,429	826
Net gains on investments in associates and joint ventures	(70)	(114)
Net gains on financial investments	(660)	(772)
Interest expense on debt securities issued	7,627	7,989
Interest expense on lease liabilities	90	111
Operating cash flows before movements in operating assets and liabilities	64,087	61,990
Net increase in balances with central banks	(47,139)	(33,185)
Net increase in due from and placements with banks and other financial institutions	(137,891)	(129,165)
Net increase in loans and advances to customers	(525,813)	(527,372)
Net increase in financial assets at fair value through profit or loss	(27,867)	(99,628)
Net increase in other assets	(23,508)	(2,496)
Net (decrease)/increase in due to and placements from banks and other financial institutions	(39,037)	49,880
Net decrease/(increase) in financial liabilities at fair value through profit or loss	2,659	(2,890)
Net increase in deposits from customers and certificates of deposit issued	815,909	557,355
Net increase in other liabilities	25,961	16,803
Net (decrease)/increase in value-added tax and other taxes payable	(11,378)	1,091
Income taxes paid	(6,874)	(5,126)
Net cash flows generated/(used) in operating activities	89,109	(112,743)

(All amounts presented in millions of RMB except when otherwise indicated)

Six months ended 30 June

2022

2021

Cash flows from investing activities:

Cash payment for investment in subsidiaries, associated ventures and joint ventures	(1,588)	(750)
Cash payments for financial investments	(551,750)	(539,963)
Proceeds from disposal or redemption of financial investments	407,104	510,961
Dividends received	2,301	1,838
Interest received from financial investments	43,493	42,023
Acquisition of intangible assets and other assets	(621)	(622)
Cash received from the sale of intangible assets and other assets	258	336
Acquisition of property, equipment	(11,486)	(7,549)
Cash received from disposal of property, equipment	4,011	2,690

Net cash flows (used)/generated in investing activities (108,278) 8,964

Cash flows from financing activities:

Proceeds from issue of other equity instruments	–	41,498
Proceeds from issue of debt securities	66,892	54,988
Repayment of principal and interest of lease liabilities	(1,234)	(1,182)
Repayment of principals of debt securities issued	(56,324)	(13,240)
Payment of interest on debt securities	(5,481)	(3,829)
Dividends paid	(1,685)	–
Dividends paid to non-controlling interests	(59)	(112)

Net cash flows generated from financing activities 2,109 78,123

(All amounts presented in millions of RMB except when otherwise indicated)

	Six months ended 30 June	
	2022	2021
Effect of exchange rate fluctuations on cash and cash equivalents held	<u>1,895</u>	<u>(2,835)</u>
Net decrease in cash and cash equivalents	(15,165)	(28,491)
Cash and cash equivalents at the beginning of the period	<u>194,308</u>	<u>307,120</u>
Cash and cash equivalents at the end of the period	<u><u>179,143</u></u>	<u><u>278,629</u></u>
Net cash flows from operating activities include:		
Interest received	155,132	143,138
Interest paid	<u><u>(95,563)</u></u>	<u><u>(86,764)</u></u>

1 Significant accounting policies

(1) *Basis of preparation*

The unaudited interim financial information for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”, as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. The principal accounting policies and methods of computation used in preparing the interim financial information are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2021.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2021, which have been audited.

(2) *Changes in accounting policies*

(a) *Standards and amendments effective in 2022 relevant to and adopted by the Group*

In the current reporting period, the Group has adopted the following International Financial Reporting Standards (“IFRSs”) and amendments issued by the International Accounting Standards Board (“IASB”), that are mandatorily effective for the current reporting period.

		Effective for annual periods beginning on or after		Notes
(1)	Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022	(i)
(2)	Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022	(i)
(3)	Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022	(i)
(4)	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	IASB Annual Improvements 2018 – 2020 cycle	1 January 2022	(i)
(i)	Description of this standard and amendment was disclosed in the Group’s consolidated financial statements for the year ended 31 December 2021. The adoption of this standard and amendment does not have a significant impact on the operating results, comprehensive income, or financial position of the Group.			
(b)	<i>Standards and amendments relevant to the Group that are not yet effective in the current reporting period and have not been adopted before their effective dates by the Group</i>			

The Group has not adopted the following new or amended standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (“**IFRIC**”), that have been issued but are not yet effective.

		Effective for annual periods beginning on or after	Notes
(1)	Amendments to IAS 1 Classification of Liabilities as Current or Non-current	1 January 2023	(i)
(2)	IFRS 17 Insurance Contracts	1 January 2023	(ii)
(3)	Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies	1 January 2023	(i)
(4)	Amendments to IAS 8 Definition of Accounting Estimates	1 January 2023	(i)
(5)	Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	(i)
(6)	Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The effective date has now been deferred.	(i)
(i)	Descriptions of these standards and amendments were disclosed in the Group's consolidated financial statements for the year ended 31 December 2021. The Group anticipates that the adoption of these standards and amendments will not have a significant impact on the Group's financial information.		
(ii)	Amendments to IFRS 17: Insurance Contracts		

Descriptions of this amendments was disclosed in the Group's consolidated financial statements for the year ended 31 December 2021. The Group has not completed its assessment of the impact on the Group's operating results and financial position of adopting IFRS 17.

(3) Significant accounting estimates and judgments in applying accounting policies

The preparation of this condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements for the year ended 31 December 2021.

2 Net interest income

	Six months ended 30 June	
	2022	2021
Interest income		
Loans and advances to customers	143,177	129,626
Financial investments	46,923	43,155
Due from and placements with banks and other financial institutions	7,204	5,788
Balances with central banks	5,264	5,383
Subtotal	202,568	183,952
Interest expense		
Deposits from customers	(76,882)	(69,536)
Due to and placements from banks and other financial institutions	(20,766)	(19,154)
Certificates of deposit issued	(12,200)	(8,787)
Debt securities issued	(7,627)	(7,989)
Subtotal	(117,475)	(105,466)
Net interest income	85,093	78,486

3 Fee and commission income

	Six months ended 30 June	
	2022	2021
Bank cards	9,923	9,750
Wealth management business	5,232	6,081
Custody and other fiduciary business	4,249	3,972
Agency services	3,394	3,324
Investment banking	1,968	1,945
Guarantee and commitment	1,489	1,358
Settlement services	720	713
Others	97	156
	<u>27,072</u>	<u>27,299</u>
Total	<u>27,072</u>	<u>27,299</u>

4 Credit impairment losses

	Six months ended 30 June	
	2022	2021
Loans and advances to customers at amortised cost	34,316	30,703
Credit related commitments and financial guarantees	1,599	2,779
Loans and advances to customers at FVOCI	204	256
Debt investments at FVOCI	117	(76)
Financial investments at amortised cost	16	(528)
Due from and placements with banks and other financial institutions	(176)	322
Others	751	(374)
	<u>36,827</u>	<u>33,082</u>
Total	<u>36,827</u>	<u>33,082</u>

5 Other assets impairment losses

	Six months ended 30 June	
	2022	2021
Impairment losses on operating lease assets	672	248
Impairment losses on precious metal	14	–
Impairment losses on foreclosed assets	<u>4</u>	<u>170</u>
Total	<u>690</u>	<u>418</u>

6 Income tax

	Six months ended 30 June	
	2022	2021
Current income tax		
– Enterprise income tax	5,618	4,067
– Hong Kong profits tax	1,055	340
– Other countries or regions	<u>246</u>	<u>259</u>
Subtotal	6,919	4,666
Deferred income tax	<u>(5,434)</u>	<u>(951)</u>
Total	<u>1,485</u>	<u>3,715</u>

The provision for enterprise income tax in Mainland China is calculated based on the statutory rate of 25% (2021: 25%) of the assessable income of the Bank and each of the subsidiary established in Mainland China. Taxation arising in other jurisdictions (including Hong Kong) is calculated at the rates prevailing in the relevant jurisdictions, the shortfall arising from the difference between tax paid by overseas branches and the accrued tax under the regulation of Mainland China shall be compensated by the head office.

The actual taxation on the Group differs from the theoretical amount calculated using the Group's profit before tax at the tax rate of 25% (2021: 25%). The major reconciliation items are as follows:

		Six months ended 30 June	
	<i>Note</i>	2022	2021
Profit before tax		45,617	46,588
Tax calculated at statutory rate of 25%		11,404	11,647
Effects of different tax rates prevailing in other countries or regions		48	(127)
Effects of non-deductible expenses	(1)	1,812	1,795
Effects of non-taxable income	(2)	(10,871)	(9,489)
Adjustments for income tax filing of prior years		(487)	(111)
Others		(421)	—
Income tax		<u>1,485</u>	<u>3,715</u>

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

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

7 Basic and diluted earnings per share

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

	Six months ended 30 June	
	2022	2021
Net profit attributable to shareholders of the parent company	44,040	42,019
Less: Dividends paid to preference shareholders	(1,832)	(1,755)
Interest paid to perpetual bond holders	(1,685)	—
Net profit attributable to holders of ordinary shares of the parent company	<u>40,523</u>	<u>40,264</u>
Weighted average number of ordinary shares in issue (expressed in millions) at the end of the period	<u>74,263</u>	<u>74,263</u>
Basic and diluted earnings per share (expressed in RMB per share)	<u>0.55</u>	<u>0.54</u>

preference shares declared for the period was deducted from the amounts attributable to shareholders of the parent company. The conversion feature of preference shares may lead to the possible existence of contingently issuable ordinary shares. The triggering events of conversion did not occur for the six months ended 30 June 2022, and therefore the conversion feature of preference shares has no effect on the calculation of the basic and diluted earnings per share.

8 Derivative financial instruments

The Group utilize derivative financial instruments for trading or hedging purposes, including forwards, swaps and options.

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

As at 30 June 2022	Contractual/ Notional Amount	Fair values	
		Assets	Liabilities
Foreign exchange and commodity contracts	3,529,290	28,527	(28,531)
Interest rate contracts and others	3,104,230	27,623	(10,957)
Total amount of derivative financial instruments recognised	6,633,520	56,150	(39,488)
As at 31 December 2021			
	Contractual/ Notional Amount	Fair values	
		Assets	Amount
Foreign exchange and commodity contracts	3,501,041	27,195	(24,899)
Interest rate contracts and others	3,626,588	12,025	(11,175)
Total amount of derivative financial instruments recognised	7,127,629	39,220	(36,074)

Hedge accounting

Notional amount and fair value of hedging instruments included in the above derivative financial instruments are as follows:

As at 30 June 2022	Contractual/ Notional Amount	Fair values	
		Assets	Amount
Derivative financial instruments designated as hedging instruments in fair value hedges	169,677	11,534	(29)
Derivative financial instruments designated as hedging instruments in cash flow hedges	59,978	1,174	(720)
Total	229,655	12,708	(749)
As at 31 December 2021			
	Contractual/ Notional Amount	Fair values	
		Assets	Amount
Derivative financial instruments designated as hedging instruments in fair value hedges	141,731	1,871	(1,274)
Derivative financial instruments designated as hedging instruments in cash flow hedges	71,805	519	(973)
Total	213,536	2,390	(2,247)

(1) Fair value hedge

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

The following table shows the hedge effectiveness of the fair value hedges:

	Six months ended 30 June	
	2022	2021
Net gains/(losses) from fair value hedges:		
Hedging instruments	10,554	2,320
Hedged items attributable to the hedged risk	(10,764)	(2,408)
Total	<u>(210)</u>	<u>(88)</u>

(2) *Cash flow hedge*

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

For the six months ended 30 June 2022, the Group recognised a profit of RMB875 million (For the six months ended 30 June 2021: a profit of RMB1,271 million) from effective portion of cash flow hedge in other comprehensive income. The Group reclassifies a loss of RMB130 million from other comprehensive income to profit or loss (For the six months ended 30 June 2021: a loss of RMB986 million). Gains or losses arising from ineffective portion of cash flow hedge were immaterial. There were no transactions for which cash flow hedge accounting had to be ceased as a result of the highly probable cash flows no longer being expected to occur.

9 Dividends

	Six months ended 30 June	
	2022	2021
Dividends to ordinary shareholders of the Bank	26,363	23,541
Dividends to preference shareholders of the Bank	1,832	1,755
Interest to perpetual bond holders of the Bank	<u>1,685</u>	<u>—</u>

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

- (1) Making up cumulative losses from prior years, if any;
- (2) Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank as determined under the relevant PRC accounting standards;
- (3) Allocations to statutory general reserve;
- (4) Allocations to the discretionary reserve upon approval by the Annual General Meeting of Shareholders. These funds form part of the shareholders' equity. The cash dividends are recognised in the consolidated statement of financial position upon approval by the shareholders at Annual General Meeting.

Pursuant to the approval by the Annual General Meeting of Shareholders on 28 June 2022, the Bank appropriated a cash dividend of RMB0.355 (before tax) for each ordinary share, with total amount of RMB26,363 million, calculated based on 74,263 million shares outstanding as at 31 December 2021, will be distributed to ordinary shareholders.

Pursuant to the approval by the Board meeting on 29 April 2022, the Bank will appropriate domestic preference dividends of RMB1,832 million with a dividend yield of 4.07%.

The Bank distributed the interest on the 2021 undated capital bonds amounting to RMB1,685 million on 10 June 2022.

10 Contingencies

Legal proceedings

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

	As at 30 June 2022	As at 31 December 2021
Outstanding litigations	2,602	4,096
Provision for outstanding litigation	<u>572</u>	<u>472</u>

Future receivables from operating leases

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

	As at 30 June 2022	As at 31 December 2021
Within 1 year (inclusive)	14,671	13,186
Beyond 1 year but no more than 2 years (inclusive)	14,110	12,864
Beyond 2 years but no more than 3 years (inclusive)	13,029	12,269
Beyond 3 years but no more than 4 years (inclusive)	11,821	11,184
Beyond 4 years but no more than 5 years (inclusive)	10,631	10,204
More than 5 years	<u>40,360</u>	<u>38,879</u>
Total	<u>104,622</u>	<u>98,586</u>

11 Commitments

Credit related commitments and financial guarantees

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

	As at 30 June 2022	As at 31 December 2021
Loan commitments		
– Under 1 year	6,581	3,936
– 1 year and above	68,279	57,657
Credit card commitments	950,913	908,358
Acceptance bills	455,435	368,120
Letters of guarantee	393,047	373,630
Letters of credit commitments	183,080	156,194
	<hr/>	<hr/>
Total	2,057,335	1,867,895
	<hr/>	<hr/>

Capital expenditure commitments

	As at 30 June 2022	As at 31 December 2021
Contracted but not provided for	65,663	71,053
	<hr/>	<hr/>

Commitments on security underwriting and bond acceptance

The Group is entrusted by the Ministry of Finance ('MOF') to underwrite certain Certificated Bonds and Savings Bonds. The investors of Certificated Bonds and Savings Bonds have early redemption right while the Group has the obligation to buy back those Certificated Bonds and Savings Bonds. The redemption price is the principal value of the Certificated Bonds or Savings Bonds plus unpaid interest till redemption date. As at 30 June 2022, the principal value of the certain Certificated Bonds and Savings Bonds that the Group had the obligation to buy back amounted to RMB72,020 million (31 December 2021: RMB78,594 million). The MOF will not provide funding for the early redemption of these Certificated Bonds and Savings Bonds on a back-to-back basis but will pay interest and principal at maturity. As at 30 June 2022, The Group expects the amount of redemption before the maturity dates of these bonds through the Group will not be material.

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

As at 30 June 2022, the Group had no announced but unfulfilled irrevocable commitment on security underwriting (31 December 2021: Nil).

12 Segmental analysis

Operating segments are identified based on the structure of the Group's internal organization and management requirements. Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The basis for allocation is mainly based on occupation of or contribution to resources. Income taxes are managed on a group basis and are not allocated to operating segments.

Funds are ordinarily allocated between segments. Costs of these funds are charged at the Group's cost of capital and disclosed in inter-segment net interest income. There are no other material items of income or expenses between the segments. Net interest income and expense relating to third parties are disclosed in external net interest income. There are no other material items of income or expenses between the segments.

Geographical operating segment information

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

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

- ◆ Yangtze River Delta: including Shanghai (excluding Head Office), Jiangsu Province, Zhejiang Province, and Anhui Province;
- ◆ Pearl River Delta: including Fujian Province and Guangdong Province;
- ◆ Bohai Rim Economic Zone: including Beijing, Tianjin, Hebei Province, and Shandong Province;
- ◆ Central China: including Shanxi Province, Jiangxi Province, Henan Province, Hubei Province, Hunan Province, Hainan Province, and Guangxi Zhuang Autonomous Region;
- ◆ Western China: including Chongqing, Sichuan Province, Guizhou Province, Yunnan Province, Shanxi Province, Gansu Province, Qinghai Province, Inner Mongolia Autonomous Region, Ningxia Autonomous Region, and Xinjiang Uyghur Autonomous Region;
- ◆ Northeastern China: including Liaoning Province, Jilin Province and Heilongjiang Province;
- ◆ Overseas: including Hong Kong, New York, Tokyo, Singapore, Seoul, Frankfurt, Macau, Ho Chi Minh City, San Francisco, Sydney, Taipei, London, Luxembourg, Brisbane, Paris, Rome, Brazil, Melbourne, Toronto, Prague, Johannesburg;
- ◆ Head Office, including the Pacific Credit Card Centre.

	Six months ended 30 June 2022								Total
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic Zone	Central China	Western China	North Eastern China	Overseas	Head Office	
External net interest income/(expense)	14,968	6,817	(185)	11,644	9,207	(143)	5,246	37,539	85,093
Inter-segment net interest income/ (expense)	<u>10,552</u>	<u>3,107</u>	<u>12,512</u>	<u>3,615</u>	<u>677</u>	<u>3,167</u>	<u>(47)</u>	<u>(33,583)</u>	<u>-</u>
Net interest income	25,520	9,924	12,327	15,259	9,884	3,024	5,199	3,956	85,093
Fee and commission income	7,875	2,098	3,116	3,163	1,665	607	1,208	7,340	27,072
Fee and commission expense	<u>(1,620)</u>	<u>(23)</u>	<u>(34)</u>	<u>(72)</u>	<u>(11)</u>	<u>(8)</u>	<u>(111)</u>	<u>(539)</u>	<u>(2,418)</u>
Net fee and commission income	6,255	2,075	3,082	3,091	1,654	599	1,097	6,801	24,654
Net gains/(loss) arising from trading activities	2,168	256	253	427	39	37	(1,148)	7,922	9,954
Net gains/(loss) arising from financial investments	730	-	27	-	-	13	161	(271)	660
Insurance business income	13,488	-	-	-	-	-	31	-	13,519
Share of profits of associates and joint ventures	(36)	-	-	-	-	-	4	102	70
Other operating income	<u>7,486</u>	<u>245</u>	<u>514</u>	<u>378</u>	<u>378</u>	<u>122</u>	<u>150</u>	<u>345</u>	<u>9,618</u>
Total operating income -net	55,611	12,500	16,203	19,155	11,955	3,795	5,494	18,855	143,568
Credit impairment losses	(7,307)	(4,791)	(9,342)	331	(5,753)	(1,792)	(942)	(7,231)	(36,827)
Other assets impairment losses	(676)	(3)	(3)	(4)	(1)	(3)	-	-	(690)
Insurance business expense	(13,784)	-	-	-	-	-	(6)	-	(13,790)
Other operating expense	<u>(12,975)</u>	<u>(3,513)</u>	<u>(4,507)</u>	<u>(4,777)</u>	<u>(3,366)</u>	<u>(1,721)</u>	<u>(2,295)</u>	<u>(13,490)</u>	<u>(46,644)</u>
Profit/(loss) before tax	<u>20,869</u>	<u>4,193</u>	<u>2,351</u>	<u>14,705</u>	<u>2,835</u>	<u>279</u>	<u>2,251</u>	<u>(1,866)</u>	<u>45,617</u>
Income tax									<u>(1,485)</u>
Net profit for the period									<u>44,132</u>
Depreciation and amortisation	(910)	(473)	(566)	(569)	(473)	(245)	(217)	(757)	(4,210)
Capital expenditure	<u>(19,504)</u>	<u>(276)</u>	<u>(531)</u>	<u>(278)</u>	<u>(194)</u>	<u>(66)</u>	<u>(242)</u>	<u>(489)</u>	<u>(21,580)</u>

	Six months ended 30 June 2021								Total
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic Zone	Central China	Western China	North Eastern China	Overseas	Head Office	
External net interest income	12,041	6,126	293	11,035	8,069	390	5,341	35,191	78,486
Inter-segment net interest income/ (expense)	<u>10,507</u>	<u>3,040</u>	<u>10,933</u>	<u>3,392</u>	<u>931</u>	<u>2,484</u>	<u>75</u>	<u>(31,362)</u>	<u>-</u>
Net interest income	22,548	9,166	11,226	14,427	9,000	2,874	5,416	3,829	78,486
Fee and commission income	7,977	1,940	3,073	3,128	1,654	632	1,487	7,408	27,299
Fee and commission expense	<u>(1,523)</u>	<u>(21)</u>	<u>(35)</u>	<u>(50)</u>	<u>(13)</u>	<u>(9)</u>	<u>(120)</u>	<u>(562)</u>	<u>(2,333)</u>
Net fee and commission income	6,454	1,919	3,038	3,078	1,641	623	1,367	6,846	24,966
Net gains arising from trading activities	2,238	290	173	322	40	14	6	7,086	10,169
Net gains/(loss) arising from financial investments	457	-	27	-	-	11	326	(49)	772
Insurance business income	10,998	-	-	-	-	-	24	-	11,022
Share of profits of associates and joint ventures	-	-	-	-	-	-	12	102	114
Other operating income	<u>7,216</u>	<u>186</u>	<u>380</u>	<u>288</u>	<u>261</u>	<u>95</u>	<u>14</u>	<u>82</u>	<u>8,522</u>
Total operating income -net	49,911	11,561	14,844	18,115	10,942	3,617	7,165	17,896	134,051
Credit impairment losses	(4,038)	(4,042)	(7,917)	(3,747)	(4,386)	(3,157)	(291)	(5,504)	(33,082)
Other assets impairment losses	(270)	-	(1)	2	(39)	(110)	-	-	(418)
Insurance business expense	(10,922)	-	-	-	-	-	(3)	-	(10,925)
Other operating expense	<u>(12,824)</u>	<u>(3,371)</u>	<u>(4,562)</u>	<u>(4,764)</u>	<u>(3,245)</u>	<u>(1,838)</u>	<u>(2,210)</u>	<u>(10,224)</u>	<u>(43,038)</u>
Profit/(loss) before tax	<u>21,857</u>	<u>4,148</u>	<u>2,364</u>	<u>9,606</u>	<u>3,272</u>	<u>(1,488)</u>	<u>4,661</u>	<u>2,168</u>	<u>46,588</u>
Income tax									<u>(3,715)</u>
Net profit for the period									<u>42,873</u>
Depreciation and amortisation	(897)	(451)	(558)	(548)	(465)	(243)	(243)	(572)	(3,977)
Capital expenditure	<u>(7,092)</u>	<u>(51)</u>	<u>(100)</u>	<u>(230)</u>	<u>(158)</u>	<u>(42)</u>	<u>(140)</u>	<u>(358)</u>	<u>(8,171)</u>

As at 30 June 2022										
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic North Eastern Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Eliminations	Total
Segment assets	3,072,103	1,191,446	1,867,793	1,407,670	933,375	444,167	1,179,441	4,684,466	(2,238,741)	12,541,720
Including:										
Investments in associates and joint ventures	1,458	-	-	1	-	-	540	5,390	-	7,389
Unallocated assets										<u>38,856</u>
Total assets										<u>12,580,576</u>
Segment liabilities	(2,842,161)	(1,184,529)	(1,859,208)	(1,377,125)	(930,687)	(445,993)	(1,117,984)	(4,071,186)	2,238,741	(11,590,132)
Unallocated liabilities										<u>(1,508)</u>
Total liabilities										<u>(11,591,640)</u>

As at 31 December 2021										
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic North Eastern Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Eliminations	Total
Segment assets	2,881,066	1,059,386	1,711,386	1,277,003	881,918	409,288	1,095,657	4,459,033	(2,141,041)	11,633,696
Including:										
Investments in associates and joint ventures	4	-	-	1	-	-	201	5,573	-	5,779
Unallocated assets										<u>32,061</u>
Total assets										<u>11,665,757</u>
Segment liabilities	(2,658,802)	(1,042,577)	(1,688,784)	(1,239,658)	(870,308)	(417,068)	(1,046,572)	(3,863,904)	2,141,041	(10,686,632)
Unallocated liabilities										<u>(1,889)</u>
Total liabilities										<u>(10,688,521)</u>

Given the adjustment to the standards of dividing segments, the comparative figures were stated under existing standards.

Business information

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

The business information of the Group is summarised as follows:

	Six months ended 30 June 2022				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income	36,265	27,684	21,048	96	85,093
Inter-segment net interest income/(expense)	<u>6,964</u>	<u>9,702</u>	<u>(16,666)</u>	<u>-</u>	<u>-</u>
Net interest income	43,229	37,386	4,382	96	85,093
Net fee and commission income	7,671	15,390	1,509	84	24,654
Net gains/(loss) arising from trading activities	2,364	377	7,231	(18)	9,954
Net gains/(loss) arising from financial investments	35	693	(68)	-	660
Share of (loss)/profits of associates and joint ventures	(2)	-	(36)	108	70
Insurance business income	31	13,488	-	-	13,519
Other operating income	<u>8,075</u>	<u>1,258</u>	<u>29</u>	<u>256</u>	<u>9,618</u>
Total operating income-net	61,403	68,592	13,047	526	143,568
Credit impairment losses	(26,641)	(10,492)	306	-	(36,827)
Other assets impairment losses	(675)	(15)	-	-	(690)
Insurance business expense	(6)	(13,784)	-	-	(13,790)
Other operating expense					
– Depreciation and amortisation	(1,647)	(2,267)	(253)	(43)	(4,210)
– Others	<u>(18,531)</u>	<u>(21,208)</u>	<u>(2,073)</u>	<u>(622)</u>	<u>(42,434)</u>
Profit/(loss) before tax	<u>13,903</u>	<u>20,826</u>	<u>11,027</u>	<u>(139)</u>	<u>45,617</u>
Income tax					<u>(1,485)</u>
Net profit for the period					<u>44,132</u>
Depreciation and amortisation	(1,647)	(2,267)	(253)	(43)	(4,210)
Capital expenditure	<u>(20,132)</u>	<u>(1,233)</u>	<u>(146)</u>	<u>(69)</u>	<u>(21,580)</u>

Six months ended 30 June 2021

	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income	34,216	24,920	19,320	30	78,486
Inter-segment net interest income/(expense)	<u>7,989</u>	<u>9,126</u>	<u>(17,115)</u>	<u>–</u>	<u>–</u>
Net interest income	42,205	34,046	2,205	30	78,486
Net fee and commission income	8,255	15,538	1,094	79	24,966
Net gains arising from trading activities	2,956	623	6,451	139	10,169
Net gains arising from financial investments	29	442	301	–	772
Share of profits of associates and joint ventures	–	–	–	114	114
Insurance business income	24	10,998	–	–	11,022
Other operating income	<u>7,024</u>	<u>1,239</u>	<u>21</u>	<u>238</u>	<u>8,522</u>
Total operating income-net	60,493	62,886	10,072	600	134,051
Credit impairment losses	(27,951)	(5,603)	472	–	(33,082)
Other assets impairment losses	(418)	–	–	–	(418)
Insurance business expense	(3)	(10,922)	–	–	(10,925)
Other operating expense					
– Depreciation and amortisation	(1,450)	(1,918)	(378)	(231)	(3,977)
– Others	<u>(17,503)</u>	<u>(19,745)</u>	<u>(1,626)</u>	<u>(187)</u>	<u>(39,061)</u>
Profit before tax	<u>13,168</u>	<u>24,698</u>	<u>8,540</u>	<u>182</u>	<u>46,588</u>
Income tax					<u>(3,715)</u>
Net profit for the period					<u>42,873</u>
Depreciation and amortisation	(1,450)	(1,918)	(378)	(231)	(3,977)
Capital expenditure	<u>(2,979)</u>	<u>(3,941)</u>	<u>(777)</u>	<u>(474)</u>	<u>(8,171)</u>

As at 30 June 2022					
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
Segment assets	5,157,711	2,480,399	4,804,850	98,760	12,541,720
Including:					
Investments in associates and joint ventures	1,257	4	1,454	4,674	7,389
Unallocated assets					<u>38,856</u>
Total assets					<u><u>12,580,576</u></u>
Segment liabilities	<u>(5,469,274)</u>	<u>(2,886,252)</u>	<u>(3,118,989)</u>	<u>(110,664)</u>	<u>(11,585,179)</u>
Unallocated liabilities					<u>(6,461)</u>
Total liabilities					<u><u>(11,591,640)</u></u>

As at 31 December 2021					
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
Segment assets	4,645,110	2,385,982	4,530,160	72,444	11,633,696
Including:					
Investments in associates and joint ventures	1,156	4	–	4,619	5,779
Unallocated assets					<u>32,061</u>
Total assets					<u><u>11,665,757</u></u>
Segment liabilities	<u>(4,999,768)</u>	<u>(2,533,625)</u>	<u>(3,078,851)</u>	<u>(69,663)</u>	<u>(10,681,907)</u>
Unallocated liabilities					<u>(6,614)</u>
Total liabilities					<u><u>(10,688,521)</u></u>

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

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

13 Liquidity risk

Maturity analysis

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

	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Undated	Total
As at 30 June 2022									
Assets									
Cash and balances with central banks	68,425	-	304	-	-	-	-	677,931	746,660
Due from and placements with banks and other financial institutions	107,436	278,668	130,265	215,503	60,026	7,845	-	-	799,743
Derivative financial assets	-	5,008	6,840	15,927	17,253	11,122	-	-	56,150
Loans and advances to customers	-	531,555	362,602	1,614,669	1,679,869	2,702,999	31,827	-	6,923,521
Financial investments at FVTPL	242,053	29,766	63,139	122,056	103,003	43,266	310	62,667	666,260
Financial investments at amortised cost	-	47,165	78,500	228,257	1,000,066	1,020,737	1,037	-	2,375,762
Financial investments at FVOCI	-	21,618	32,300	68,639	324,629	185,581	250	17,575	650,592
Other assets	112,488	-	-	950	37,906	-	4,165	206,379	361,888
Total assets	530,402	913,780	673,950	2,266,001	3,222,752	3,971,550	37,589	964,552	12,580,576
Liabilities									
Due to and placements from banks and other financial institutions	(764,542)	(300,470)	(261,476)	(521,035)	(42,495)	(8,889)	-	(27)	(1,898,934)
Financial liabilities at FVTPL	(26,628)	(5,696)	(11,192)	(6,916)	(9,455)	-	-	-	(59,887)
Derivative financial liabilities	-	(5,361)	(6,453)	(15,229)	(10,129)	(2,316)	-	-	(39,488)
Deposits from customers	(3,089,113)	(926,794)	(623,170)	(1,398,836)	(1,773,426)	(24)	-	-	(7,811,363)
Other liabilities	(120,718)	(164,257)	(132,985)	(871,242)	(273,703)	(219,063)	-	-	(1,781,968)
Total liabilities	(4,001,001)	(1,402,578)	(1,035,276)	(2,813,258)	(2,109,208)	(230,292)	-	(27)	(11,591,640)
Net amount on liquidity gap	(3,470,599)	(488,798)	(361,326)	(547,257)	1,113,544	3,741,258	37,589	964,525	988,936

	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Undated	Total
As at 31 December 2021									
Assets									
Cash and balances with central banks	103,648	–	304	–	–	–	–	630,776	734,728
Due from and placements with banks and other financial institutions	88,993	171,428	89,547	225,329	45,687	11,724	–	–	632,708
Derivative financial assets	–	6,099	7,172	13,032	11,052	1,865	–	–	39,220
Loans and advances to customers	–	504,850	289,612	1,435,771	1,309,429	2,837,626	34,913	–	6,412,201
Financial investments at FVTPL	2,697	25,684	47,293	92,313	43,656	50,780	–	376,060	638,483
Financial investments at amortised cost	–	18,227	37,752	284,065	1,014,207	846,389	2,397	–	2,203,037
Financial investments at FVOCI	–	17,504	56,506	120,183	289,879	181,366	29	16,262	681,729
Other assets	93,428	150	18	505	35,656	2,509	4,198	187,187	323,651
Total assets	<u>288,766</u>	<u>743,942</u>	<u>528,204</u>	<u>2,171,198</u>	<u>2,749,566</u>	<u>3,932,259</u>	<u>41,537</u>	<u>1,210,285</u>	<u>11,665,757</u>
Liabilities									
Due to and placements from banks and other financial institutions	(816,423)	(339,771)	(247,890)	(491,785)	(44,522)	(7,377)	–	–	(1,947,768)
Financial liabilities at FVTPL	(11,631)	(24,954)	(1,995)	(10,202)	(1,266)	–	–	–	(50,048)
Derivative financial liabilities	–	(5,493)	(6,739)	(11,698)	(10,266)	(1,878)	–	–	(36,074)
Deposits from customers	(2,917,672)	(892,406)	(544,620)	(1,043,211)	(1,641,829)	(39)	–	–	(7,039,777)
Other liabilities	(59,181)	(113,511)	(198,029)	(739,771)	(285,206)	(219,156)	–	–	(1,614,854)
Total liabilities	<u>(3,804,907)</u>	<u>(1,376,135)</u>	<u>(999,273)</u>	<u>(2,296,667)</u>	<u>(1,983,089)</u>	<u>(228,450)</u>	<u>–</u>	<u>–</u>	<u>(10,688,521)</u>
Net amount on liquidity gap	<u>(3,516,141)</u>	<u>(632,193)</u>	<u>(471,069)</u>	<u>(125,469)</u>	<u>766,477</u>	<u>3,703,809</u>	<u>41,537</u>	<u>1,210,285</u>	<u>977,236</u>

VIII. PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement will be simultaneously published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk, as well as the website of the Bank at www.bankcomm.com. This results announcement is extracted from the 2022 Interim Report prepared in accordance with the IFRSs. The full report will be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk, as well as the website of the Bank at www.bankcomm.com for the reference of shareholders and investors. The 2022 Interim Report, which is prepared in accordance with China Accounting Standard will be available on the website of the Shanghai Stock Exchange at www.sse.com.cn and the website of the Bank at www.bankcomm.com. Investors should read the full Interim Report for details of interim results announcement. The Interim Report prepared in accordance with the IFRSs is expected to be distributed to the shareholders of H shares in September 2022.

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

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

Shanghai, the PRC
26 August 2022

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

* *Non-executive directors*

Independent Non-executive director