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CHINA BOHAI BANK CO., LTD.

渤海銀行股份有限公司

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

(Stock Code: 9668)

2022 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the “**Board**”) of CHINA BOHAI BANK CO., LTD. (the “**Bank**”) hereby announces the unaudited interim results of the Bank for the six months ended June 30, 2022. This announcement, containing the full text of the 2022 interim report of the Bank, complies with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited relating to information to accompany preliminary announcements of interim results.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The Chinese and English versions of this results announcement will be available on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Bank (www.cbhb.com.cn). If there are any discrepancies in interpretations between the Chinese and English versions, the Chinese version shall prevail. The printed version of the Bank's 2022 interim report will be despatched to the holders of H shares of the Bank subsequently and will be available for viewing on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Bank (www.cbhb.com.cn) in due course.

By order of the Board
CHINA BOHAI BANK CO., LTD.
LI Fuan
Chairman

Tianjin, China
August 26, 2022

As of the date of this announcement, the Board of the Bank comprises Mr. LI Fuan, Mr. QU Hongzhi, Mr. DU Gang and Mr. ZHAO Zhihong as executive directors; Mr. FUNG Joi Lun Alan, Ms. YUAN Wei, Mr. YE Baishou, Mr. HU Aimin and Mr. ZHANG Yunji as non-executive directors; and Mr. MAO Zhenhua, Mr. CHI Guotai, Mr. MU Binrui, Mr. TSE Yat Hong, Mr. WANG Ren and Mr. ZHU Ning as independent non-executive directors.

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Definitions

Articles of Association	the Articles of Association of CHINA BOHAI BANK CO., LTD.
Bank, our Bank, Company, our Company	CHINA BOHAI BANK CO., LTD. (渤海銀行股份有限公司), a joint stock company established on December 30, 2005 in the PRC with limited liability pursuant to the relevant PRC laws and regulations, and its H Shares were listed on the Hong Kong Stock Exchange (Stock Code: 9668)
CBIRC	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
CBRC	the former China Banking Regulatory Commission (中國銀行業監督管理委員會)
Central Bank	the People's Bank of China
China Accounting Standards for Business Enterprises	Accounting Standards for Business Enterprises - Basic Standards, specific accounting standards, application guidance and interpretations to the Accounting Standards for Business Enterprises and other regulations issued by the Ministry of Finance of the PRC on and after February 15, 2006
CSRC	China Securities Regulatory Commission (中國證券監督管理委員會)
Domestic Shares	ordinary shares issued by the Bank with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
H Shares	the overseas listed foreign shares issued by the Bank with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong Dollars and listed and traded on the Hong Kong Stock Exchange
HKEX	Hong Kong Exchanges and Clearing Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
IFRS	International Financial Reporting Standards, International Accounting Standards ("IAS"), the related standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB")
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
Reporting Date	the date on which this interim report was considered and approved by the Board of Directors of the Bank
Reporting Period	the six months ended June 30, 2022
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council (中華人民共和國國務院國有資產監督管理委員會)
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
the Fourth "Five-Year Plan"	the Plan for Development Strategy of CHINA BOHAI BANK CO., LTD. (2021-2025) (渤海銀行股份有限公司 2021-2025 年發展戰略規劃)
Tianjin SASAC	the State-owned Assets Supervision and Administration Commission of Tianjin People's Government

Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and members of senior management of the Bank undertake that the information contained in this report does not include any false records, misleading statements or material omissions, and assume several and joint liabilities for the truthfulness, accuracy and completeness of the content of this report.

The Bank considered and approved the Interim Report 2022 of the Bank at the 37th meeting of the fifth session of the Board of Directors held on August 26, 2022. 15 Directors should attend the meeting, among which 15 Directors actually attended, of which: Mr. YE Baishou, a non-executive Director, authorized Ms. YUAN Wei, a non-executive Director, to exercise the voting right on his behalf. 5 Supervisors of the Bank attended the meeting as non-voting delegates.

Mr. LI Fuan, the legal representative and chairman of the Board of Directors of the Bank, Mr. QU Hongzhi, the president of the Bank, Mr. DU Gang, the person in charge of finance and accounting of the Bank, and Mr. WANG Fenglei, the head of the accounting institution, hereby warrant the truthfulness, accuracy and completeness of the financial statements in this report.

As considered and approved at the 2021 annual general meeting, the Bank has distributed cash dividends for 2021 of RMB0.87 (tax inclusive) per 10 shares, totaling RMB1,545.294 million (tax inclusive), to all shareholders whose names appear on the register of members on May 25, 2022. The Bank does not propose to distribute dividend or capitalize the capital reserve for the interim period in 2022.

The Bank's 2022 interim financial report is unaudited.

Forward-looking statements such as future plans contained in this report do not constitute substantive commitments made by the Bank to its investors. Investors are cautioned against the investment risks and should understand the difference among plans, forecasts and commitments.

This report describes in detail the major risks that the Bank faces in its operational management, as well as the corresponding measures taken by the Bank. For details, please refer to the section "Management Discussion and Analysis – Comprehensive Risk Management" in this report.

Unless otherwise stated, financial data and indicators contained in this report are prepared in accordance with IFRS, and they are denominated in Renminbi (RMB). Certain amounts and percentage figures included in this report have been subject to rounding adjustments. Any discrepancy between the sum and total amounts in the tables is due to rounding.

This report is prepared in both Chinese and English. Should there be any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

Corporate Profile

- I. **Legal Chinese Name:** 渤海銀行股份有限公司 (Abbreviation: “渤海銀行”)
- II. **Legal English Name:** CHINA BOHAI BANK CO., LTD. (Abbreviation: “CBHB”)
- III. **Legal Representative:** LI Fuan
- IV. **Authorized Representatives:** DU Gang and SO Shuk Yi Betty
- V. **Secretary to the Board of Directors:** DU Gang
Joint Company Secretaries: DU Gang and SO Shuk Yi Betty
- VI. **Registered Address and Office Address:** 218 Haihe East Road, Hedong District, Tianjin, China
Postcode: 300012
International Website: www.cbhb.com.cn
Customer Service and Complaints Hotline: (86) 95541, (86) 400 888 8811
E-mail: IR@cbhb.com.cn
Tel: (86) 22-5878 9668
Fax: (86) 22-5831 6529
- VII. **Principal Place of Business in Hong Kong:** Suites 1201-1209 and 1215-1216, 12/F, Two International Finance Centre, Central, Hong Kong
- VIII. **Websites for Information Disclosure:** Website of the HKEX (www.hkexnews.hk) and website of the Bank (www.cbhb.com.cn)
Place where the interim report is kept: Office of the Board of Directors of the Bank
- IX. **Listing Stock Exchange of H Shares:** Hong Kong Stock Exchange
Stock Short Name: CBHB
Stock Code: 9668
- X. **Share Registrar**
Domestic Shares: China Securities Depository and Clearing Corporation Limited
No.17 Tai Ping Qiao Street, Xicheng District, Beijing
H Shares: Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
- XI. **Legal Advisors**
As to PRC Laws: Commerce & Finance Law Offices
12-14th Floor, China World Office 2, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing
As to Hong Kong Laws: Paul Hastings
22/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong
- XII. **Auditors**
Domestic Accounting Firm: KPMG Huazhen LLP
8/F, Tower E2, Oriental Plaza, 1 East Chang’an Avenue, Dongcheng District, Beijing
International Accounting Firm: KPMG
8th Floor, Prince’s Building, 10 Chater Road, Central, Hong Kong
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
- XIII. **Other Relevant Information**
Initial Registration Date: December 30, 2005
Registered Capital: RMB17,762 million
Unified Social Credit Code: 911200007109339563
Financial Licence Institution Serial Number: B0017H112000001

Summary of Accounting Data and Financial Indicators

I. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS

(Unit: RMB'000)

	January to June 2022	January to June 2021	Increase (decrease) (%)
Operating results data:			
Operating income	13,490,708	15,802,869	(14.63)
Profit before taxation	5,026,840	6,720,782	(25.20)
Net profit	4,402,916	5,344,565	(17.62)
Indicators per share (RMB):			
Basic earnings per share attributable to ordinary Shareholders of the Bank	0.25	0.30	(16.67)
Diluted earnings per share attributable to ordinary Shareholders of the Bank	0.25	0.30	(16.67)
Financial ratios⁽¹⁾ (%):			
Average return on total assets ⁽²⁾	0.54	0.72	a decrease of 0.18 percentage point
Weighted average return on net assets ⁽³⁾	9.91	12.48	a decrease of 2.57 percentage points
	June 30, 2022	December 31, 2021	Increase (decrease) (%)
Scale indicators:			
Total assets	1,662,017,088	1,582,707,598	5.01
Gross loans and advances to customers ⁽⁴⁾	987,180,451	955,355,247	3.33
Total liabilities	1,552,593,842	1,476,143,521	5.18
Gross deposits from customers ⁽⁴⁾	859,374,664	820,589,157	4.73
Total equity	109,423,246	106,564,077	2.68
Net assets per share attributable to ordinary Shareholders of the Bank ⁽⁵⁾ (RMB)	5.04	4.88	3.28

- Notes: (1) Interim financial ratios are all annualized.
- (2) Average return on total assets equals net profit divided by average value of total assets at the beginning and end of the period.
- (3) Weighted average return on net assets is calculated with reference to the Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No. 9): Calculation and Disclosure of Rate of Return on Equity and Earnings per Share (2010 Revision) (《公開發行證券的公司信息披露編報規則第 9 號—淨資產收益率和每股收益的計算及披露(2010 年修訂)》) issued by the CSRC.
- (4) Gross loans and advances to customers and gross deposits from customers exclude interests accrued.
- (5) Net assets per share attributable to ordinary Shareholders of the Bank equal equity attributable to holders of ordinary shares of the Bank at the end of the period, which has excluded other equity instruments, divided by total share capital at the end of the period.

II. SUPPLEMENTARY FINANCIAL INDICATORS

(Unit: %)

	January to June 2022	January to June 2021	Changes	January to June 2020
Profitability indicators⁽¹⁾:				
Net interest spread ⁽²⁾	1.49	1.79	a decrease of 0.30 percentage point	2.24
Net interest margin ⁽³⁾	1.55	1.92	a decrease of 0.37 percentage point	2.43
Cost-to-income ratio ⁽⁴⁾	33.85	27.55	an increase of 6.30 percentage points	25.78
	June 30, 2022	December 31, 2021	Changes	June 30, 2021
Asset quality indicators:				
NPL ratio ⁽⁵⁾	1.76	1.76	–	1.76
Allowance coverage ratio ⁽⁶⁾	136.30	135.63	an increase of 0.67 percentage point	160.55
Allowance to gross loan ratio ⁽⁷⁾	2.39	2.39	–	2.82
Capital adequacy indicators⁽⁸⁾:				
Capital adequacy ratio	11.52	12.35	a decrease of 0.83 percentage point	12.76
Tier 1 capital adequacy ratio	10.17	10.76	a decrease of 0.59 percentage point	10.75
Core tier 1 capital adequacy ratio	8.26	8.69	a decrease of 0.43 percentage point	8.73

- Notes: (1) Interim profitability indicators are all annualized.
- (2) Net interest spread is calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (3) Net interest margin is calculated by dividing net interest income by the average balance of total interest-earning assets.
- (4) Cost-to-income ratio is calculated by dividing total operating expenses (excluding tax and surcharges, etc.) by total operating income.
- (5) NPL ratio equals the balance of non-performing loans divided by gross loans and advances to customers (excluding interests accrued).
- (6) Allowance coverage ratio equals the sum of allowance for impairment losses on the loans measured at amortized cost and allowance for impairment losses on the loans measured at fair value through other comprehensive income divided by the NPL balances.
- (7) Allowance to gross loan ratio equals the sum of allowance for impairment losses on the loans measured at amortized cost and allowance for impairment losses on the loans measured at fair value through other comprehensive income divided by gross loans and advances to customers (excluding interests accrued).
- (8) We calculate the capital adequacy ratios for each tier according to the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), China Accounting Standards for Business Enterprises (中國企業會計準則) and other relevant regulations.

Management Discussion and Analysis

I. ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENT OF THE FIRST HALF OF 2022

Global economic growth slowed down with rising inflationary pressure

Under the influence of various factors such as the global spread of the COVID-19 pandemic, supply chain disruptions and persistently high inflationary pressures, global economic growth has been slowing down. Geopolitical events, such as the Russia-Ukraine conflict, have further triggered global economic fluctuations and brought about high energy and food prices, exacerbating global inflationary pressures. Major economies including the United States and Europe have imposed tighter monetary policy restrictions to cope with inflation. However, such movement has increased the risk of economic “hard landing”. With the global economy slowing down and inflation remaining high, the international financial markets have become more volatile and the external environment has become more complex and severe.

China’s economy has stabilized and rebounded, while the foundation for recovery requires consolidation

In the first half of 2022, China’s GDP grew by 2.5% year on year to RMB56,264.2 billion. Against the backdrop of a scattered and recurring pandemic and a complex and severe external environment, the Chinese economy overcame difficulties and achieved a steady recovery, thus maintaining economic stability. China’s employment situation improved and the surveyed unemployment rate in urban areas dropped. Foreign trade imports and exports maintained faster growth, demonstrating strong resilience. Under the guidance of the policy on ensuring supply and price stability, the CPI rose by an average of 1.7% in the first half of the year, with prices remaining within a reasonable range and rising at a rate significantly lower than that of other major economies. However, the current foundation for economic recovery has yet to be consolidated, the demand-side performance still has a huge room for improvement, and the endogenous economic growth needs to be further activated.

Liquidity was reasonable and sufficient with a steady decrease in financing costs

In the first half of 2022, the supply of market liquidity increased reasonably. Financial institutions increased their credit support for the real economy. The scale of social financing grew steadily, while the credit structure continued to improve. By improving the cost of bank liabilities and unleashing the potential of the loan prime rate reform, the comprehensive financing cost of enterprises was reduced effectively. The precise and effective structural monetary policy contributed to the significant increase in credit for the manufacturing industry and inclusive small and micro enterprises. Financial aid was given to help small, medium and micro enterprises develop steadily, so as to boost employment rate. The support for key areas and weak links of the national economy continued to increase.

Economic stabilization policies sustained with determination to prevent and resolve financial risks

Under the general keynote of seeking progress while maintaining stability, fiscal policies were pushed forward, and monetary policies became self-centered, so that both internal and external balance could be achieved. Moderate relaxation was maintained, while the economic stabilization policies sustained. These efforts helped China’s economy to overcome uncertainties and achieve stable recovery. The financial regulatory authority was determined to prevent and resolve financial risks, insisted on deepening reforms and promoting risk prevention in an integrated manner, continued to put great efforts on the disposal of non-performing assets, promoted multi-channel capital replenishment, and enhanced the risk prevention capability of financial institutions.

II. DEVELOPMENT STRATEGIES

The Bank's strategic vision is to become "a modern wealth and treasury manager offering the best experience (最佳體驗的現代財資管家)", its mission is to "serve the national strategy, serve the real economy and serve the good life, create sustainable value for shareholders, create a broad stage for employees and fulfill legal person responsibility for society (服務國家戰略、服務實體經濟、服務美好生活，為股東創造持續價值，為員工打造廣闊舞台，為社會履行法人責任)", and its value is "customer first, struggle-oriented, agility as the essence, innovation as the soul, and compliance as the lifeblood (客戶為先，奮鬥為本，敏捷為要，創新為魂，合規是命)". Setting foot on the new development stage, the Bank is adhering to the new development philosophy and integrating itself into the new development pattern. During the Fourth "Five-Year Plan" period, the Bank insisted on transforming into a retail bank, a transaction bank and a light-model bank. The Bank focuses on building an eco-banking model of "Bank the world" to create five strategic capabilities of "Ecosystem", "Engaged", "Enable", "Everywhere" and "Engined", achieving comprehensive upgrade of business model. The Bank always insists on the unification of economic responsibility and social responsibility, comprehensively pushes forward the construction of a green financial system, prevents and controls environmental and social risks, and contributes financial strength to accelerate the formation of green production and lifestyle, peak carbon emissions and achieve carbon neutrality. It is committed to promoting the green adjustment of the credit structure, cultivating new business growth points, establishing a diversified green financial product system, and continuously integrating and optimizing the green financial comprehensive service model.

During the Fourth "Five-Year Plan" period, the Bank has accelerated the formation of a trinity of corporate, retail, and financial market business development. The retail banking business insists on using MAU operation as the starting point, AUM operation as the cornerstone and enhancing customer value as the goal, providing customers/users with personalized, differentiated, and customized products and services through the "Plug & Play" business model to build the distinct competitive advantages for Bohai Bank. The corporate banking business adheres to the transformation direction of "Transaction Banking + FPA", and it realizes the change from asset pulling to asset leveraging through the "Platform Boosting" business model, which lays a solid foundation for the Bank's business transformation. The financial market business insists on taking trading as its soul, returning to its origin and creating value as its starting and ending point, and effectively helps the Bank's strategic transformation and business development through the "Supportive Activation" business model.

During the Fourth "Five-Year Plan" period, the Bank will build a strategic support system with "Seven New Infrastructure Construction" of Bohai Bank as the main body. The "Seven New Infrastructure Construction" includes FinTech, creative R&D, operation system, incentives and constraints, internal control & compliance, risk management, as well as training and education. The FinTech system is positioned to strengthen technology empowering and drive the "light front platform, fast middle platform, strong back platform" comprehensive digital transformation. The creative R&D system is positioned to drive development with innovation, creating a flexible production system and an agile innovation bank. The operation system is located at "lifting weights as lightness", and the "weights" of operation enables the "lightness" of business. The incentives and constraints system is fighter-oriented, and gives play to the advantage of flexible mechanisms. The internal control & compliance system is located in the "prevention system" and "repair system" to enhance immunity. The risk management system is designed to enhance the ability of "risk control for the Bank's protection", taking the construction of "Risk 30+" as the support to realize the transformation from "management" to "empowering". The training and education system is designed to nurture and supplement digital talents, and we strive to raise the percentage of digital talents in our workforce to 20%.

III. SCOPE OF BUSINESSES

The business scope of the Bank includes: absorbing public deposits; offering short-term, medium-term and long-term loans; arranging settlement of domestic and international accounts; handling acceptance and discount of bill; issuing financial bonds; acting as agent to issue, settle and underwrite government bonds and proprietary trading bonds issued by government and financial institutions; inter-bank borrowing and lending; trading of foreign currencies by itself and on behalf of its customers; bank card business; letters of credit and financial guarantees; acting as agent on inward and outward payments and insurance agency; offering safe-deposit facilities and other business approved by the CBIRC.

IV. OVERALL OPERATING PERFORMANCE

In the first half of 2022, under the routine epidemic prevention and control and the challenging conditions at home and abroad, it became more difficult for China's economy to grow steadily. The Bank actively responded to the changes in the operating environment and risk challenges, fully implemented the new development philosophy, served the new development paradigm, and proactively responded to the call of the nation to benefit the real economy and improve the level of financial services. At the same time, the Bank steadily promoted the transformation under its Fourth "Five-Year Plan", stepped up active control, maintained reasonable growth in size, continued to optimize its business structure, promoted the transformation of retail banking, and kept asset quality risks under control.

Steady growth in the size of assets and liabilities

As of the end of the Reporting Period, the total assets of the Bank amounted to RMB1,662,017 million, representing an increase of RMB79,309 million or 5.01% as compared to the end of the previous year, among which net loans and advances to customers amounted to RMB972,262 million, representing an increase of RMB34,355 million or 3.66% as compared to the end of the previous year. Total liabilities amounted to RMB1,552,594 million, representing an increase of RMB76,450 million or 5.18% as compared to the end of the previous year, among which deposits from customers amounted to RMB875,291 million, representing an increase of RMB39,370 million or 4.71% as compared to the end of the previous year. The size of both deposits and loans maintained steady growth.

Continuous optimization of credit business structure

During the Reporting Period, the Bank continued to improve the coverage and accessibility of financial services, strengthened the financial support for areas including small and micro enterprises, the rural areas, agriculture and farmers and poverty alleviation, increased credit allocation to fields including manufacturing, private, green finance and rural revitalization, and improved the fit between business layout and real economy. As of the end of the Reporting Period, the balance of inclusive small and micro loans of the Bank was RMB67,253 million, representing an increase of RMB7,771 million or 13% as compared to the end of the previous year, which was 9.7 percentage points higher than the growth rate of general loans. The balance of the Bank's loans for the manufacturing industry amounted to RMB106,462 million, representing an increase of 5.9% as compared to the end of the previous year, effectively meeting the financing needs of the real economy.

Continuous improvement in transformation into retail banking

During the Reporting Period, the Bank launched the new version of mobile banking, and created a new mobile portal APP with core features of "digitalization", "intelligence", "aggregate high-quality benefits" and "immersive customer experience". The Bank strengthened management of marketing and structure optimization of wealth business, promoted the development of its private banking business, and enhanced the number of high-end customers. The Bank continued to innovate new retail consumer finance, continuously enriching the product portfolio and creating diversified personal consumer finance products. As of the end of the Reporting Period, the total retail deposit of the Bank was RMB144,228 million, representing an increase of 6.89% as compared to the end of the previous year. The retail deposit ratio reached 16.78%. The balance of wealth assets amounted to RMB345,300 million, representing an increase of 3.1% as compared to the end of the previous year. The number of medium and high-end customers was 473,800, representing an increase of 20,000 as compared to the end of the previous year. The gross retail loans amounted to RMB339,717 million, or a percentage of 34.41%.

Asset quality risks under control

As of the end of the Reporting Period, the balance of the non-performing loans of the Bank amounted to RMB17,343 million, representing a slight increase of RMB508 million as compared to the end of the previous year. The NPL ratio was 1.76%, which remained the same level as at the end of the previous year. Allowance for loans loss was adequate, and the allowance for loan impairment of the Bank was RMB23,639 million, representing an increase of RMB807 million as compared to the end of the previous year. Non-bond investment impairment provisions were RMB10,857 million. The allowance to gross loan ratio was 2.39%, and the allowance coverage ratio was 136.30%. Asset quality was stable and the allowance indicators met the regulatory requirements.

V. ANALYSIS OF FINANCIAL STATEMENTS

(I) Key Items in the Statement of Profit or Loss and Other Comprehensive Income

1. Changes in items in the statement of profit or loss and other comprehensive income

During the Reporting Period, the Bank realized a net profit of RMB4,403 million, representing a decrease of 17.62% as compared to same period of the previous year.

The following table sets forth the changes in key items in the statement of profit or loss and other comprehensive income of the Bank for the periods indicated:

(Unit: RMB'000)

	January to June 2022	January to June 2021	Change	Increase (decrease) (%)
Net interest income	11,351,479	13,543,866	(2,192,387)	(16.19)
Net non-interest income	2,139,229	2,259,003	(119,774)	(5.30)
Operating income	13,490,708	15,802,869	(2,312,161)	(14.63)
Operating expenses	(4,811,922)	(4,711,555)	(100,367)	2.13
Impairment losses on assets	(3,651,946)	(4,370,532)	718,586	(16.44)
Profit before taxation	5,026,840	6,720,782	(1,693,942)	(25.20)
Income tax	(623,924)	(1,376,217)	752,293	(54.66)
Net profit	4,402,916	5,344,565	(941,649)	(17.62)
Total comprehensive income	4,404,463	5,467,243	(1,062,780)	(19.44)

2. Net interest income

During the Reporting Period, the net interest income of the Bank amounted to RMB11,351 million, representing a year-on-year decrease of 16.19%.

(1) Net interest spread and net interest margin

During the Reporting Period, the net interest spread of the Bank was 1.49%, representing a year-on-year decrease of 0.30 percentage point; and the net interest margin was 1.55%, representing a year-on-year decrease of 0.37 percentage point.

The following table sets forth the interest-earning assets and interest-bearing liabilities of the Bank for the periods indicated:

(Unit: RMB'000)

	January to June 2022			January to June 2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Assets:						
Loans and advances to customers	956,712,194	23,035,254	4.86	939,474,634	24,787,026	5.32
Financial investments	384,805,196	6,125,364	3.21	316,137,252	5,827,615	3.72
Deposits with the central bank	78,707,203	468,560	1.20	76,021,917	500,715	1.33
Deposits with banks and other financial institutions	35,341,158	116,326	0.66	49,624,250	134,996	0.55
Placements with banks and other financial institutions	15,959,455	286,417	3.62	17,998,532	127,886	1.43
Financial assets held under resale agreements	9,573,128	80,353	1.69	21,451,867	209,351	1.97
Total interest-earning assets	1,481,098,334	30,112,274	4.10	1,420,708,452	31,587,589	4.48
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Liabilities:						
Deposits from customers	804,633,811	10,290,369	2.58	773,769,940	9,800,775	2.55
Deposits from banks and other financial institutions	204,940,799	2,771,934	2.73	177,038,911	2,535,084	2.89
Placements from banks and other financial institutions	46,060,403	238,811	1.05	48,422,676	248,013	1.03
Financial assets sold under repurchase agreements	48,864,744	479,967	1.98	31,891,175	357,824	2.26
Debt securities issued	254,803,917	3,656,998	2.89	249,658,522	4,006,618	3.24
Borrowing from the central bank	89,904,972	1,322,716	2.97	73,620,994	1,095,409	3.00
Total interest-bearing liabilities	1,449,208,646	18,760,795	2.61	1,354,402,218	18,043,723	2.69
Net interest income		11,351,479			13,543,866	
Net interest spread			1.49			1.79
Net interest margin			1.55			1.92

(2) Interest income

During the Reporting Period, the interest income of the Bank amounted to RMB30,112 million, representing a decrease of 4.67% as compared to the same period of the previous year.

Interest income arising from loans and advances to customers

During the Reporting Period, the Bank's interest income arising from loans and advances to customers amounted to RMB23,035 million, representing a year-on-year decrease of 7.07%, primarily due to a decrease in the average yield of loans and advances to customers as compared to the same period of the previous year.

The following table sets forth the average balance, interest income and average yield for components of loans and advances to customers of the Bank for the periods indicated:

(Unit: RMB'000)

	January to June 2022			January to June 2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	525,485,338	11,761,619	4.51	564,281,463	13,060,719	4.67
Personal loans	341,523,736	10,324,967	6.10	330,339,978	10,982,217	6.70
Discounted bills	89,703,120	948,668	2.13	44,853,193	744,090	3.35
Loans and advances to customers	956,712,194	23,035,254	4.86	939,474,634	24,787,026	5.32

Interest income arising from deposits with the central bank, deposits with banks and other financial institutions and placements with banks and other financial institutions and interest income arising from financial assets held under resale agreements

During the Reporting Period, the Bank's interest income arising from deposits with the central bank, deposits with banks and other financial institutions and placements with banks and other financial institutions totaled RMB871 million, representing a year-on-year increase of 14.11%; and the interest income arising from financial assets held under resale agreements amounted to RMB80 million, representing a year-on-year decrease of 61.62%.

Interest income arising from financial investments

During the Reporting Period, the Bank's interest income arising from financial investments amounted to RMB6,125 million, representing a year-on-year increase of 5.11%.

(3) Interest expense

During the Reporting Period, the Bank's interest expense amounted to RMB18,761 million, representing a year-on-year increase of 3.97%.

Interest expense on deposits from customers

During the Reporting Period, the Bank's interest expense on deposits from customers amounted to RMB10,290 million, representing a year-on-year increase of 5.00%.

The following table sets forth the average balance, interest expense and average cost on deposits from customers of the Bank for the periods indicated:

(Unit: RMB'000)

	January to June 2022			January to June 2021		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits	548,376,459	7,405,463	2.72	512,518,213	6,826,822	2.69
Of which: Demand deposits	153,447,383	721,656	0.95	165,435,728	697,112	0.85
Time deposits	394,929,076	6,683,807	3.41	347,082,485	6,129,710	3.56
Personal deposits	135,113,984	1,883,307	2.81	117,544,141	1,635,023	2.81
Of which: Demand deposits	39,663,532	66,192	0.34	33,107,631	55,903	0.34
Time deposits	95,450,452	1,817,115	3.84	84,436,510	1,579,120	3.77
Pledged deposits and others	121,143,368	1,001,599	1.67	143,707,586	1,338,930	1.88
Deposits from customers	804,633,811	10,290,369	2.58	773,769,940	9,800,775	2.55

Interest expense on borrowing from the central bank, deposits from banks and other financial institutions and placements from banks and other financial institutions and interest expense on financial assets sold under repurchase agreements

During the Reporting Period, the Bank's interest expense on borrowing from the central bank, deposits from banks and other financial institutions and placements from banks and other financial institutions totaled RMB4,333 million, representing a year-on-year increase of 11.73%; interest expense on financial assets sold under repurchase agreements amounted to RMB480 million, representing a year-on-year increase of 34.13%.

Interest expense on debt securities issued

During the Reporting Period, the Bank's interest expense on debt securities issued amounted to RMB3,657 million, representing a year-on-year decrease of 8.73%.

(4) Impact of changes in volume and interest rate on interest income and interest expense

The following table sets forth the allocation of changes in the interest income and interest expense of the Bank due to changes in volume and changes in rate for the periods indicated:

(Unit: RMB'000)

	January to June 2022 vs. January to June 2021 due to changes in volume	January to June 2022 vs. January to June 2021 due to changes in rate	Net increase (decrease) (%)
Loans and advances to customers	391,260	(2,143,032)	(7.07)
Financial investments	1,097,273	(799,524)	5.11
Deposits with the central bank	16,853	(49,008)	(6.42)
Deposits with banks and other financial institutions	(45,739)	27,069	(13.83)
Placements with banks and other financial institutions	(36,933)	195,464	123.96
Financial assets held under resale agreements	(99,212)	(29,786)	(61.62)
Changes in interest income	1,323,502	(2,798,817)	(4.67)
Deposits from customers	374,482	115,112	5.00
Deposits from banks and other financial institutions	377,317	(140,467)	9.34
Placements from banks and other financial institutions	(14,004)	4,802	(3.71)
Financial assets sold under repurchase agreements	166,424	(44,281)	34.13
Debt securities issued	83,691	(433,311)	(8.73)
Borrowing from the central bank	238,259	(10,952)	20.75
Changes in interest expense	1,226,169	(509,097)	3.97
Changes in net interest income	97,333	(2,289,720)	(16.19)

Note: Changes in interest income and expense caused by both changes in volume and changes in rate have been allocated to the amount of impact of changes in volume on changes in interest income and expense.

3. Net non-interest income

During the Reporting Period, the net non-interest income of the Bank amounted to RMB2,139 million, representing a year-on-year decrease of 5.30%.

(1) Net fee and commission income

During the Reporting Period, the net fee and commission income of the Bank amounted to RMB1,427 million, representing a year-on-year increase of 27.69%, primarily due to the decrease in the information service fees expense.

The following table sets forth the principal components of the Bank's net fee and commission income for the periods indicated:

(Unit: RMB'000)

	January to June 2022	January to June 2021	Increase (decrease) (%)
Fee and commission income	1,888,967	2,204,688	(14.32)
Of which: Agency service fees	677,746	918,022	(26.17)
Settlement and clearing fees	489,911	472,576	3.67
Custodian service fees	241,511	297,186	(18.73)
Credit commitments and asset management fees	203,693	219,333	(7.13)
Consulting service fees	144,725	238,328	(39.27)
Bank card fees	44,737	32,438	37.92
Others	86,644	26,805	223.24
Fee and commission expense	462,167	1,087,297	(57.49)
Of which: Information service fees	351,337	968,013	(63.71)
Agency service fees	32,996	37,710	(12.50)
Settlement and clearing fees	23,582	21,273	10.85
Consulting service fees	19,817	17,760	11.58
Bank card fees	14,374	19,479	(26.21)
Others	20,061	23,062	(13.01)
Net fee and commission income	1,426,800	1,117,391	27.69

(2) Other net non-interest income

During the Reporting Period, other net non-interest income of the Bank amounted to RMB712 million, representing a year-on-year decrease of 37.59%.

The following table sets forth the principal components of other net non-interest income of the Bank for the periods indicated:

(Unit: RMB'000)

	January to June 2022	January to June 2021	Increase (decrease) (%)
Net trading losses	(320,715)	(106,233)	N/A
Net gains arising from investment securities	993,051	1,186,055	(16.27)
Other operating income	40,093	61,790	(35.11)
Total	712,429	1,141,612	(37.59)

4. Operating expenses

During the Reporting Period, the operating expenses of the Bank amounted to RMB4,812 million, representing a year-on-year increase of 2.13%.

The following table sets forth the principal components of operating expenses of the Bank for the periods indicated:

(Unit: RMB'000)

	January to June 2022	January to June 2021	Increase (decrease) (%)
Staff costs	2,850,279	2,827,668	0.80
Depreciation and amortisation	793,337	711,267	11.54
Taxes and surcharges	208,045	219,382	(5.17)
Interest expense on lease liabilities	82,564	80,100	3.08
Other general and administrative expenses	877,697	873,138	0.52
Total	4,811,922	4,711,555	2.13

5. Impairment losses on assets

The Bank strictly followed the regulatory requirements to provide impairment losses on credit based on the principle of prudence. During the Reporting Period, the impairment losses on credit provided by the Bank amounted to RMB3,652 million, representing a decrease of 16.44% as compared to the same period of the previous year, among which the provision for impairment losses on loans and advances to customers amounted to RMB3,836 million, the impairment losses reversed on financial investments amounted to RMB231 million, and other impairment losses on credit amounted to RMB47 million.

6. Income tax

During the Reporting Period, the income tax of the Bank amounted to RMB624 million and the effective tax rate was 12.41%. The income tax decreased primarily due to an increase in the non-taxable income and a decrease in the profit before taxation.

(II) Balance Sheet Items

1. Items of assets

As of the end of the Reporting Period, the total assets of the Bank amounted to RMB1,662,017 million, representing an increase of 5.01% as compared to the end of the previous year, which was mainly due to an increase in asset scale led by the steady development of financial investments and loans and advances to customers.

The following table sets forth the composition of total assets of the Bank as of the dates indicated:

(Unit: RMB'000)

	June 30, 2022		December 31, 2021		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Cash and deposits with the central bank	99,942,816	6.01	115,143,453	7.28	(13.20)
Deposits with banks and other financial institutions	20,570,097	1.24	27,730,508	1.75	(25.82)
Placements with banks and other financial institutions and financial assets held under resale agreements	18,076,921	1.09	9,262,262	0.59	95.17
Derivative financial assets	1,426,931	0.09	676,154	0.04	111.04
Loans and advances to customers	972,262,459	58.50	937,906,589	59.26	3.66
Financial investments	524,110,484	31.53	467,631,104	29.55	12.08
Property and equipment	3,529,497	0.21	3,585,904	0.23	(1.57)
Deferred tax assets	11,744,710	0.71	10,923,356	0.69	7.52
Right-of-use assets	3,928,710	0.24	3,921,702	0.25	0.18
Other assets	6,424,463	0.38	5,926,566	0.36	8.40
Total assets	1,662,017,088	100.00	1,582,707,598	100.00	5.01

(1) Loans and advances to customers

As of the end of the Reporting Period, the Bank's gross loans and advances to customers (including discounts) amounted to RMB987,180 million, representing an increase of 3.33% as compared to the end of the previous year.

The following table sets forth the distribution of loans and advances to customers of the Bank by product type as of the dates indicated:

(Unit: RMB'000)

	June 30, 2022		December 31, 2021		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Corporate loans and advances	555,323,088	56.26	537,239,254	56.23	3.37
Discounted bills	92,140,106	9.33	76,698,756	8.03	20.13
Personal loans	339,717,257	34.41	341,417,237	35.74	(0.50)
Gross loans and advances to customers	987,180,451	100.00	955,355,247	100.00	3.33
Interests accrued	7,382,330		5,296,053		
Total	994,562,781		960,651,300		

(2) Financial investments

As of the end of the Reporting Period, the financial investments of the Bank amounted to RMB524,110 million, representing an increase of 12.08% as compared to the end of the previous year.

The following table sets forth the composition of financial investments of the Bank as of the dates indicated:

(Unit: RMB'000)

	June 30, 2022		December 31, 2021		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Financial investments measured at fair value through profit or loss	109,325,575	20.86	102,377,637	21.89	6.79
Financial investments measured at fair value through other comprehensive income	105,697,552	20.17	89,218,927	19.08	18.47
Financial investments measured at amortized cost	309,087,357	58.97	276,034,540	59.03	11.97
Total	524,110,484	100.00	467,631,104	100.00	12.08

Further details of the Bank's financial investments are set forth in "Review Report and Interim Financial Report – Notes to the Unaudited Interim Financial Statements" in this report.

(3) Financial derivatives transactions

The Bank's financial derivatives transactions mainly consist of interest rate swaps, foreign exchange swaps, foreign exchange forwards, standard bond forwards and interest rate options. The Bank flexibly uses various derivative financial instruments to hedge exchange rate and interest rate risks, and actively uses derivative financial instruments to hedge transaction risk exposure, manage the portfolio of liability position, optimize the structure of liability maturity and keep a sound trading style in order to cooperate with the Bank's liquidity management.

As of the end of the Reporting Period, the contractual amounts and fair value of the main types of unexpired derivative financial instruments held by the Bank are set out as follows:

(Unit: RMB'000)

	June 30, 2022			December 31, 2021		
	Contractual/ notional amount	Fair value		Contractual/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Interest rate swaps	232,520,917	322,562	(322,214)	201,286,476	47,291	(38,405)
Exchange rate swaps	48,486,619	559,405	(392,329)	59,174,936	17,386	(356,177)
Exchange rate forwards	56,462,755	505,626	(399,099)	43,299,707	577,205	(521,346)
Precious metal swaps	2,390,255	39,335	(19,067)	2,748,971	6,134	(84,366)
Option contracts	2,009	3	(2)	1,676,974	28,138	(25,548)
Total	339,862,555	1,426,931	(1,132,711)	308,187,064	676,154	(1,025,842)

2. Items of liabilities

As of the end of the Reporting Period, the total liabilities of the Bank amounted to RMB1,552,594 million, representing an increase of 5.18% as compared to the end of the previous year, which was mainly due to an increase in total liabilities led by the increase of deposits from customers and debt securities issued.

The following table sets forth the composition of total liabilities of the Bank as of the dates indicated:

(Unit: RMB'000)

	June 30, 2022		December 31, 2021		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Borrowing from the central bank	98,560,081	6.35	78,846,876	5.34	25.00
Deposits from banks and other financial institutions	192,669,054	12.41	171,542,080	11.62	12.32
Placements from banks and other financial institutions	40,990,243	2.64	60,198,745	4.08	(31.91)
Derivative financial liabilities	1,132,711	0.07	1,025,842	0.07	10.42
Financial assets sold under repurchase agreements	64,241,515	4.14	68,199,110	4.62	(5.80)
Deposits from customers	875,291,029	56.38	835,920,665	56.63	4.71
Income tax payable	58,773	0.00	1,224,898	0.08	(95.20)
Debt securities issued	264,981,597	17.07	242,598,064	16.43	9.23
Lease liabilities	4,073,172	0.26	4,047,564	0.27	0.63
Other liabilities	10,595,667	0.68	12,539,677	0.86	(15.50)
Total liabilities	1,552,593,842	100.00	1,476,143,521	100.00	5.18

Note: As of the end of the Reporting Period, borrowing from the central bank of RMB98,560,081,000 included the principal amount at a fixed interest rate of RMB96,900,000,000, and the interest payable on the borrowing from the central bank of RMB1,660,081,000.

Deposits from customers

As of the end of the Reporting Period, the gross deposits from customers of the Bank amounted to RMB859,375 million, representing an increase of 4.73% as compared to the end of the previous year.

The following table sets forth the distribution of deposits from customers of the Bank by product type and customer type as of the dates indicated:

(Unit: RMB'000)

	June 30, 2022		December 31, 2021		Increase (decrease) (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Corporate deposits	586,118,117	68.20	556,129,430	67.77	5.39
Of which: Demand deposits	194,043,106	22.58	175,579,642	21.40	10.52
Time deposits	392,075,011	45.62	380,549,788	46.37	3.03
Personal deposits	144,228,016	16.78	134,931,535	16.44	6.89
Of which: Demand deposits	41,700,971	4.85	47,169,584	5.75	(11.59)
Time deposits	102,527,045	11.93	87,761,951	10.69	16.82
Pledged deposits	128,903,510	15.00	129,299,647	15.76	(0.31)
Fiscal deposits	76,254	0.01	138,608	0.02	(44.99)
Inward and outward remittances	48,767	0.01	89,937	0.01	(45.78)
Gross deposits from customers	859,374,664	100.00	820,589,157	100.00	4.73
Interests accrued	15,916,365		15,331,508		
Total	875,291,029		835,920,665		

3. Total equity

As of the end of the Reporting Period, the total equity of the Bank amounted to RMB109,423 million, representing an increase of RMB2,859 million or 2.68% as compared to the end of the previous year, primarily due to an increase of retained earnings of the Bank as of the end of the Reporting Period.

4. Pledge of assets

Details for the pledge of assets of the Bank are set out in “Review Report and Interim Financial Report – Notes to the Unaudited Interim Financial Statements” in this report.

5. Overdue and outstanding debts

The Bank had no overdue and outstanding debts as of the end of the Reporting Period.

VI. ANALYSIS OF CAPITAL ADEQUACY RATIOS

As of the end of the Reporting Period, the Bank calculated the capital adequacy ratios at all levels in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) promulgated by the CBRC and other relevant regulatory requirements, among which, the core tier 1 capital adequacy ratio was 8.26%, the tier 1 capital adequacy ratio was 10.17% and the capital adequacy ratio was 11.52%, all of which were in compliance with the regulatory requirements.

In calculating its capital adequacy ratios, the Bank considers itself and the financial institutions it invests directly or indirectly in compliance with the requirements of the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》). The items related to capital adequacy ratios at all levels calculated by the Bank in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and the relevant requirements are as follows:

(Unit: RMB'000)

	June 30, 2022	December 31, 2021
Core tier 1 capital	89,461,642	86,602,473
Core tier 1 capital regulatory deductions	(2,989,972)	(2,454,831)
Net core tier 1 capital	86,471,670	84,147,642
Other tier 1 capital	19,961,604	19,961,604
Net tier 1 capital	106,433,274	104,109,246
Tier 2 capital	14,103,743	15,394,751
Of which: Qualifying portion of tier 2 capital instruments enjoying favorable policies during the transitional period	–	408,562
Tier 2 capital regulatory deductions	–	–
Net capital	120,537,017	119,503,997
Capital adequacy ratio (%)	11.52	12.35
Tier 1 capital adequacy ratio (%)	10.17	10.76
Core tier 1 capital adequacy ratio (%)	8.26	8.69

Note: Capital adequacy ratio equals net capital/risk-weighted assets*100%. See table below for details of risk-weighted assets.

The following table sets forth the risk-weighted assets calculated by the Bank in accordance with the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), among which, credit risk-weighted assets are calculated using the method of weighting, market risk-weighted assets are calculated using the standardized approach, and operational risk-weighted assets are calculated using basic indicator approach.

(Unit: RMB'000)

	June 30, 2022	December 31, 2021
Credit risk-weighted assets	986,565,626	904,314,644
Of which: On-balance sheet credit risk	927,645,129	850,942,779
Off-balance sheet credit risk	57,249,364	52,113,951
Counterparty credit risk	1,671,133	1,257,914
Market risk-weighted assets	4,022,228	7,622,511
Operational risk-weighted assets	55,846,759	55,846,759
Total risk-weighted assets	1,046,434,613	967,783,914

According to the information disclosure requirements on asset securitization in Appendix 15 of the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), as of the end of the Reporting Period, the Bank's on-balance sheet credit risk exposure included RMB61,540 million of on-balance sheet asset securitization risk exposure and RMB12,473 million of risk-weighted assets.

VII. LEVERAGE RATIO

During the Reporting Period, the Bank measured the leverage ratio pursuant to the Leverage Ratio Rules for Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》) and relevant regulatory rules as follows:

(Unit: RMB'000)

	June 30, 2022	December 31, 2021
Tier 1 capital	109,423,246	106,564,077
Tier 1 capital deductions	(2,989,972)	(2,454,831)
Total adjusted on-balance sheet and off-balance sheet assets	1,953,448,222	1,840,929,792
Of which: Total adjusted on-balance sheet assets	1,657,600,186	1,579,576,613
Total adjusted off-balance sheet assets	290,582,303	257,449,988
Others ^{Note}	5,265,733	3,903,191
Leverage ratio (%)	5.45	5.66

Note: "Others" include the assets balance of derivatives and securities financing transactions.

VIII. SEGMENT REPORTING

The following table shows the segment performance of the Bank by business segment for the periods indicated:

(Unit: RMB'000)

	January to June 2022		January to June 2021	
	Operating income	Profit before taxation	Operating income	Profit before taxation
Corporate banking	7,006,009	2,279,156	7,261,562	833,571
Retail banking	4,829,281	1,155,981	5,633,688	2,046,752
Financial markets	1,616,647	1,662,805	2,780,026	3,867,363
Others	38,771	(71,102)	127,593	(26,904)
Total	13,490,708	5,026,840	15,802,869	6,720,782

The following table shows the segment performance of the Bank by geographic region for the periods indicated:

(Unit: RMB'000)

	January to June 2022		January to June 2021	
	Operating income	Profit before taxation	Operating income	Profit before taxation
Northern and Northeastern China	7,291,946	2,892,794	9,207,509	4,481,326
Eastern China	2,821,303	896,748	2,846,451	2,226,634
Central and Southern China	2,481,217	1,032,944	2,803,938	(548,926)
Western China	896,242	204,354	944,971	561,748
Total	13,490,708	5,026,840	15,802,869	6,720,782

IX. LOAN QUALITY ANALYSIS

(I) Distribution of Loans by Five-category Classification

(Unit: RMB'000)

	June 30, 2022		December 31, 2021	
	Amount	Proportion (%)	Amount	Proportion (%)
Normal loans	942,457,038	95.47	911,529,352	95.41
Special mention loans	27,380,353	2.77	26,991,348	2.83
NPLs	17,343,060	1.76	16,834,547	1.76
Of which: Substandard loans	6,817,138	0.69	7,773,484	0.81
Doubtful loans	6,695,417	0.68	6,045,599	0.63
Loss loans	3,830,505	0.39	3,015,464	0.32
Gross loans and advances to customers	987,180,451	100.00	955,355,247	100.00

(II) Distribution of Loans and NPLs by Product Type

(Unit: RMB'000)

	June 30, 2022				December 31, 2021			
	Amount	Proportion (%)	NPL amount	NPL ratio (%)	Amount	Proportion (%)	NPL amount	NPL ratio (%)
Corporate loans and advances	555,323,088	56.26	10,791,075	1.94	537,239,254	56.23	11,935,572	2.22
Of which: Short-term corporate loans	222,721,742	22.56	6,975,554	3.13	233,536,298	24.44	6,589,514	2.82
Medium- and long-term corporate loans	332,601,346	33.70	3,815,521	1.15	303,702,956	31.79	5,346,058	1.76
Discounted bills	92,140,106	9.33	499,337	0.54	76,698,756	8.03	-	-
Of which: Bank acceptance bills	90,513,780	9.17	-	-	74,255,944	7.77	-	-
Commercial acceptance bills	1,626,326	0.16	499,337	30.70	2,442,812	0.26	-	-
Personal loans	339,717,257	34.41	6,052,648	1.78	341,417,237	35.74	4,898,975	1.43
Of which: Residential and commercial housing loans	187,781,983	19.02	1,022,855	0.54	191,493,666	20.04	819,453	0.43
Personal consumer loans	98,006,553	9.93	4,362,362	4.45	103,737,632	10.86	3,553,159	3.43
Personal business loans	53,928,721	5.46	667,431	1.24	46,185,939	4.84	526,363	1.14
Gross loans and advances to customers	987,180,451	100.00	17,343,060	1.76	955,355,247	100.00	16,834,547	1.76

(III) Distribution of Corporate Loans and NPLs by Industry

(Unit: RMB'000)

	June 30, 2022				December 31, 2021			
	Amount	Proportion (%)	NPL amount	NPL ratio (%)	Amount	Proportion (%)	NPL amount	NPL ratio (%)
Lease and business services	187,525,999	19.01	1,269,275	0.68	180,718,892	18.91	1,739,708	0.96
Manufacturing	106,461,571	10.78	2,825,599	2.65	100,507,008	10.52	3,236,795	3.22
Real estate	86,472,332	8.76	2,362,737	2.73	75,817,353	7.94	2,811,659	3.71
Water conservancy, environment and public facilities management	61,586,710	6.24	67,684	0.11	60,174,126	6.30	71,073	0.12
Wholesale and retail	38,309,079	3.88	2,358,426	6.16	44,945,025	4.70	2,217,513	4.93
Construction	26,830,998	2.72	846,291	3.15	26,574,895	2.78	991,811	3.73
Transportations and communications, storage and post	13,361,392	1.35	47,117	0.35	13,109,144	1.37	46,021	0.35
Production and supply of electricity, heat, gas and water	10,080,760	1.02	125,939	1.25	9,554,863	1.00	5,939	0.06
Mining	6,966,028	0.71	119,579	1.72	8,745,021	0.92	155,693	1.78
Finance	6,047,170	0.61	-	-	5,805,897	0.61	-	-
Agriculture, forestry, animal husbandry and fishery	2,540,349	0.26	-	-	2,049,445	0.21	-	-
Scientific research and technical services	1,994,047	0.20	102,254	5.13	1,642,644	0.17	258,019	15.71
Education	1,593,683	0.16	-	-	1,707,452	0.18	-	-
Others	5,552,970	0.56	666,174	12.00	5,887,489	0.62	401,341	6.82
Gross corporate loans and advances	555,323,088	56.26	10,791,075	1.94	537,239,254	56.23	11,935,572	2.22

(IV) Distribution of Loans and NPLs by Geographical Areas

(Unit: RMB'000)

	June 30, 2022				December 31, 2021			
	Amount	Proportion (%)	NPL amount	NPL ratio (%)	Amount	Proportion (%)	NPL amount	NPL ratio (%)
Northern and Northeastern China	408,361,371	41.37	6,336,661	1.55	395,136,402	41.36	7,459,702	1.89
Eastern China	244,843,723	24.80	3,960,613	1.62	240,292,222	25.15	2,777,614	1.16
Central and Southern China	243,124,310	24.63	6,392,751	2.63	232,967,007	24.39	5,994,187	2.57
Western China	90,851,047	9.20	653,035	0.72	86,959,616	9.10	603,044	0.69
Gross loans and advances to customers	987,180,451	100.00	17,343,060	1.76	955,355,247	100.00	16,834,547	1.76

(V) Distribution of Loans and NPLs by Security Type

(Unit: RMB'000)

	June 30, 2022				December 31, 2021			
	Amount	Proportion (%)	NPL amount	NPL ratio (%)	Amount	Proportion (%)	NPL amount	NPL ratio (%)
Collateralized loans	307,734,537	31.17	4,956,781	1.61	303,198,889	31.74	4,432,025	1.46
Pledged loans	196,418,539	19.90	2,593,957	1.32	204,817,173	21.44	3,213,644	1.57
Guaranteed loans	303,089,782	30.70	4,990,783	1.65	272,839,508	28.56	5,316,299	1.95
Unsecured loans	179,937,593	18.23	4,801,539	2.67	174,499,677	18.26	3,872,579	2.22
Gross loans and advances to customers	987,180,451	100.00	17,343,060	1.76	955,355,247	100.00	16,834,547	1.76

(VI) Distribution of Loans by Overdue Period

As of the end of the Reporting Period, the Bank's overdue loans amounted to RMB24,978.21 million, representing a decrease of RMB13,577.56 million as compared to the end of the previous year.

(Unit: RMB'000)

	June 30, 2022		December 31, 2021	
	Amount	Proportion (%)	Amount	Proportion (%)
Overdue within three months	8,880,137	0.90	24,010,144	2.51
Overdue more than three months to one year	7,555,860	0.77	6,286,462	0.66
Overdue more than one year to three years	6,633,380	0.67	6,256,132	0.65
Overdue more than three years	1,908,832	0.19	2,003,029	0.21
Total overdue loans	24,978,209	2.53	38,555,767	4.03
Gross loans and advances to customers	987,180,451	100.00	955,355,247	100.00

(VII) Loans to Ten Largest Customers Who Are Single Borrowers

(Unit: RMB'000)

Borrowers	Industry	June 30, 2022			
		Amount	NPL amount	% of net capital base	% of gross loans
Customer A	Manufacturing	11,578,265	–	9.61	1.17
Customer B	Lease and business services	8,426,164	–	6.99	0.85
Customer C	Lease and business services	7,595,082	–	6.30	0.77
Customer D	Manufacturing	7,459,997	–	6.19	0.76
Customer E	Manufacturing	7,236,113	–	6.00	0.73
Customer F	Lease and business services	7,100,000	–	5.89	0.72
Customer G	Manufacturing	6,285,783	–	5.21	0.64
Customer H	Construction	5,592,000	–	4.64	0.57
Customer I	Manufacturing	5,214,001	–	4.33	0.53
Customer J	Lease and business services	5,000,000	–	4.15	0.50
Total	–	71,487,405	–	59.31	7.24

(VIII) Restructured Loans

Restructured loans refer to those loans that the financial status of the relevant borrowers deteriorates, or that borrowers are not capable of repaying and therefore certain clauses on the loan contract are adjusted. As at June 30, 2022 and December 31, 2021, the Bank's balance of restructured loans amounted to RMB1,219 million and RMB1,386 million, respectively.

(IX) Repossessed Assets

During the Reporting Period, the Bank had no repossessed assets.

(X) Disposal of Non-Performing Assets

As of the end of the Reporting Period, the Bank had disposed of RMB5,861 million of non-performing assets through means such as cash collection, write-off of bad debts, transfer and bankruptcy reorganization.

(XI) Allowance for Loan Impairment

1. *Loans and advances to customers measured at amortized cost*

(Unit: RMB'000)

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Opening balance	22,744,711	24,825,848
Charge	2,585,271	6,173,687
Transfer out	(93,980)	(3,019,363)
Write-off	(3,098,998)	(582,386)
Recoveries	153,903	52,226
Exchange rate changes and others	9,415	(5,433)
Closing balance	22,300,322	27,444,579

2. *Loans and advances to customers measured at fair value through other comprehensive income*

(Unit: RMB'000)

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Opening balance	87,437	127,184
Charge	1,250,851	20,487
Transfer out	–	–
Write-off	–	–
Recoveries	–	–
Exchange rate changes and others	–	–
Closing balance	1,338,288	147,671

(XII) Large Exposure

The Bank has strictly implemented the regulatory requirements of the Rules on Large Exposure of Commercial Banks (《商業銀行大額風險暴露管理辦法》) and established a large exposure management system. According to its own risk appetite, risk profile, management level and capital strength, the Bank sets internal management limits that are more stringent than the regulatory limits, and conducts continuous monitoring, early warning and control of large exposures. During the Reporting Period, all concentration indicators of large exposures of the Bank met regulatory requirements.

X. MAIN BUSINESS OPERATION AND MANAGEMENT

(I) Corporate Banking Business

During the Reporting Period, the corporate banking adhered to fundamental purpose of serving the national strategy, focusing on target customers, taking market demand as the guide, and relying on risk control. It focused on key areas of the real economy and weak links such as private enterprises and micro and small finance, actively integrated into the coordinated development of the region, persevered in transforming into a transaction bank and a light-model bank, thoroughly implemented the FPA concept, strengthened its customer base, continuously optimized the asset-liability structure, and constantly consolidated the ability in financial risk prevention and control, so as to maintain steady development of all businesses.

Customer building

During the Reporting Period, the corporate banking adhered to the customer-first concept and continued to consolidate its customer base. It continuously deepened the hierarchical and classified management of customers, gradually established a stratified management system of different customer bases such as strategic customers, group customers, institutional customers and micro and small customers, and provided professional financial services. Focusing on customer needs, the corporate banking strived to improve customer experience and gradually built a full-featured product and service platform, providing customers with professional and integrated financial service support.

Liability business

During the Reporting Period, the corporate banking took multiple measures to promote the growth of deposits and continued to optimize the deposit structure by intensifying customer marketing and expansion efforts, improving product systems, optimizing business functions, and establishing a deposit classification and management mechanism. As of the end of the Reporting Period, the gross corporate deposits amounted to RMB586,118 million, representing an increase of RMB29,989 million or 5.39% as compared to the end of the previous year.

Asset business

During the Reporting Period, the corporate banking actively served the national strategy and fulfilled its social responsibility by proactively adjusting the credit structure and allocating its credit resources to key areas such as manufacturing, technological innovation, green and low-carbon, inclusive finance and people's livelihood. Adhering to the State's keynote of "housing is for accommodation, not for speculation", it continuously optimized the structure of real estate loan customers, regions and projects, strengthened business compliance management, supported normal and reasonable real estate financing needs, and maintained the stable and healthy development of the real estate market. As of the end of the Reporting Period, the gross corporate loans amounted to RMB555,323 million, representing an increase of RMB18,084 million or 3.37% as compared to the end of the previous year.

Investment banking business

During the Reporting Period, the investment banking business was committed to transforming to the FPA business development concept, a full-caliber revenue and an intelligent platform. Driven by the dual business of the bond underwriting and non-bond business, the pace and speed of the transformation from the role of capital provider to capital and asset transaction facilitator have accelerated. The bond underwriting scale hit a new record high, further consolidating the advantages of the bond underwriting business. Meanwhile, the first insurance claim real estate enterprise merger and acquisition business in the industry, the first cross-border syndicated business and the first public REITs business in the industry under accelerated progress highlighted the continuous improvement of the comprehensive financial service competitiveness of the investment banking business.

Asset custodian business

During the Reporting Period, the strategic custodian products of the custodian business included four products, namely banking and wealth management, public funds, private funds and trust plans. The custodian business established a customer database and promoted precise marketing of strategic products to maintain steady growth of the custodian business beyond the industry. In addition, the custodian business was digitalized and made online to enhance its capability to provide services swiftly. The custodian business also continued to improve the construction of systems and processes to ensure its compliance and stable development. As of the end of the Reporting Period, the custodian and outsourcing business reached RMB1,941,512 million and yielded a revenue of RMB242 million for the first half of the year. According to the latest statistics for the second quarter of 2022 from the China Banking Association, the Bank ranks 20th among all 28 qualified custodian banks in terms of total assets in custody, and 22nd in terms of custodian fee income.

Transaction banking business

During the Reporting Period, the Bank was fully committed to its transformation into a transaction bank from strategic insight, strategic decoding to strategy execution, optimized the supply chain financial services platform, and extended the financial services chain, transaction chain and payment chain of its supply chain. To facilitate the overall business transformation and the construction of a target ecosystem, the Bank coordinated the development of international business, enhanced cooperation and strived to enhance its international business capabilities. Focusing on the goal of “best customer experience”, the Bank reconstructed the corporate electronic channel business system and strengthened the foundation of the corporate electronic channel system by developing and constructing the new version of corporate online banking, corporate internet platform, corporate financial service portal, corporate workstation, new version of the corporate mobile banking and direct link platform. As of the end of the Reporting Period, the transaction banking intermediary business realized an income of RMB771 million, representing a year-on-year increase of 11.84%.

Inclusive finance business

During the Reporting Period, the Bank fully followed the decisions and plans of the Party Central Committee, the State Council and regulatory authorities on inclusive finance and was in line with the National 14th Five-Year Plan and the 2035 Vision, which enhanced its political position in accordance with the overall requirements of “six security and six stability”. The Bank was committed to fulfilling its responsibility in the real economy of financial services and prioritized the high-quality development of inclusive finance for the improvement of its competitiveness. As of the end of the Reporting Period, the Bank had an inclusive finance loan balance of RMB67,253 million, representing an increase of RMB7,771 million or 13% as compared to the end of the previous year. The Bank had 167,000 inclusive finance loan customers, representing an increase of 20,800 or 14% as compared to the end of the previous year. The average interest rate for new loans for inclusive micro and small enterprises was 5.99%, basically remained steady as compared to the same period.

Focusing on “circle, chain, platform, ecosystem and scenario”, the Bank has been expanding the coverage of inclusive financial services through precise guidance of a customer “whitelist”. Focusing on the business direction of “housing mortgage, strong guarantee and big data”, the Bank launched the “Science and Innovation Loan”, “Commercial Bill Loan”, “Small and Micro Government Procurement Loan” and “Medical Insurance Loan”, and upgraded the “Bohai Bank Housing Loan” and “Bohai Bank Commercial Loan”. The Bank improved the long-term mechanism of “four loans” for micro and small enterprises, optimized the business process and strengthened the management foundation to enhance the willingness, capability and sustainability of serving micro and small enterprises. The Bank also improved its risk management capability for inclusive finance, incorporated credit risk management for micro and small enterprises into the overall risk management system, and significantly enhanced its risk management capability for inclusive finance through consistent processes, integrated systems and data linking. In view of the impacts of the pandemic, the Bank increased its efforts in providing inclusive financial services to enterprises by proactively offering penalty-free services and microcredit protection services to customers whose credit is overdue due to the pandemic, and offering differential pricing concessions to key regions affected by the pandemic, such as Northeast, Central and Western China, Tianjin and Shanghai, and key industries such as freight logistics and manufacturing.

(II) Retail Banking Business

The retail line firmly implemented the Bank's Fourth "Five-Year Plan" for its retail transformation strategy, focused on the three major missions of "revenue, deposits and customers", implemented the "4-4-3-3" strategy for retail business, constructed an integrated marketing, integrated risk control and integrated data system, effectively improved the quality of operation management and transformation development, and achieved steady growth in the retail business.

During the Reporting Period, the retail line achieved operating income of RMB4,829 million, accounting for 35.80% of the Bank's operating revenue, representing an increase of 0.34 percentage point as compared to the end of the previous year. As of the end of the Reporting Period, the total number of retail customers was 6,264,600, representing a year-on-year increase of 504,400, or a period-on-period increase of 4.31%. The Bank's deposit structure was further optimized, with the total amount reaching RMB144,228 million, representing an increase of RMB9,296 million or 6.89% as compared to the end of the previous year.

Customer development

Adhering to customer-centric operation, the retail line has deepened digital transformation and implemented the "mechanical boost" and "turbo boost" operation strategies for customer operation, thereby creating a digital operation system for customers. The Bank achieved outstanding results in expanding and operating its retail customer base while maintaining a healthy growth in retail customers.

During the Reporting Period, the Bank continued to strengthen the standardization of network points, enhanced the integrated service capability at lobbies, optimized the remote smart financial service system, and further expanded the radius of customer service. The Bank also refined customer stratification and group management, developed standardized service plans for four major customer groups, namely "Bozai, Borui, Boda and Botai" (渤仔、渤銳、渤達、渤泰), and focused on the refinement and customization of value customer services, which further increased the overall contribution of customers. In addition, the Bank served the real economy, provided services to individual industrial and commercial customers in the downstream and launched supply chain payment solutions in specific sub-sections, started enterprise WeChat to provide online services to customers, reached out to the community to carry out customer theme marketing and continuously enriched the content and connection of social services.

As of the end of the Reporting Period, the total number of retail customers was 6,264,600, representing a net increase of 504,400 or 8.76% over the beginning of the year.

Wealth management

During the Reporting Period, the Bank launched the "Boda" (渤達), "Botai" (渤泰), "Private Bank Glory Exclusive" (私行榮耀尊享) and "Private Bank New Exclusive" (私銀新晉專享) series financial products. The agency wealth management business had made a breakthrough and launched its first agency wealth management product. The agency standardized trusts covered the entire market, strategy and pipeline, and were available on a regular basis to meet customers' diversified wealth management needs. As of the end of the Reporting Period, the Bank's assets under management amounted to RMB345,300 million, representing an increase of 3.12% as compared to the end of the the previous year. The Bank adhered to professional empowerment and built a team of professional customer managers. The agency fund and insurance business achieved a breakthrough in both clients and scale. During the Reporting Period, revenue from the intermediary business under the agency fund and insurance business was RMB35,922,600, representing a year-on-year increase of 42.44%. The Bank continued to improve our comprehensive service system for private banking customers and launched four types of private banking services, namely, travel butler, health butler, intelligent butler and education butler, so as to effectively enhance the comprehensive ability to serve private banking customers. During the Reporting Period, the average wealth assets of private banking customers increased by 6.3%.

Asset business

During the Reporting Period, following China's credit policy, the retail asset business continuously improved the spectrum of consumer loan products and broadened the scenario ecosystem to maintain steady development. Firstly, the Bank arranged reasonable mortgage loan placement to ensure the demand for rigid and improved housing loans. During the Reporting Period, mortgage loan allocation was RMB7,515 million. Secondly, by clarifying customer segments, sorting out products and optimizing risk control, the Bank launched the "Bohai Bank E Loan" consumer loan product spectrum based on the Golden Lending Loan, Governmental Information Loan and Quick and Easy Loan, covering all target customers from middle and high-end customers to downstream customers. Thirdly, the Bank continued to expand scenario ecological finance. Cooperation projects with large group scenarios were sufficient, which was gradually demonstrated in the operating results.

As of the end of the Reporting Period, retail loan stabilized and rebounded. The Bank's gross retail loan was RMB339,717 million, basically remained steady as compared to the end of the previous year. The balance of non-performing loans was RMB6,053 million, with a non-performing ratio of 1.78%.

Credit card business

During the Reporting Period, revenue from the credit card business was RMB103 million, representing a year-on-year increase of 55.04% and exceeding the revenue of the previous year. Revenue from the credit card intermediary business was RMB47 million, representing a year-on-year increase of 42.88%.

During the Reporting Period, the credit card business accelerated its digital transformation and launched the Hi card digital credit card, which offered comprehensive digital services, including card design and benefits selected by the customers, online application, instant approval, digital card issuance, activation and use. In just one month after its launch, 10,200 cards were issued. Through customer profiling and database matching analysis, the Bank effectively identified customer needs, continued to conduct precise marketing of credit card business for white-listed premium customers and continuously enhanced the business development capability of the e-marketing team. As of the end of the Reporting Period, the Bank had issued an aggregate of 922,600 credit cards, representing an increase of 6.56% as compared to the end of the previous year. Credit card loan balance was RMB5,321 million, representing an increase of 12.75% as compared to the end of the previous year.

(III) Financial Market Business

During the Reporting Period, the Bank's financial market business complied with the regulatory direction and the Fourth "Five-Year Plan", strengthened party-centric efforts, aimed at customer service, collaborative business development and value creation, adhered to the risk and internal control management concept of compliance operation, embedded in the development plan of eco-banking, implemented light capital transformation, built an integrated business model of "trading + market making", strengthened the trading business and continued to act as a connection between money, capital and credit.

Wealth management business

The Bank continues to enrich its wealth management product type and improve its product portfolio to provide customers with quality wealth management services. At the product level, the Bank launched a medium to long-term financial products series, "Bo Ju Ying" (渤聚赢), for retail customers, as well as the new institutional public T+1 products and institutional cycle public products for institutional customers. In terms of customer base, the Bank continued to refine its customer management and launch specific products for the middle-aged and elderly customers, new customers and private banking customers to enhance the depth and breadth of the Bank's financial services coverage.

During the Reporting Period, the Bank launched 258 wealth management products with a total sales amount of RMB595,989 million. As of the end of the Reporting Period, the Bank had 365 existing wealth management products with a balance of RMB195,899 million, of which closed-end products accounted for 41.46% and open-end products accounted for 58.54%. The assets of wealth management products were mainly allocated in the fixed income category, 68.08%, 8.74% and 12.32% of which were invested in bonds, non-standardized bonds and equity assets, respectively. The remaining assets included 5.08% of interbank deposit, 2.32% of public funds and 3.46% of cash and interbank assets purchased under resale agreements. During the Reporting Period, the Bank realized aggregate revenue of RMB4,454 million for its customers.

Interbank business

During the Reporting Period, apart from prevention and control of financial risks, the Bank promoted the transformation of asset allocation to a light capital and transaction-based approach, focusing on promoting the placement of standardized and low-risk weighted assets, while promoting the secondary market flow of credit bonds and asset-backed securities/notes. The Bank was committed to returning to interbank business and supporting the development of the real economy.

During the Reporting Period, considering factors such as liquidity, business scale and maturity, the Bank strengthened cost control of interbank liabilities, continued to promote online banking and expand online and offline transaction channels, improved service quality, enhanced business efficiency, optimized interbank customer experience, and regularly summarized and analyzed interbank liabilities to improve dynamic management.

During the Reporting Period, the Bank further promoted the construction of an integrated management system for interbank customers. With a view to enhancing the comprehensive value return of the interbank customer base, the Bank expanded its customer base by unified command, unified promotion, accompanying marketing and collaborative operations through the interbank customer network management system. At the customer level, the Bank promoted comprehensive cooperation with interbank customers to enhance its comprehensive value contribution, which has achieved initial results. During the Reporting Period, the Bank established comprehensive cooperation with certain quality interbank customers. As of the end of the Reporting Period, the Bank had 1,702 active financial institution customers.

Treasury business

The Bank paid close attention to the market trends, actively carried out various transaction businesses by strengthening market research and judgment, and promptly captured market opportunities to increase transaction returns and expand the scale and scope of transactions. The pledged repo trading volume of bonds reached RMB3.56 trillion for the first half of 2022. At the same time, the innovative trading methods introduced by the China Foreign Exchange Trading System (e.g. X-repo anonymous click, RFQ request trading, etc.) were actively used. The Bank actively participated in businesses such as OMO, MLF and CBS, and fulfilled its role as a primary dealer in the open market to promote monetary policies, which greatly increased its market influence.

During the Reporting Period, facing the complex and volatile financial environment in both domestic and overseas markets, the Bank grasped the market opportunities, strengthened the study and judgment of exchange rate trends, flexibly adjusted trading strategies, actively carried out transactions in the interbank foreign exchange market, continuously improved its own trading capabilities, and enthusiastically participated in various standardized trading operations and new product business in the China Foreign Exchange Trading System. The Bank's ranking in all terms of foreign exchange transactions improved to varying degrees, in which, the Bank ranked among the top 50 in terms of foreign exchange swap transaction in the interbank market.

Bond business

Facing the complex and volatile bond market, the Bank's bond business has strengthened its business development, actively adjusted its bond investment strategy, rationalized its assets allocation and enriched its investment. As a member of the book-entry treasury bonds underwriting syndicates, a member of three policy financial bond underwriting syndicates and a comprehensive market maker in the interbank bond market, the Bank fulfilled its obligations as an underwriter and market maker to enhance its influence in the bond market, while effectively grasping the rhythm of market fluctuations and comprehensively using trading strategies to obtain solid returns. During the Reporting Period, the Bank maintained a steady growth in the volume of various financial market bond business and improved its market ranking. The Bank ranked 23rd in the overall ranking of book-entry treasury bonds underwriting syndicates in the first half of 2022, which was 8 ranks higher than that as at the end of 2021.

Agency business

During the Reporting Period, the Bank actively promoted the development of its agency business in the financial market, guided and encouraged branches to carry out agency business of treasury transactions in multiple dimensions: strengthened product development and promotion, improved the product system of the agency business and achieved full coverage of exchange rate and interest rate agency trading products. Moreover, the Bank built a team of product managers, continued to conduct business training and collaborative support and continued to conduct qualification certification of sales staff. The Bank also assisted enterprises to improve exchange rate risk management, revised systems and rules, provided convenient and efficient hedging products and services and provided guidance for enterprises to establish a risk neutral concept.

Bill transactions business

During the Reporting Period, the Bank accurately followed the trend of the bill market in the first half of 2022. While expanding cooperation with legal counterparties, the Bank seized the favorable trading opportunities, actively conducted transactions on bill markets, enlarged transaction volume, and expanded the Bank's market influence. At the same time, it carried out pledged repurchase and repurchase business, which provided strong support for the liquidity of the whole bank.

Interbank credit and agent bank network

During the Reporting Period, the Bank was granted sufficient credit limits by domestic and foreign banks with a wide range of products to maintain a stable development of all its businesses. A total of 1,247 banking institutions provided credit to the Bank. As of the end of the Reporting Period, the Bank had established agent bank relationship with 507 head offices and branches in 67 countries and regions.

(IV) Online Financial Business

During the Reporting Period, the online financial business of the Bank continued to undertake the strategic vision of the Fourth “Five-Year Plan”. Guided by customer needs, it accurately practiced “safeguarding the hearts of the people”, and solidly promoted financial digital transformation as driven by financial technology capabilities to create a bank with agility, ecology and warmth.

Focusing on customers, and continuing to improve the construction of online financial channels

In June 2022, adhering to the concept of “Better Finance for Better Life”, and committed to creating a “dual model” of financial services and life services, the Bank officially released version 6.0 of mobile banking.

Account, payment and other services had been fully optimized and upgraded to support log in without threshold for all users, and credit card consumption and mobile payment by linking the Bank and other banks. Functions such as transaction detail screening, dormant account management, income and expenditure analysis, and asset and liability overview were optimized. The Bank also strengthened security certification, upgraded cloud certificates, biometrics and other security means, improved the accuracy of risk identification through knowledge graphs, built an anti-fraud intelligent transaction platform, and monitored online transaction risks in real time. A series of new products, such as Boyin E-payment, Boyin E-finance and Boyin E-loan, had been launched. Equipped with information services, including 24/7 real-time news, investment education video courses and KOL viewpoints, these products linked news with financial products to create a multi-service system of “Smart Wealth Management + Wealth Companion”.

In order to actively respond to service policies such as rural revitalization and elderly-oriented services, the Bank continuously increased the promotion and service capabilities in the small-town and rural markets, and provided regional customization and customer-specific services. For elderly customers, we launched the “Elderly Edition” with larger font size and convenient operation, integrating global voice navigation, one-key help and other customized functions, to assist elderly customers in overcoming digital divide. We built a “Bo Lan Hui (渤攬惠)” life service area, and introduced high-quality ecological partners in the fields of government affairs, people’s livelihood and consumer life to accurately satisfy the needs of customers, and form an ecological scene platform of “One Industry, One Scene, One City, One Characteristic”.

Taking customer journey remodeling as the starting point, the Bank created the service brand of “Boyin E Butler”. The brand launched “Xiao Bo (小渤)”, a human-machine intelligent product recommendation and business consulting service butler, deeply cultivated the four major customers of Bozai, Borui, Boda and Botai, strengthened the refined management of customer groups, provided customers with customized, full-life cycle, full-relationship, and omni-channel intimate butler services, and strived to create a digital, intelligent and comprehensive mobile portal APP. After version 6.0 was launched, the growth rate of new registered customers of mobile banking in July was three times the average monthly growth rate in the first half of the year.

Giving full play to the advantages of digital finance and continuing to deepen the ecological construction of the platform

The Bank sought progress while maintaining stability and promoted the operation of online “cloud outlet”. Adhering to the service concept of “Finance Benefits People”, “cloud outlet” reshaped the banking business and service model and built an open, cooperative and win-win financial service ecosystem by providing social security, medical security, shopping mall consumption, financial management, value adding and payment and other benefits and convenience services.

Striving to contribute financial strength to education, the Bank actively deployed the construction of the “smart campus” ecological scenario, and provided integrated campus financial service solutions that centered on campus life such as account system, payment and fund depository. K12 financial business, moral education and sand table simulation courses of the Bank were simultaneously integrated to realize organic integration of financial technology and campus informatization construction. The “smart campus” ecological scene had been comprehensively promoted in Guangdong, Shanxi and Henan, which had been widely praised by our partner schools. The ecological co-construction work in Guangxi, Jiangxi, Shaanxi, Hubei, Hebei and other places had also been successfully launched.

The Bank continued to strengthen the foundation of digital infrastructure. We accelerated the construction of digital RMB ecological scenarios, and took an active role in facilitating the development of the digital economy. We built a 5G message bank to fully realize the transformation of private domain traffic, created competitive products such as “Bohai Champion Commerce (渤商贏)” and “R0R1 Deposit” to enrich the “Boyin E-payment” product line. Also, we cooperated with a number of leading payment institutions in the innovative business of one-click card linking to realize functions such as the barcode payment of UnionPay Cloud QuickPass and one-click card profile of UnionPay Cloud QuickPass. We commenced strategic cooperation with UnionPay to strengthen our payment channel capabilities.

The Bank continued to improve the construction system of “going out, bringing in, coexistence and joint development”. The products of the Bank such as Boyin E-payment, Boyin E-loan, and Boyin E-finance have been standardized and exported online through the establishment of the product shelves of the Bank. We continuously delved into the needs of customers in scenarios and updated our dynamic model, thus enabling us to assist the digital ecological transformation and development of the Bank with stable and efficient channel service capabilities.

(V) The Construction of Branches

During the Reporting Period, the Bank newly established 21 outlets, including 1 tier-two branch (Datong Branch), 19 sub-branches and 1 small and micro sub-branch.

The Bank scientifically planned the layout and construction of regional and urban outlets, rapidly promoted the implementation of the “Light Boat Plan (輕舟計劃)”, continuously realized the effect of physical outlets agglomeration, and enhanced infrastructure construction and standardized management of comprehensive small branches. We actively explored the development model of small banks and built satellite outlets with standard branches as the starting point to realize the unique business model of “Close to the Community + Technology Empowerment + Humanistic Services”, thus providing effective physical outlet support for the development of the retail business of the Bank.

As of the end of the Reporting Period, the Bank has established outlets in 25 provinces, municipalities and autonomous regions, 5 sub-provincial cities and the Hong Kong Special Administrative Region, covering 65 key cities nationwide, and has established 36 tier-one branches (including 3 tier-one branches in Suzhou, Qingdao and Ningbo under direct management of the head office and 1 overseas branch), 33 tier-two branches, 211 sub-branches and 24 small and micro community sub-branches. The total number of officially opened outlets reached 304.

(VI) Information Technology Construction

2022 is a critical year for the digital transformation of the Bank. The Bank adhered to the development vision of a “modern wealth and treasury manager offering the best experience”, and regarded digital transformation as one of the key driving forces to achieve high-quality financial development. Focusing on the working philosophy of financial technology transformation of “middle-end platform architecture, data-driven, intelligent operation and maintenance, agile and efficient”, and through blockchain, cloud computing, big data, artificial intelligence, machine learning and other technologies, we were able to create breakthrough in science and technology, comprehensively enhance the leading role of science and technology, and enhance the quality and efficiency of business development.

During the Reporting Period, we have been adhering to the concept of developing scientific and technological innovation through talent innovation, and steadily promoted the introduction of financial technology talents. As of the end of June, the number of registered personnel in the Information Technology Department of the head office totaled 744, representing a year-on-year growth of 49.4%. As of the end of the Reporting Period, the percentage of the Bank’s technology personnel reached 7.48%. On the one hand, a large number of high-end talents from leading internet companies and advanced peers were hired, boosting technology leadership; on the other hand, we attracted a large number of outstanding graduates from key universities to strengthen our talent pool and training.

During the Reporting Period, the Bank made every effort to promote high quality transformation and development, and continued to invest more resources in technology. As of the end of June, the investment in technology was RMB505.2869 million. We strictly implemented the Fourth “Five-Year Plan” for science and technology, strengthened the connection between strategic planning and technological planning, and built a business support service system. We actively integrated technological innovation, provided one-stop technological services, and promoted the integrated transformation of business and technology. A number of key projects such as a new version of mobile banking, a new version of corporate online banking, digital marketing and operation platform, financial sharing service platform, comprehensive supervision management platform, and data asset management platform were constructed and completed. We focused on the construction of three major projects including a new generation of distributed business platform, a new generation of teller channels and electronic channels, and a big data platform based on Data Lake and Data Warehouse integration. We also accelerated the construction of a new generation bill system, an intelligent investment advisory system for trading fund, a unified quotation platform in the financial market, and a risk measurement system to comprehensively promote the Bank’s transformation into a digital bank.

During the Reporting Period, the Bank actively carried out the relocation of the data center. We completed the construction of the 2,000-square-meter computer room on schedule and successfully passed the supervision and acceptance. We comprehensively deployed the multi-center and multi-site infrastructure, and improved the flexible and continuous supply capacity of the data center. We continuously optimized the construction of the operation and maintenance system, built a real-time transaction link monitoring and fault detection platform, thus forming production and operation capability with active response and intelligent decision-making. During the Reporting Period, we achieved an overall production system availability rate of more than 99.9% and critical system availability rate of more than 99.95% without major interruptions.

(VII) Business Profiles of Hong Kong Branch

The Hong Kong branch of the Bank was established in 2020 and is the first overseas branch officially established by the Bank. The Hong Kong branch, as a licensed bank, can operate a full range of commercial banking services. At present, it mainly focuses on wholesale banking and treasury businesses. The Hong Kong branch's business is based on cross-border linkage business, focusing on opportunities such as the "Belt and Road", RMB internationalization and the construction of the Guangdong-Hong Kong-Macao Greater Bay Area to help enhancing the Bank's international business and provide one-stop services for domestic and foreign customers, including a wide range of wholesale banking services and products, such as comprehensive bank accounts, cross-border RMB, deposits, settlement, trade financing, bilateral loans, syndicated loans, import and export agency payments, letter of credit discounts, onshore guarantees for offshore loans, offshore debt under onshore guarantee, mortgage financing, green financing etc. At the same time, it can participate in interbank funds borrowing and lending, bond investment, certificate of deposit issuance, bills issuance and foreign exchange transactions. As at the end of the Reporting Period, the total assets of the Hong Kong branch of the Bank equalled HK\$9,629 million.

XI. COMPREHENSIVE RISK MANAGEMENT

(I) Comprehensive Risk Management Summary

During the Reporting Period, the Bank continued to improve its comprehensive risk management system, enhanced the forward-looking and effective risk management, practiced the risk management concept of "comprehensive, proactive, agile and effective (全面、主动、敏捷、到位)", and promoted the implementation of various requirements of the Board of Directors and regulatory agencies. The Bank deeply cultivated nine categories of risk management, strictly upheld compliance operation, continuously improved the effectiveness of risk management, and built a professional and refined risk management system to construct a digital ecological bank.

The Bank's Board of Directors, the Risk Management and Green Finance Committee of the Board of Directors (and the Related Party Transactions Control Committee of the Board of Directors subordinated to it), the Audit and Consumer Rights Protection Committee of the Board of Directors, the Board of Supervisors, senior management and its Risk Control Committee, the Assets and Liabilities Management Committee, the Information Technology Committee, as well as the Risk Management Department, the Credit Review and Approval Department (including the Regional Approval Centers), the Asset Monitoring Department, the Retail Risk Management Department, the Assets and Liabilities Management Department, the Internal Control and Compliance Department, the Legal Affairs Department and other functional risk departments, the Information Technology Department, the General Office (Public Relations Department), the Strategic Development and Investment Management Office, the Audit Department, the Regional Audit Centers and other departments of the head office, as well as the risk management functional departments of subsidiaries and branches constitute the main organizational structure of the Bank's risk management.

The Board of Directors of the Bank is responsible for the ultimate responsibility for comprehensive risk management. The Risk Management and Green Finance Committee of the Bank are set up under the Board of Directors, which is responsible to the Board of Directors. The Board of Supervisors of the Bank is responsible for the supervision of comprehensive risk management and is responsible for supervising the performance of the Board of Directors and senior management in risk management and the rectification. The senior management shall assume the responsibilities for implementing comprehensive risk management and implementing the resolutions of the Board of Directors.

The Bank has senior management personnel (the chief risk officer) in charge of risk management, who shall be responsible for leading the relevant departments of the risk management line to carry out work under the risk management framework of the Bank. The chief risk officer maintains independence and can directly report the overall risk management to the Board of Directors.

The Bank has established a risk prevention system consisting of three lines of defense against each main risk to which it is exposed. The first line of defense of risk management is formed by various business departments, divisions, branches and sub-branches, which are directly responsible for carrying out their risk management functions. The second line of defense is departments of risk management line, Assets and Liabilities Management Department, Internal Control and Compliance Department, the General Office (Public Relations Department) and Strategic Development and Investment Management Office, which assume responsibilities for formulating policies and procedures, supervising and managing risk. The third line of defense of risk management is the Audit Department, which assumes audit responsibilities for the performance of the first and second lines of defense.

(II) Credit Risk

The Bank adhered to a comprehensive, vertical and independent management model for credit risk, and continuously improved and optimized the “residence system” of risk management personnel. At the head office, the Risk Management Department, the Credit Review and Approval Department (including the Regional Approval Centers), the Asset Monitoring Department and the Retail Risk Management Department were established. At the branches, there are risk directors who report to the chief risk officer.

During the Reporting Period, the Bank continued to respond to changes in the internal and external operating conditions, focused on deepening innovation and transformation, strengthened risk identification and strategic orientation in key areas, key businesses and key customer groups, enhanced the ability to proactively manage risks and create value, and further improved credit risk management system. Our credit risk management technologies and means were further optimized. The management process was gradually digitalized. The credit approval efficiency was further improved. Asset quality remained stable, while the overall credit risk was controllable.

Firstly, consolidating asset quality. The Bank put greater efforts on the supervision and inspection of post-loan management, thereby realizing systematic management of post-loan supervision. The Bank tracked and analyzed the completion of monitoring reports of key customers, post-loan inspection reports and financial statement entry, thus further improving the level of post-loan management. We implemented list-based dynamic management, strengthened continuous tracking and special monitoring of key customers, strengthened off-site monitoring and on-site inspections in key areas, standardized operational behavior, and ensured that risk internal control requirements were met. In accordance with the principle of prudence, the ten-level asset quality classification management was implemented. As of the end of the Reporting Period, the non-performing loan ratio of the Bank was 1.76%. We fully implemented the new financial instrument standards, followed the principles of prudence, timeliness, effectiveness and objectivity to make provision for impairment of financial assets included in the scope of impairment provision, to ensure that the Bank can strengthen its risk resistance ability under unfavorable environment of continuous slowdown in economic growth. As of the end of the Reporting Period, the Bank had a total balance of impairment provision for financial assets of RMB35,872 million, representing an increase of RMB627 million over the balance at the end of the previous year.

Secondly, strengthening basic management. The Bank further optimized the standardized and comprehensive credit management system in terms of system and process, improved and refined 4 systems including the low credit risk management system; iteratively upgraded the unified credit system, upgraded and transformed 10 system functions, involving process adjustment, group calculation logic, low-risk quota occupation and release and statistical query functions. We optimized the corporate credit approval system, implemented a credit decision-making mechanism in which the lead approver is the main person responsible for approval, and the credit review committee makes a collective decision regarding the approval, in order to continuously improve the professionalism and independence of credit approval. We promoted the automated approval of retail inclusive business in an orderly manner, and, focusing on the goal of “build well, use well and manage well”, made every effort to improve the retail inclusive automated approval system, agilely iterated the retail inclusive approval thinking and approval process, and created an intelligent risk control “base” for competitive retail inclusive business.

Thirdly, optimizing the credit structure. The “Bohai Bank 2022 Credit Policy” was issued. Focusing on the latest national policy orientation of green finance business with the goal of “carbon peaking and carbon neutrality”, the policy reflected the direction and management requirements of key areas of real estate and platforms under the new trend. After fully considering the characteristics of branch business development, we clarified the orientation of regional differentiated business, focused on supporting the development of inclusive retail business, and refined the core product system of “big data, strong guarantees and housing mortgages”. According to the current status and reserves of basic customers of the branches, the list of regional key customers and target customers was released, so as to achieve precise and targeted business development. In accordance with 35 credit guidelines for the corporate business industry, a total of more than 500 customer access criteria were sorted out and issued, which were embedded in the business plan application process of the CRMS system to convey policy preferences.

Fourthly, improving the system model. The Bank optimized the decision-making support engine for real estate credit business. Through the quantitative dynamic evaluation of the “3+1 big data model”, and from the three dimensions of customers, regions and projects, the automatic data retrieval rate of the model was improved to 80%. We promoted the wide application of the model in multiple scenarios, covering 327 prefecture-level cities, nearly 2,500 districts and counties, and more than 1,000 sectors across the country, thus realizing the full-process application of pre-loan marketing decision assistance, mid-loan risk decision-making and comprehensive evaluation, and post-loan automatic monitoring and analysis of corporate real estate credit business. We completed the optimization and upgrade of the government solvency evaluation model V3.0, and upgraded and optimized user experience and strived to improve the efficiency of model application in four aspects, including enhancing more than 70 basic data systems and parameter calibration in four dimensions, expanding the sub-model coverage to the top 100 districts and counties in China, adding query and monitoring of the operation of the new model, and identifying application standard for customer entry link model. We improved the two-dimensional rating system composed of customer rating and debt rating, upgraded 18 customer rating models, improved the level of risk measurement technology, and provided quantitative reference for management decision-making. We continued to strengthen the construction of credit risk management system. Anti-fraud functions such as notification of change of industrial and commercial registration information, identification of counterfeit state-owned enterprises and affiliated enterprises were added in 23 credit processes and 239 links to actively reveal potential risks. The Bank continued to promote the construction of intelligent risk identification tools for financial report, completed the standardized coding of 47 sets of financial report templates, established basic analysis models for 8 major industry categories, and refined analysis strategies on the basis of 246 groups of industry classifications. A total of 227 basic financial indicators and 650 financial indicators derived from various industries were sorted out. The experience database has accumulated 1,913 evaluation rules, laying the foundation for the subsequent provision of professional and objective risk identification services for financial reporting. A new version of the credit risk data mart was built, and 55 detail-level models, 2 analysis-level models, and more than 160 indicator-level models were put into production. A cross-border e-commerce quota calculation model was developed to support the Bank’s response to the new development pattern of “dual circulation”. An inclusive financial big data model based on government affairs and tax data was developed. Utilizing an evaluation system with more than 1,600 indicators in five dimensions, including financial lending, taxation, electricity, social security, and provident fund, the model is able to comprehensively and independently evaluate the qualifications of small and micro customers and improve the Bank’s quality and efficiency in providing inclusive financial services.

(III) Liquidity Risk

The Bank adopts a centralized approach with respect to its liquidity risk management and has established a sound governance structure, with clear duties for the Board of Directors, senior management, special committees and other relevant management departments. The Board of Directors assumes the ultimate responsibility for liquidity risk management, reviews the Bank's acceptable liquidity risk appetites, management strategies, policies, and procedures, supervises the effective management and control of liquidity risk, and approves information disclosure contents, etc. The senior management authorizes its Assets and Liabilities Management Committee to implement specific management work under the liquidity management system and methods approved by the Board of Directors, timely understands and evaluates the liquidity risk level and management status of the Bank, as well as reports to the Board of Directors, etc. The Assets and Liabilities Management Department at the head office is responsible for leading the organization of liquidity risk management for the Bank, formulating liquidity risk management strategies, policies and procedures, and conducting qualitative and quantitative analysis of liquidity risk and other specific management tasks. The Corporate Banking Department, Retail Banking Department and Financial Market Department, among others at the head office, and the subsidiaries engage in their business activities in compliance with the liquidity risk management policies, appetite, processes, limits and other requirements as set down by the Board of Directors and senior management.

The Bank adheres to prudent liquidity risk management strategies, and clarifies the overall objective, management mode, and main policies and procedures of liquidity risk management. The overall objective of the Bank's liquidity risk management is to reasonably arrange the asset and liability structure and future cash flows, to fulfill the fund payment needs of each business and to ensure compliance with liquidity regulatory indicators, and to reduce extra costs arising from liquidity as much as possible, including the opportunity cost of reserve funds, market financing premium, and loss on realization of assets.

Under the guidance of the liquidity risk management policies determined by the Board of Directors, the head office manages the overall liquidity risk across the Bank in a unified manner, implements effective identification, measurement, monitoring and control of liquidity risk. The Bank has established a three-tier liquidity reserve. In accordance with internal and external requirements and actual business development, through following liquidity risk management policies and procedures such as cash flow estimate and calculation and analysis, liquidity risk limit management, financing management, daytime liquidity risk management, qualified high-quality liquid asset management, liquidity early warning management, stress tests and emergency plans, under the premise of ensuring liquidity safety, the Bank effectively balances the relationship among liquidity, safety and efficiency, so as to promote sustainable and healthy development of business. The Bank established a comprehensive and systematic liability business management and risk control system, continued to promote the improvement of liability business quality management, and enhanced the efficiency and level of financial services to the real economy.

Taking into consideration of the impacts of internal and external potential factors, in addition to establishing daily risk monitoring and early alert mechanisms, the Bank sets mild, moderate and severe liquidity risk stress scenarios for major on- and off-balance sheet businesses, conducts stress tests on a quarterly basis and organizes liquidity crisis response exercises on a regular basis to test the Bank's resistance to potential liquidity risks, evaluate the effectiveness of various emergency measures and achieve forward-looking management of liquidity risks. The Bank's stress tests for liquidity risks take the mature cash flow gap as the key pressure-bearing object and the liquidity ratio as the auxiliary pressure-bearing object. The stress test of the mature cash flow gap covers the window periods of 7 days, 30 days and 90 days. During the Reporting Period, the Bank was able to meet the minimum lifetime requirement of not less than 30 days under various stress scenarios, and with the availability of sufficient quality liquid assets which are readily realizable at any time, the Bank could meet the potential liquidity needs under stress conditions.

During the Reporting Period, the Bank's liquidity remained reasonably adequate with a stable and controllable liquidity risk level. All liquidity regulatory indicators were met or beyond regulatory requirements, and major monitoring indicators operated smoothly. As of the end of June 2022, the Bank's liquidity ratio was 60.37%; the liquidity coverage ratio was 134.41%; the net stable funding ratio was 101.45% and the liquidity matching ratio was 117.01%.

According to the requirements of the Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks (《商業銀行淨穩定資金比例信息披露辦法》), the following table sets out the Bank's net stable funding ratio indicator, available stable funding for the numerator item, and required stable funding for the denominator item at the end of June and March 2022:

(Unit: RMB'000)

	June 30, 2022	March 31, 2022
Net stable funding ratio (%)	101.45	100.46
Available stable funding (converted to RMB)	928,111,878.70	908,957,400.19
Required stable funding (converted to RMB)	914,846,340.19	904,789,052.21

The following table shows the Bank's liquidity coverage ratio indicator:

(Unit: RMB'000)

	June 30, 2022	March 31, 2022
Liquidity coverage ratio (%)	134.41	103.23
Qualified high-quality liquid assets (converted to RMB)	148,292,785.00	120,281,776.00
Net cash outflow in the next 30 days (converted to RMB)	110,330,041.90	116,519,397.00

The following table shows the Bank's undiscounted cash flows receivable and payable for the non-derivative financial assets and financial liabilities by remaining contractual maturities after the balance sheet date:

(Unit: RMB'000)

	Repayable on demand	Within one month	Between		Between one year and five years	More than five years	Indefinite	Total
			one month and three months	Between three months and one year				
Financial assets	88,832,431	91,478,849	119,509,218	460,897,086	531,169,683	230,983,377	137,719,513	1,660,590,157
Financial liabilities	298,512,686	143,774,977	191,245,660	598,452,809	306,825,148	1,995,411	10,654,440	1,551,461,131
Net liquidity	(209,680,255)	(52,296,128)	(71,736,442)	(137,555,723)	224,344,535	228,987,966	127,065,073	109,129,026

(IV) Market Risk (Including the Interest Rate Risk in the Banking Book)

The Bank, in strict compliance with relevant requirements such as the Guidance on Market Risk Management of Commercial Banks (《商業銀行市場風險管理指引》) and the Guidelines for the Management of Interest Rate Risk in the Banking Book of Commercial Banks (Revised) (《商業銀行銀行賬簿利率風險管理指引(修訂)》), implements an independent and comprehensive market risk (including interest rate risk in the banking book, similarly hereinafter) management mode. The Board of Directors of the Bank is responsible for reviewing and approving the market risk management strategies, policies and procedures, so as to define the acceptable market risk level. The Assets and Liabilities Management Committee under the senior management is responsible for developing, regularly reviewing and overseeing the policies, procedures and workflows relating to market risk, and delineates market risk limits based on the risk appetite outlined by the Board of Directors. The Assets and Liabilities Management Department at the head office is responsible for establishing the market risk identification, measurement, monitoring, reporting and control mechanisms to ensure that the market risk borne by the Bank is controlled within the risk appetite set by the Board of Directors of the Bank.

The Bank's market risk management is governed by a comprehensive, sound and prudent principle, and its overall goal is to control the market risk level within its tolerance, by organically combining the identification, measurement, monitoring and control of market risks with the Bank's major operational and management activities including strategic planning, business decision-making and financial budgeting.

The Bank has formulated the Market Risk Management Policy and Administrative Measures for the Classification of Bank Accounts and Transaction Accounts (Revised) on this basis, actively implemented relevant market risk (including interest rate risk in the banking book) regulatory requirements, and established a market risk management system covering all aspects of market risk identification, measurement, monitoring and control. The Bank uses gap analysis, duration analysis, foreign exchange exposure analysis, and scenario analysis to identify and measure market risk, conducts regular stress tests, and monitors and controls risk through limit management.

In respect of the interest rate risk in the banking book, the Bank primarily applies measurement tools such as gap management, sensitivity analysis and duration analysis to manage it. The Bank constantly optimizes a net interest margin analysis system that combines dynamic and static conditions. On the basis of quantitative models and qualitative analysis, the Bank continuously reinforces the research and judgment of interest rate trends, so as to provide decision-making basis for tasks such as allocation of asset-liability structure. As for trading books, the Bank mainly measures, manages and controls through basis point value, value at risk (VAR), position limit, duration and stop-loss limits to ensure that the anticipated income of the trading books matches the trading exposure. In response to exchange rate risk, the Bank sets market risk limits, and effectively manages on-balance sheet and off-balance sheet foreign exchange risk exposure through derivative financial instruments, such as exchange rate swaps and exchange rate forwards, so as to keep the Bank's total foreign currency exposures to a low level. During the Reporting Period, in accordance with regulatory standards, the Bank's interest rate risk measurement indicator, namely the maximum economic value change under the framework of standardized measurement, accounted for 12.37% of tier 1 capital, and the cumulative foreign exchange exposure ratio was 0.21%. Both interest rate risk and exchange rate risk were kept within the internal limits and controllable on the whole.

The Bank's market risk-weighted assets measurement uses the standardized approach, and the market risk capital provision covers interest rate risk and specific risks in the trading books, as well as all exchange rate risks and commodity risks. As the Bank's trading position is relatively small, the market risk capital occupation is low.

The Bank's interest rate sensitivity gap

The Bank's on-balance sheet interest rate sensitivity gap is classified according to assets and liabilities on the statement of financial position at carrying amounts, by the earlier of the contractual re-pricing date or the maturity date as follows:

(Unit: RMB'000)

	Less than three months	Between three months and one year	Between one year and five years	More than five years	Non-interest bearing	Total
Total assets	471,890,036	706,885,026	348,168,508	70,698,125	64,375,393	1,662,017,088
Total liabilities	647,990,213	572,685,732	297,613,721	1,967,203	32,336,973	1,552,593,842
Total interest rate sensitivity gap	(176,100,177)	134,199,294	50,554,787	68,730,922	32,038,420	109,423,246

The Bank's interest rate sensitivity

The following table sets forth the results of the Bank's interest rate sensitivity analysis on profit before taxation and equity (without tax effect) with an assumption that all other variables held constant:

(Unit: RMB'000)

	Increase/(Decrease) on June 30, 2022
Change in profit before taxation	
Up 100 bps parallel shift in yield curves	(1,766,359)
Down 100 bps parallel shift in yield curves	1,766,359
Change in equity (without tax effect)	
Up 100 bps parallel shift in yield curves	(754,507)
Down 100 bps parallel shift in yield curves	754,507

The sensitivity analysis above is based on a static interest rate risk profile of the Bank's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized profit before taxation and shareholders' equity (without tax effect) would have been affected by repricing of the Bank's assets and liabilities within the one-year period. The above sensitivity analysis is based on the following assumptions:

- Interest rate movements at June 30, 2022 apply to all non-derivative financial instruments of the Bank;
- As at June 30, 2022, an end-of-period interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next full year from the end of the period;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the Bank.

Due to the adoption of the aforementioned assumptions, the actual changes in the Bank's profit before taxation and shareholders' equity (without tax effect) caused by an increase or decrease in interest rates might vary from the results of this sensitivity analysis.

The Bank's exchange rate risk exposure

The following table sets forth the Bank's foreign exchange rate risk exposure as at June 30, 2022:

(Unit: RMB'000)

	RMB	USD equivalent to RMB	Other currency equivalent to RMB	Aggregate RMB
Total assets	1,537,646,471	115,200,358	9,170,259	1,662,017,088
Total liabilities	1,413,448,440	129,797,635	9,347,767	1,552,593,842
Net exposure amount of balance sheet	124,198,031	(14,597,277)	(177,508)	109,423,246

(V) Operational Risk

Operational risk is the risk of losses due to inadequate or flawed internal processes, staff and IT systems, and external events. It includes legal risk but excludes strategic risk and reputational risk.

During the Reporting Period, the Bank comprehensively sorted out the operational risk management tools and updated and improved the indicators, transformed the operational risk management system, simplified the approval of operational risk management tools, optimized the approval process and risk event reporting process and improved efficiency. The Bank also coordinated its on-site inspection work, connected on-site inspection planning, execution and supervision, carried out special evaluation, conducted penetrating tests and evaluations on business systems, responsibilities, processes and system rectification and improvement, continued to improve the operational risk case database and carried out a series of training to actively create a sound operational risk management culture.

(VI) Capital Management

The Bank implemented comprehensive capital management, including capital planning, capital allocation and evaluation, capital monitoring and early warning, internal capital adequacy assessment, capital replenishment and emergency measures, capital measurement and reporting, information disclosure, etc. The capital management objectives of the Bank are to stabilize the capital base, enhance capital strength, promote bank value creation with economic capital as the core, achieve a beneficial balance among capital constraints, risk management, and shareholders' returns, and maintain a satisfactory level of capital adequacy, so as to effectively deal with the major risks and unexpected losses faced by the Bank and ensure the steady operation and sustainable and healthy development of the Bank. The Bank calculated, managed and disclosed capital adequacy ratio based on the Capital Rules for Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and other relevant regulatory rules.

As of the end of the Reporting Period, the Bank's capital adequacy ratio at all levels met the minimum capital requirements, reserve capital requirement and countercyclical capital requirement of the CBIRC. Capital adequacy ratio was 11.52%, representing a decrease of 0.83 percentage point as compared to the end of the previous year. Tier 1 capital adequacy ratio was 10.17%, representing a decrease of 0.59 percentage point as compared to the end of the previous year. Core tier 1 capital adequacy ratio was 8.26%, representing a decrease of 0.43 percentage point as compared to the end of the previous year. Capital adequacy ratios at all levels experienced changes as compared with the end of last year, mainly due to: firstly, the Bank increased its investment in assets to support the real economy and the growth rate of risk-weighted assets was slightly higher than the growth rate of capital at all levels. Secondly, in the first half of 2022, the Bank declared cash dividends to ordinary shareholders in a total amount of approximately RMB1,545 million, which depleted the endogenous capital replenishment. Thirdly, the Bank's steadily resolved troubled assets in the first half of the year, which depleted the provision for excess loan losses that could be included in tier 2 capital.

In order to achieve the capital management objectives, the Bank adopted the following management measures during the Reporting Period: formulating capital budgeting and capital planning based on development strategy objectives, risk appetite, financial budget and other factors, arranging the asset structure rationally under capital constraints, revitalizing the existing assets, at the same time, improving the year-by-year rolling mechanism for mid- and long-term capital planning, and making a forward-looking layout for the Bank's mid- and long-term capital management work; strengthening the core concept of capital value creation, improving the capital allocation and assessment system with capital efficiency indicator as the core, strengthening the promotion of reform and transformation as well as the guidance and support to key businesses by resource allocation, and continuously improving the efficiency of capital use; perfecting the internal capital adequacy assessment system, improving the comprehensive risk management framework, regularly carrying out internal capital adequacy assessment procedures, and formulating emergency plans in response to stressful situations; actively cooperating with various capital replenishment work, continuing to explore capital instrument innovation, and gradually forming a long-term capital replenishment mechanism that mainly replenishes endogenous capital and supplemented by external capital.

(VII) Information Technology Risk

During the Reporting Period, in accordance with regulatory requirements such as comprehensive risk management and internal control, as well as internal requirements such as risk appetite and information technology risk management policies, the Bank implemented the financial technology transformation and development strategy, effectively performed its duties on the three lines of defense of information technology risk management, continuously improved information technology risk management methods and management mechanism, and continued to promote the rectification of information technology risk issues. There were no major information system emergencies (level III) or above during the Reporting Period. The information technology risk was controllable as a whole, and the information technology risk preference had not been broken, providing a guarantee for the realization of the financial technology strategic goals.

(VIII) Compliance Risk

Compliance risk refers to the risk of being subject to legal sanctions, regulatory penalties, significant financial loss and reputational loss as a result of failure to comply with laws, rules and norms.

Compliance risk status

The Bank's compliance risk management is composed of the Board of Directors, Board of Supervisors, senior management, Risk Control Committee, Internal Control and Compliance Department, Audit Department, as well as various business lines and branches and sub-branches. Our Board of Directors is responsible for reviewing and approving our compliance risk management policies and assumes ultimate responsibility for the compliance of the operational and management activities with relevant applicable laws and regulations. Our senior management is responsible for formulating and implementing compliance risk management policies and organizing the implementation of compliance risk management, whereas the Internal Control and Compliance Department assists our senior management in leading and promoting the daily management of the compliance risk across the Bank. Each of the business lines is principally responsible for its compliance with the applicable laws and regulations and compliance risk management.

During the Reporting Period, the Bank deepened the compliance review with system review as the main body, proactively identified, assessed and mitigated the compliance risks of new products, new businesses and major projects, strictly controlled the advance pass of compliance risks, and kept the bottom line of compliance; the Bank internalized the external regulations in a timely manner, made express and summary of regulations, and continuously paid attention to and tracked the introduction and changes of regulations; the Bank sorted out rules and regulations, comprehensively evaluated the integrity, applicability and compliance of existing systems, carried out the activity of "self examination and rectification, reflection and correction by all staff" (全員自查自糾、反思整改), based on which the Bank established a long-term mechanism for internal control and compliance.

Anti-money laundering management status

The Bank adheres to the “risk-based” principle, actively fulfills anti-money laundering obligations and continuously improves anti-money laundering standards by focusing on improving the anti-money laundering internal control mechanism based on strengthening anti-money laundering training and supervision management.

During the Reporting Period, the “Bohai Bank Management Regulations Governing the Monitor List of Anti-Money Laundering (Revised in 2022)” and “Bohai Bank Management Regulations for Customer Money Laundering Risk Assessment (Revised in 2022)” were revised and released to strengthen the monitoring and management of the list and refine the identification and assessment of customer money laundering risks. The Bank launched the self-assessment of money laundering risks, which comprehensively and prudently assessed existing risks and the effectiveness of control measures. The results of the assessment were used to promote effective control and comprehensive coverage of anti-money laundering management and prevent money laundering risks. The Bank also optimized system functions and monitoring models to enhance the technological empowerment of its effort on anti-money laundering; conducted money laundering risk assessment for new and changed business products and improved risk control measures; organized various regular anti-money laundering training to improve the staff’s ability to perform their duties and deepen their awareness of risk prevention. Through the combined efforts of online and offline channels, the Bank increased the strength and breadth of promoting anti-money laundering and fulfilled its social responsibility.

(IX) Strategic Risk

Strategic risk refers to the risk of affecting the Bank’s current or future profitability, reputation and market position due to inappropriate strategic positioning, improper implementation of strategies, or failure to make timely and necessary adjustments to strategies in line with changes in the internal and external competitive environment in the process of formulating and implementing development strategies or making major business decisions closely related to strategies.

During the Reporting Period, the Bank deeply studied the major spirit and instructions of the Communist Party, the State and Tianjin Municipal Party Committee and Tianjin government, and effectively integrated thoughts and actions into the major goals and missions for future economic and financial works of the central and Tianjin Municipal Party Committee. In addition, the Bank accurately studied and evaluated domestic and overseas macroeconomic situation, linked up and down, implemented policies accurately, actively responded to the challenges arising from the epidemic and seized opportunities of online and digital development, so as to effectively carry out strategic risk management and promote high-quality development of the Bank.

During the Reporting Period, the Bank tracked major national strategic deployments and specific requirements in a timely manner, and steadily implemented the Bank’s Fourth “Five-Year Plan” to ensure that the positioning and development direction of the Fourth “Five-Year Plan” were consistent with relevant national requirements. At the same time, the Bank adhered to new development concept, grasped the opportunities arising from the new development stage, and integrated itself into the new development pattern. Based on the actual situation of the Bank, in accordance with the general concept of “building a framework, mechanism and improving ability”, the Bank gradually promoted the implementation of the Fourth “Five-Year Plan” and strategically revised it on a dynamic basis to ensure the effectiveness and guiding nature of the strategy. The Bank scientifically carried out annual strategic insight, planning, decoding and evaluation, and enhance the execution capability of strategic planning, so as to continuously improve the ability to serve the national strategy, the real economy and people’s better life.

(X) Reputational Risk

Reputational risk refers to the risk of negative evaluation by stakeholders due to the Bank's operation, management and other behaviors or external events. The reputational impact on the Bank is generally caused by poor management of various risks such as credit risk, market risk, liquidity risk, operational risk, technology risk, strategic risk, or caused by uncontrollable external emergencies, such as social, ethnic and environmental risks.

A good reputation is essential to the development of commercial banks' management activities. The Bank always attaches great importance to reputation risk management and regards reputation risk management as an important task to ensure the normal development of business, create a harmonious public opinion environment, maintain a good image of the company and the industry, and perform corporate citizenship responsibilities.

During the Reporting Period, the reputation risk management of the Bank adhered to the guiding concept of "enhancing awareness, focusing on prevention, close monitoring, proper handling, positive guiding and expanding publicity" to incorporate reputation risk management into the corporate governance and overall risk management system, aiming to effectively prevent reputation risk; focused on improving the logic of public relations communication, clarifying strategies, highlighting important points, grasping the domestic and overseas mainstream media and seizing the high ground of public opinion through its rich media resources, and taking the initiative to attack in order to defend. At the same time, the Bank made efforts to enhance the awareness of reputation risk prevention and the ability to respond to public opinion, strengthened the process management of reputation risk, continued to improve the immediacy and accuracy of dynamic monitoring of public opinion, proactively prevented and eliminated endogenous risks by conducting public opinion risk investigation of the whole bank, and promoted the continuous advancement of the "gate" of risk prevention.

During the Reporting Period, the Bank adhered to the brand concept of "once chosen, lifelong companionship" and a "customer-centric" operation concept, focused on shaping the corporate image of an "agile and warm" and "modern wealth and treasury manager offering the best experience".

(XI) Country Risk

The Bank incorporated country risk management into its comprehensive risk management system. The Board of Directors undertakes the ultimate responsibility for the effectiveness of monitoring country risks. The senior management is responsible for implementing the country risk management policies approved by the Board of Directors.

The Bank continued to strengthen its management on country risks. Pursuant to the Country Risk Management Measures of CHINA BOHAI BANK CO., LTD., the Bank formulated the Country Risk Rating and Quota Management Scheme of CHINA BOHAI BANK CO., LTD. for 2022, which specified the objects, responsibilities and procedures, rating methods and risk limit management methods of country risk management. At the same time, we established a country risk reporting, stress test, supervision and inspection mechanism. During the Reporting Period, the Bank mainly focused on RMB business. As the business scale expanded, the proportion of cross-border foreign-related business increased year by year, and the Bank's cross-border counterparties were mainly from 10 countries with low risk levels. As the Bank's assets involving country risk exposure are small in size, country risks are controllable.

XII. OUTLOOK OF THE SECOND HALF OF 2022

(I) Economic, Financial and Banking Industry Outlook

Looking forward to the second half of 2022, at the international level, uncertainties in the growth of the global economy will increase and the growth rate may further slow down. The prolonged Russia-Ukraine conflict will bring a series of impacts on commodities, energy, trade and financial markets. The resurgence of the COVID-19 pandemic will continue to cause disturbances to the global economy. The risk of inflation may continue to ferment. The Fed's interest rate hike will drive central banks in different countries to tighten their monetary policies. Economies of emerging markets and developing countries will face greater pressure and international fluctuation in financial markets will increase.

At the domestic level, GDP increased year-on-year by 2.5% in the first half of the year and achieved positive growth in the second quarter. With the gradual effect of a series of economic stabilization policies, market expectations and confidence will continue to recover. The economy will maintain a stable recovery in the second half of the year. The monetary policy will continue to remain stable, performing both aggregate and structural functions, and acting proactively to promote the stabilization of the macroeconomy. Total credit volume is expected to grow steadily. Fiscal policy will continue to be active, which will promote effective investment to accelerate the recovery. Consumption and investment are expected to recover gradually. CPI may rise further in the second half of the year.

In the second half of the year, the banking industry will further increase support for the real economy and strengthen risk management capabilities. As the economic market tends to stabilize, the scale of assets and liabilities and net profit of the banking industry will continue to grow, further accelerating the pace of capital replenishment and continuously enhancing overall risk prevention and control capabilities. The banking industry will accelerate digital transformation, continue to increase support for key areas and weak links such as small and micro enterprises, the rural areas, agriculture and farmers, and manufacturing, and expedite the development of inclusive finance, green finance, science and technology finance, supply chain finance and financial services to ensure the rural revitalization.

(II) Guiding Ideology and Major Measures for the Bank's Business Development in the Second Half of 2022

In the second half of 2022, the Bank's business development guiding ideology is: sticking to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implementing the spirits of the 19th National Congress of the Communist Party of China and the plenary sessions of the 19th Central Committee of the Communist Party of China, earnestly implementing the deployments of the Central Economic Work Conference. Guided by party building and taking compliance as the cornerstone, the Bank will adjust the structure to promote strategic transformation, strengthen risk control to ensure operational safety, conduct reform and innovation to increase development momentum, enhance management to improve operational efficiency, continue to deepen the implementation of every work of "thriving bank by customers, developing bank by deposit, enriching bank by intermediate business income, strengthening bank by technology, leading bank by innovation and protecting bank by risk control", strive to create a new situation of high-quality development of Bohai Bank, and welcome the successful convening of the 20th National Congress of the Communist Party of China with great achievements.

Major work measures: Firstly, strengthening the leadership of party building, taking the in-depth study, publicity, education and practice activities on the theme of “welcome the great meeting, build loyalty, strengthen responsibility, and enhance performance (迎盛會、鑄忠誠、強擔當、創業績)” as the starting point, testing the effectiveness of party building with business development results, and injecting strong impetus into the operation and development of the Bank. Secondly, making every effort to stabilize the economy, fully implementing the national macro-control policies, deepening the development of inclusive finance, serving the national strategy and regional development, and actively injecting financial vitality into the economy and society. Thirdly, enhancing the new momentum of development, continuing to consolidate the customer base, advancing the construction of seven basic management projects, actively promoting technology projects such as business middle platform and data middle platform, empowering business development, exerting all efforts to stabilize and increase deposits, operating income and intermediary business income, and firmly promoting the stabilization and improvement of business development. Fourthly, strengthening risk management capabilities, resolutely consolidating the main responsibility of asset quality control, strictly controlling concentration risks and new credit quality, and increasing efforts to dispose problematic assets so as to ensure stable asset quality. Fifthly, deeply practicing the business principle of “Compliance is Lifeblood”, comprehensively consolidating compliance management responsibilities, further consolidating the management responsibilities of the three lines of defense, and continuously promoting the construction of a large-scale compliance system. Sixthly, consolidating the management foundation, implementing the reform of the professional manager appointment system, establishing a talent training echelon, conducting market-based selection and recruitment of in-demand talents, strictly enforcing personnel allocation and differentiated remunerations, and striving to build core competitiveness. Seventhly, forging a strong disciplinary style, applying stringent disciplinary requirements and strict self-cultivation, resolutely implementing the spirit of the eight-point code of conduct issued by the Party Central Committee and their implementation rules, and striving to create a strong atmosphere for work and entrepreneurship. Eighthly, continuously maintaining safety and stability, strengthening ideological work, paying close attention to the implementation of safety production, preventing the occurrence of various types of non-compliance cases, highly guarding against reputation risks.

Changes in Share Capital and Information on Shareholders

I. CHANGES IN ORDINARY SHARES

There was no change in the Bank's ordinary shares during the Reporting Period. The Bank's ordinary shares are as follows:

	December 31, 2021		Changes during the Reporting Period (shares)	June 30, 2022	
	Number (shares)	Percentage (%)		Number (shares)	Percentage (%)
Domestic Shares	11,561,445,000	65.09	–	11,561,445,000	65.09
H Shares	6,200,555,000	34.91	–	6,200,555,000	34.91
Total ordinary shares	17,762,000,000	100.00	–	17,762,000,000	100.00

Note: As of the end of the Reporting Period, the Bank had 80 shareholders, including 11 holders of Domestic Shares and 69 holders of H Shares.

II. SHAREHOLDING OF TOP 10 SHAREHOLDERS OF ORDINARY SHARES

As of the end of the Reporting Period, shareholding of top 10 Shareholders of ordinary shares of the Bank was as follows:

Name of Shareholder	Nature of Shareholder	Changes during the Reporting Period (shares)	Number of shares held at the end of the period (shares)	Shareholding percentage (%)	Class of Shares
TEDA Investment Holding Co., Ltd. ⁽²⁾	State-owned legal person	–	3,612,500,000	20.34	Domestic Shares
HKSCC Nominees Limited ⁽³⁾	Overseas legal person	(35,010)	3,311,746,980	18.65	H Shares
Standard Chartered Bank (Hong Kong) Limited	Overseas legal person	–	2,888,555,000	16.26	H Shares
China Shipping Investment Co., Ltd.	State-owned legal person	–	1,975,315,000	11.12	Domestic Shares
State Development & Investment Corp., Ltd.	State-owned legal person	–	1,686,315,000	9.49	Domestic Shares
China Baowu Steel Group Corporation Limited	State-owned legal person	–	1,686,315,000	9.49	Domestic Shares
Oceanwide Industry Co., Ltd.	Domestic non-state-owned legal person	–	1,370,706,739	7.72	Domestic Shares
Tianjin Shanghui Investment Holding Company Limited	Domestic non-state-owned legal person	–	1,156,000,000	6.51	Domestic Shares
Shine Enterprise (Tianjin) Co., Ltd.	Domestic non-state-owned legal person	–	29,424,331	0.17	Domestic Shares
Tianjin Xianghe Enterprise Management Consulting Co., Ltd.	Domestic non-state-owned legal person	–	14,712,166	0.08	Domestic Shares
Tianjin Firstwood Co., Ltd. (天津渤海弗斯特木業有限公司)	Domestic non-state-owned legal person	(14,712,166)	–	–	Domestic Shares
Tianjin Foster Wood Co., Ltd. (天津弗斯特木業有限公司)	Domestic non-state-owned legal person	14,712,166	14,712,166	0.08	Domestic Shares

Notes: (1) The above information is prepared based on the share registration as of June 30, 2022 of the Bank's Share Registrar.

(2) TEDA Investment Holding Co., Ltd. confirmed that, as of the end of the Reporting Period, in addition to the 3,612,500,000 Domestic Shares of the Bank directly held, Jinlian (Tianjin) Finance Lease Co., Ltd., one of its subsidiaries, also held 48,438,000 H Shares of the Bank through HKSCC Nominees Limited. As such, TEDA Investment Holding Co., Ltd. and its subsidiary held a total of 3,660,938,000 shares of the Company, representing shareholding of 20.61%.

(3) The shares held by HKSCC Nominees Limited as agent are the total amount of shares in the Bank's H-share investors' accounts traded on the trading platform of HKSCC Nominees Limited.

III. INFORMATION OF SUBSTANTIAL SHAREHOLDERS UNDER THE INTERIM MEASURES FOR THE EQUITY MANAGEMENT OF COMMERCIAL BANKS PROMULGATED BY THE CBRC

According to relevant requirements of the Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》) promulgated by the CBRC, as of the end of the Reporting Period, the relevant information of substantial shareholders of the Bank was as follows:

Name of Shareholder	Controlling Shareholder	Actual controller	Pledged or frozen Shares held in the Bank	Nominated Directors/ Supervisors
TEDA Investment Holding Co., Ltd.	Tianjin SASAC	Tianjin SASAC	1,802,437,100 Shares pledged	Nominated Director ⁽²⁾
Standard Chartered Bank (Hong Kong) Limited	Standard Chartered PLC	Standard Chartered PLC	–	Nominated Director
China Shipping Investment Co., Ltd.	COSCO SHIPPING Development Co., Ltd.	SASAC	–	Nominated Director
State Development & Investment Corp., Ltd.	SASAC	SASAC	–	Nominated Director
China Baowu Steel Group Corporation Limited	SASAC	SASAC	–	Nominated Director
Oceanwide Industry Co., Ltd.	China Oceanwide Holdings Group Co., Ltd.	LU Zhiqiang	–	Nominated Director ⁽²⁾
Tianjin Shanghui Investment Holding Company Limited	–	–	–	Nominated Director

Notes: (1) During the Reporting Period, each substantial shareholder of the Bank did not authorize any other person to or accept any other person's authorization to hold shares of the Bank, and there were no other ultimate beneficiaries; the Bank is not aware of concerted action among the aforementioned substantial shareholders.

(2) As of the Reporting Date, Mr. QU Defu and Mr. ZHUANG Qifei were nominated by shareholder TEDA Investment Holding Co., Ltd., and Mr. LUAN Xianzhou was nominated by shareholder Oceanwide Industry Co., Ltd., the qualification of whom is subject to approval by the CBIRC.

The Bank has treated its substantial shareholders and their controlling shareholders, actual controllers, persons acting in concert, ultimate beneficiaries etc., totaling 1,548 enterprises as related parties of the Bank in light of their relationship with the Shareholders. For details on related party transactions, please refer to "Review Report and Interim Financial Report – Notes to the Unaudited Interim Financial Statements: Related parties" in this report.

IV. CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLERS

During the Reporting Period, the Bank had no controlling shareholders and actual controllers.

V. INTERESTS AND SHORT POSITIONS OWNED BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE BANK'S SHARES UNDER HONG KONG LAWS AND REGULATIONS

As of the end of the Reporting Period, to the best knowledge of the Directors or chief executives of the Bank, according to the register kept under Section 336 of the SFO, the following persons (other than the Directors, Supervisors and chief executives of the Bank) had or were deemed to have interests and short positions in the Shares or underlying Shares of the Bank which would be required to be disclosed to our Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of interest	Class of Shares	Long positions/ short positions	Number of Shares directly or indirectly held (shares)	Interest in the Bank (%)	The relevant class of Shares (%)
TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司)	Beneficial owner	Domestic Shares	Long positions	3,612,500,000	20.34	31.25
	Interest in controlled corporations ⁽¹⁾	H Shares	Long positions	48,438,000	0.27	0.78
Standard Chartered PLC (渣打集團有限公司) ⁽²⁾	Interest in controlled corporations	H Shares	Long positions	2,888,555,000	16.26	46.59
Standard Chartered Bank (Hong Kong) Limited (渣打銀行(香港)有限公司)	Beneficial owner	H Shares	Long positions	2,888,555,000	16.26	46.59
China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司) ⁽³⁾	Interest in controlled corporations	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
China Shipping Group Company Limited (中國海運集團有限公司) ⁽³⁾	Interest in controlled corporations	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
COSCO SHIPPING Development Co., Ltd. (中遠海運發展股份有限公司) ⁽³⁾	Interest in controlled corporations	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
China Shipping Investment Co., Ltd. (中海集團投資有限公司)	Beneficial owner	Domestic Shares	Long positions	1,975,315,000	11.12	17.09
State Development & Investment Corp., Ltd. (國家開發投資集團有限公司)	Beneficial owner	Domestic Shares	Long positions	1,686,315,000	9.49	14.59
China Baowu Steel Group Corporation Limited (中國寶武鋼鐵集團有限公司)	Beneficial owner	Domestic Shares	Long positions	1,686,315,000	9.49	14.59
LU Zhiqiang (盧志強) ⁽⁴⁾	Interest in controlled corporations	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
HUANG Qiongzhi (黃瓊姿) ⁽⁴⁾	Interest of spouse	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Tohigh Holdings Co., Ltd. (通海控股有限公司) ⁽⁴⁾	Interest in controlled corporations	Domestic Shares	Long positions	1,370,706,739	7.72	11.86

Name of Shareholder	Nature of interest	Class of Shares	Long positions/ short positions	Number of Shares directly or indirectly held (shares)	Interest in the Bank (%)	The relevant class of Shares (%)
Oceanwide Group Co., Ltd. (泛海集團有限公司) ⁽⁴⁾	Interest in controlled corporations	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司) ⁽⁴⁾	Interest in controlled corporations	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Oceanwide Industry Co., Ltd. (泛海實業股份有限公司)	Beneficial owner	Domestic Shares	Long positions	1,370,706,739	7.72	11.86
Tianjin Shanghui Investment Holding Company Limited (天津商匯投資(控股)有限公司)	Beneficial owner	Domestic Shares	Long positions	1,156,000,000	6.51	10.00
Yichang HEC Health Pharmaceutical Co., Ltd. (宜昌東陽光健康藥業有限公司)	Beneficial owner	H Shares	Long positions	322,920,500	1.82	5.21

- Notes: (1) The interests are held by TEDA Investment Holding Co., Ltd. through its wholly-owned subsidiary, namely Jinlian (Tianjin) Finance Lease Co., Ltd.
- (2) Standard Chartered Bank (Hong Kong) Limited is wholly-owned by Standard Chartered PLC. As such, Standard Chartered PLC is deemed to be interested in all the Shares held by Standard Chartered Bank (Hong Kong) Limited for the purpose of the SFO.
- (3) China Shipping Investment Co., Ltd. is wholly owned by COSCO SHIPPING Development Co., Ltd., which is in turn owned by China Shipping Group Company Limited as to approximately 39.28%. China Shipping Group Company Limited is wholly-owned by China COSCO Shipping Corporation Limited. As such, each of China COSCO Shipping Corporation Limited, China Shipping Group Company Limited and COSCO SHIPPING Development Co., Ltd. is deemed to be interested in all the Shares held by China Shipping Investment Co., Ltd. for the purpose of the SFO.
- (4) Oceanwide Industry Co., Ltd. is owned by China Oceanwide Holdings Group Co., Ltd. and Oceanwide Group Co., Ltd. as to 60% and 40%, respectively. China Oceanwide Holdings Group Co., Ltd. is owned by Oceanwide Group Co., Ltd. and Tohigh Holdings Co., Ltd. as to 98% and 2%, respectively. Oceanwide Group Co., Ltd. is wholly owned by Tohigh Holdings Co., Ltd. Tohigh Holdings Co., Ltd. is owned by Mr. LU Zhiqiang as to 77.14%. As such, each of Mr. LU Zhiqiang, Ms. HUANG Qiongzi (spouse of Mr. LU Zhiqiang), Tohigh Holdings Co., Ltd., Oceanwide Group Co., Ltd. and China Oceanwide Holdings Group Co., Ltd. is deemed to be interested in all the Shares held by Oceanwide Industry Co., Ltd. for the purpose of the SFO.

Save as disclosed above, the Bank is not aware of any other person (other than Directors, Supervisors and chief executives of the Bank) who has any interest or short position in its shares at the end of the Reporting Period which will be required to be entered in the register under section 336 of the SFO.

VI. ISSUANCE AND LISTING OF EQUITY SECURITIES

During the Reporting Period, the Bank has not issued any new shares.

VII. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE BANK

During the Reporting Period, the Bank has not purchased, sold or redeemed any listed securities of the Bank.

Directors, Supervisors, Members of Senior Management, Employees and Branches

I. DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

As of the Reporting Date, the Directors, Supervisors and members of senior management of the Bank are as follows:

The Board of Directors of the Bank consists of fifteen Directors, including four executive Directors: Mr. LI Fuan (chairman of the Board of Directors), Mr. QU Hongzhi, Mr. DU Gang and Mr. ZHAO Zhihong, five non-executive Directors: Mr. FUNG Joi Lun Alan (vice chairman of the Board of Directors), Ms. YUAN Wei, Mr. YE Baishou, Mr. HU Aimin and Mr. ZHANG Yunji and six independent non-executive Directors: Mr. MAO Zhenhua, Mr. CHI Guotai, Mr. MU Binrui, Mr. TSE Yat Hong, Mr. WANG Ren¹ and Mr. ZHU Ning.

The Board of Supervisors of the Bank consists of five Supervisors, including two employees' representative Supervisors: Mr. WANG Chunfeng (chairman of the Board of Supervisors) and Mr. MA Shuming, and three external Supervisors: Mr. QI Ershi, Mr. DIAO Qinyi and Mr. HUI Yung Chris.

The senior management² of the Bank consists of five members, including: Mr. QU Hongzhi, the president, Mr. DU Gang (secretary to the Board of Directors), Mr. ZHAO Zhihong (chief risk officer), Mr. XIE Kai and Mr. JIN Chao, the vice presidents.

II. CHANGES IN DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

The 30th meeting of the fifth session of the Board of Directors of the Bank reviewed and approved that Mr. CUI Xuesong would resign as the non-executive Director and a committee member of the Audit and Consumer Rights Protection Committee and the Development Strategy and Inclusive Finance Committee under the Board of the Bank due to the adjustment of work position, which came into effect from March 29, 2022.

The 30th meeting of the fifth session of the Board of Directors of the Bank reviewed and approved that Mr. LI Yi would resign as the executive Director and a committee member of the Risk Management and Green Finance Committee and the Related Party Transactions Control Committee under the Board of the Bank due to the adjustment of work position, which came into effect from March 29, 2022.

The 32nd meeting of the fifth session of the Board of Directors of the Bank reviewed and approved that Mr. WANG Zhiyong would resign as the non-executive Director and a member of the Nomination and Remuneration Committee under the Board of the Bank due to the adjustment of work position, which came into effect from April 21, 2022.

The 32nd meeting of the fifth session of the Board of Directors of the Bank reviewed and approved that Mr. ZHANG Xifang would resign as the non-executive Director and a committee member of the Risk Management and Green Finance Committee and the Related Party Transactions Control Committee under the Board of the Bank due to the adjustment of work position, which came into effect from April 21, 2022.

On May 16, 2022, Mr. QU Defu, Mr. ZHUANG Qifei and Mr. LUAN Xianzhou were elected as non-executive Directors of the Bank, Mr. ZHAO Zhihong was elected as an executive Director of the Bank and Mr. SHUM Siu Hung Patrick was elected as an independent non-executive Director of the Bank at the 2021 annual general meeting of the Bank. On July 28, 2022, CBIRC approved the qualification of Mr. ZHAO Zhihong as a director. Mr. ZHAO Zhihong has been an executive Director of the Bank, a member of the Risk Management and Green Finance Committee of the Board of Directors and a member of the Related Party Transactions Control Committee of the Board of Directors with effect from July 28, 2022. The qualification of Mr. QU Defu, Mr. ZHUANG Qifei, Mr. LUAN Xianzhou and Mr. SHUM Siu Hung Patrick is subject to the approval by the CBIRC.

During the Reporting Period, there was no change to the Supervisors and members of senior management of the Bank.

¹ Mr. WANG Ren resigned as an independent non-executive Director of the Bank, a member of the Nomination and Remuneration Committee and a member of the Audit and Consumer Rights Protection Committee of the Board due to personal work re-arrangement on October 29, 2021. The 2021 annual general meeting of the Bank elected Mr. SHUM Siu Hung Patrick as independent non-executive Director of the Bank. The resignation of Mr. WANG Ren will become effective on the date Mr. SHUM Siu Hung Patrick obtains the approval of appointment qualification by the CBIRC, during which Mr. WANG Ren will continue to perform his duties as an independent non-executive Director of the Bank, a member of the Nomination and Remuneration Committee and a member of the Audit and Consumer Rights Protection Committee of the Board.

² At the 20th meeting of the fifth session of the Board of Directors of the Bank, Mr. ZHU Yingyu was appointed as the professional manager to serve as the vice president of the Bank. The qualification of Mr. ZHU Yingyu as vice president is subject to the approval by the CBIRC.

III. CHANGES IN THE INFORMATION OF DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

Changes in the Biographies of Directors, Supervisors and Members of Senior Management

Mr. YE Baishou, a non-executive Director of the Bank, ceased to be chairman of SDIC Capital Co., Ltd. (國投資本股份有限公司) and chairman of the board of directors of SDIC Taikang Trust Co., Ltd. (國投泰康信託有限公司).

Mr. MAO Zhenhua, an independent non-executive Director of the Bank, serves as the professor of HKU Business School.

Mr. HUI Yung Chris, an external Supervisor of the Bank, serves as chief executive officer and executive Director of Clarity Medical Group Holding Limited (清晰醫療集團控股有限公司), and director of Hong Kong Taigu (China) Group Co., Ltd (香港太谷(中國)集團有限公司). And he ceased to be an executive Director of Hong Kong Taigu (China) Group Co., Ltd, director of its subsidiary, New Weigu (Fujian) Biological Engineering Co., Ltd. (新味谷(福建)生物工程有限公司) and an independent non-executive Director of Clarity Medical Group Holding Limited.

Mr. MA Shuming, an employees' representative Supervisor of the Bank, serves as director of the Inspection Office under the Party Committee of CHINA BOHAI BANK CO., LTD. (中共渤海銀行股份有限公司委員會巡察工作辦公室), director (concurrent position) (主任(兼)) of the Discipline Inspection Liaison Office under the Party Committee of CHINA BOHAI BANK CO., LTD. (中共渤海銀行股份有限公司委員會紀律檢查工作聯絡辦公室), member and secretary (concurrent position) (書記(兼)) of the Party Committee for Discipline Inspection of CHINA BOHAI BANK CO., LTD. (中共渤海銀行股份有限公司機關紀律檢查委員會), and ceased to be director of the Office of the Board of Supervisors of the Bank.

Other Information to be Disclosed Pursuant to the Requirements of Rule 13.51B(1) of the Listing Rules

On June 28, 2022, the 14th meeting of the fifth session of the Board of Supervisors of the Bank reviewed and approved that Mr. MA Shuming would serve as a member of the Supervision Committee under the fifth session of the Board of Supervisors.

Save as disclosed in this report, no information on Directors or Supervisors is subject to disclosure in accordance with paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

IV. DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES' INTERESTS IN THE BANK

As of the end of the Reporting Period, none of our Directors, Supervisors and chief executives of the Bank had any interests or short positions in the Shares, underlying Shares or debentures of the Bank or its associated corporations (as defined in Part XV of the SFO) which were required to be entered in the register kept by the Bank pursuant to section 352 of the SFO, or which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code.

V. STAFF

(I) Number and Structure of Employees

As of the end of the Reporting Period, the Bank had 12,102 employees, increased by 276 as compared to the end of the previous year, including 5,778 male employees and 6,324 female employees. The age structure, educational background and professional post structure of the employees are as follows:

1. Age structure of employees

Age	Number of employees	Structure (%)
Aged 30 or below	2,695	22.27
Aged 31-35	3,651	30.17
Aged 36-40	2,856	23.60
Aged 41-45	1,290	10.66
Aged 46-50	970	8.01
Aged over 50	640	5.29
Total	12,102	100.00

2. Educational background of employees

Educational background/degree	Number of employees	Structure (%)
Postgraduate/Master's degree and above	3,067	25.34
Undergraduate/Bachelor's degree	8,776	72.52
College and lower	259	2.14
Total	12,102	100.00

3. Professional post structure of employees

Professional post	Number of employees	Structure (%)
Corporate banking	2,754	22.76
Retail banking	3,065	25.33
Financial markets	275	2.27
Online finance	136	1.12
Finance and assets & liabilities	301	2.49
Risk management	797	6.58
Audit, legal, internal control & compliance	373	3.08
Business operation	2,092	17.29
Information technology	905	7.48
Others	1,404	11.60
Total	12,102	100.00

In addition to the employees with whom the Bank has entered into labor contracts, as of the end of the Reporting Period, the Bank also engaged 214 dispatched workers through third-party human resources agencies and they generally hold non-essential positions at the Bank.

(II) REMUNERATION POLICY FOR EMPLOYEES

Under the guidance of the Bank's development strategy and business objectives, the Bank establishes a remuneration system based on the principles of strategy, value and performance, and also establishes and improves a sound incentive and restraint mechanism to enhance the efficiency of remuneration resource allocation. The Bank implements risk responsibilities, and strictly executes the deferred payment and recourse deduction system of performance remuneration for employees in positions that have a significant impact on risks.

The Bank's post-employment benefit plans are defined contribution plans. Defined contribution plans are post-employment benefit plans under which the Bank pays fixed contributions into a separate fund and will have no obligation to pay further contributions. During the Reporting Period, the Bank's post-employment benefits mainly include the social pension schemes, unemployment insurance and annuity plan. In particular, the pension schemes and unemployment insurance are calculated at the applicable rates based on the amounts stipulated by the government, while the annuity is contributed to the annuity plan in proportion to the employees' gross salaries in the prior year. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with corresponding amounts charged to the profit or loss.

(III) STAFF TRAINING

During the Reporting Period, in accordance with Bohai Bank's training system construction plan, the Bank further refined the nodes of the plan and undertook lean management of processes, continually promoting training system construction. In terms of demand system construction, according to the overall work requirements and classification of learning groups, the Bank further optimized annual demand research, highlighted key work through demand stratification and demand sorting, formulated scientific and effective training plans, reasonably estimated training costs, and provided a measurement basis for assessing training effectiveness. In terms of teacher system construction, the Bank has initially formed an internal and external faculty teams comprising members of middle and senior management, business experts, internal trainers at different levels and experts from regulatory bodies, industry peers, universities and professional consultation institutions who are invited as needed, which basically meets the professional needs of different training targets and carries out training in various forms, with courses basically covering the growth needs of employees. In terms of operation system construction, the Bank standardized the implementation of training projects, realizing the closed-loop management of the whole process, and defined the management of the whole process of training projects into six aspects, i.e. receiving demand, preparing plans, project approval, class preparation, organization and management, and training summary, refining the work scope, work steps and work requirements of each aspect. In terms of platform system construction, the Bank incorporated training scenarios, needs and practical experience, and made plans regarding complementary system functions, data logic and flow, and has initially formed a data-centric business logic structure that supports basic services and training services, continuously enriching the platform functions, and gradually promoting online and offline integrated management.

VI. BRANCHES

Head Office/Branch	Number of employees	Address	Tier-two branches and sub-branches under jurisdiction	Number of employees in the institutions under jurisdiction
Head Office	2,167	218 Haihe East Road, Hedong District, Tianjin	–	–
Tianjin Branch	358	8-15/F, Part 1/F, Part 2/F, China Bohai Bank Tower, 218 Haihe East Road, Hedong District, Tianjin	0/30	651
Tianjin Binhai New District Branch	171	North District, Financial Street, No. 9 Shengda Street, Tianjin Economic-Technological Development Area	0/08	130
Tianjin Pilot Free Trade Zone Branch	19	No. 3 Building, Financial Center, No. 158 West 3rd Road, Tianjin Pilot Free Trade Zone (Airport Economic Area)	0/01	18
Beijing Branch	322	1F-3F, East Tower C, Chemsunny World Trade Center, 28 Fuxingmennei Street, Xicheng District, Beijing	1/19	374
Hangzhou Branch	205	Bohai Bank Building, No. 117 Tiyuchang Road, Xiacheng District, Hangzhou City, Zhejiang Province	3/12	279
Taiyuan Branch	196	No. 308, Changzhi Road, Xiaodian District, Taiyuan City, Shanxi Province	2/07	185
Chengdu Branch	207	No. 87, Jinrongcheng South Road, High-Tech Zone, Chengdu City, Sichuan Province	1/09	201
Jinan Branch	195	Building 3, Lushang Olympic City, 9777 Jingshi East Road, Jinan City, Shandong Province	4/09	306
Shanghai Branch	180	No. 68 Yincheng Middle Road, Pudong New Area, Shanghai	0/13	186
Shanghai Pilot Free Trade Zone Branch	102	No. 1229 Century Avenue, Shanghai Pilot Free Trade Zone	–	–
Shenzhen Branch	177	No. 4009 Shennan Avenue, Futian District, Shenzhen, Guangdong Province	0/11	164
Shenzhen Qianhai Branch	119	Block B, CNOOC Building (Shenzhen), No. 3168 Houhaibin Road, Nanshan District, Shenzhen, Guangdong Province	0/01	4
Nanjing Branch	207	No. 213 Jiangdong Middle Road, Jianye District, Nanjing City, Jiangsu Province	6/10	448
Suzhou Branch	186	Jianwu Financial Center Building, No. 710 Zhongyuan Road, Suzhou Industrial Park, Jiangsu Province	0/04	83
Dalian Branch	175	Yifang Building, No. 9 Yan'an Road, Zhongshan District, Dalian City, Liaoning Province	1/08	189
Guangzhou Branch	207	Nanya Zhonghe Plaza, 57 Linjiang Avenue, Tianhe District, Guangzhou City, Guangdong Province	4/12	319
Changsha Branch	181	Jiasheng Business Plaza, No. 289 Laodong West Road, Changsha City, Hunan Province	3/06	168
Shijiazhuang Branch	189	18 Zhonghua South Street, Shijiazhuang City, Hebei Province	3/12	262
Wuhan Branch	190	No. 29 Xinhua Road, Jianghan District, Wuhan City, Hubei Province	2/09	184
Hohhot Branch	119	No. 85 Xinhua East Street, Xincheng District, Hohhot, Inner Mongolia Autonomous Region	1/02	70
Fuzhou Branch	127	Huaban Building, No. 363 Jiangbin Middle Avenue, Taijiang District, Fuzhou City, Fujian Province	1/01	58

Head Office/Branch	Number of employees	Address	Tier-two branches and sub-branches under jurisdiction	Number of employees in the institutions under jurisdiction
Hefei Branch	125	No. 269 Suixi Road, North First Ring, Hefei City, Anhui Province	0/02	30
Zhengzhou Branch	180	No. 88 Jinshui East Road, Zhengdong New District, Zhengzhou City, Henan Province	0/06	92
Xi'an Branch	161	1F-6F, Block 4, No. 31 Tangyan Road, High-Tech Zone, Xi'an City, Shaanxi Province	0/05	63
Changchun Branch	111	No. 2699 Xi'an Road, Lvyuan District, Changchun City, Jilin Province	0/01	10
Chongqing Branch	101	Building 2, Lifan Center, No. 6, Juxiyan Square, Jiangbei District, Chongqing	0/03	31
Shenyang Branch	94	No. 32 Yingbin Street, Shenhe District, Shenyang City, Liaoning Province	1/02	55
Xiamen Pilot Free Trade Zone Branch	86	Building A, Cross-strait Trade Center, No. 1-9 Yunan 4th Road, Xiamen Area of China (Fujian) Pilot Free Trade Zone (Bonded Area), Xiamen City, Fujian Province	0/01	6
Haikou Branch	80	S5 Podium Building, Guorui City, No. 11 Guoxing Avenue, Meilan District, Haikou City, Hainan Province	–	–
Qingdao Branch	92	Office Building T8, Shangshi Center, 195 East Hong Kong Road, Laoshan District, Qingdao City, Shandong Province	0/02	19
Ningbo Branch	76	1F-3F, Emeke Building, No. 188 Dazha Road, Jiangbei District, Ningbo City, Zhejiang Province	–	–
Nanning Branch	73	1F-5F, Podium Building, King's International Merchant Center, 59 Jinhu Road, Qingxiu District, Nanning City, Guangxi Zhuang Autonomous Region	0/02	19
Nanchang Branch	101	Cuilin Building, 1266 Fenghe Middle Avenue, Honggutan New District, Nanchang City, Jiangxi Province	0/03	28
Guiyang Branch	59	No. 1, 1F and No. 1, half B1, Building 9, Business District, One Guiyang International Finance Center, Lincheng Road, Guanshanhu District, Guiyang City, Guizhou Province	–	–
Kunming Branch	67	No. 393, Rixin Middle Road, Xishan District, Kunming City, Yunnan Province	–	–
Hong Kong Branch	65	Suites 1201-1209 and 1215-1216, 12/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong	–	–

Corporate Governance

I. OVERVIEW OF CORPORATE GOVERNANCE

The Bank has established a corporate governance structure consisting of the general meeting, the Board of Directors, the Board of Supervisors and senior management. The shareholders' general meeting is the supreme authority of the Bank. The Board of Directors undertakes final responsibility of operation and management of the Bank, accountable to the shareholders' general meeting. The Board of Supervisors is the internal supervision body of the Bank, accountable to the shareholders' general meeting. The senior management is responsible for the operation and management of the Bank, accountable to the Board of Directors. For the corporate governance structure of the Bank, please refer to "Organizational Structure Chart" described in this report. For information on the responsibilities of each corporate governance entity, please refer to the Articles of Association published on the websites of the HKEX and the Bank.

During the Reporting Period, all corporate governance entities of the Bank performed their respective duties and responsibilities, communicated with each other and governed harmoniously, which further improved the efficiency of discussion and level of decision-making.

During the Reporting Period, the Bank convened 1 general meeting, 1 domestic shareholders' class meeting, 1 H shareholders' class meeting; 7 meetings of the Board of Directors, at which 48 proposals were considered and 9 reports were heard; 15 meetings of special committees under the Board of Directors (including: 3 meetings of the Risk Management and Green Finance Committee, 2 meetings of the Related Party Transactions Control Committee, 5 meetings of the Audit and Consumer Rights Protection Committee, 2 meetings of the Nomination and Remuneration Committee, and 3 meetings of the Development Strategy and Inclusive Finance Committee), at which 41 proposals were considered and 5 reports were heard; 3 meetings of the Board of Supervisors, at which 11 proposals were considered and 16 reports were heard; and 3 meetings of special committees under the Board of Supervisors (including: 2 meetings of the Nomination Committee and 1 meeting of the Supervision Committee), at which 3 proposals were considered and 6 reports were heard. At the above meetings, the corporate governance entities made careful decisions on major issues of the Bank, and considered and approved important matters involving profit distribution, change of Directors, information disclosure, external donations, the report of the Board of Directors, the report of the Board of Supervisors, the work report of the senior management, the report on comprehensive risk management, the report on liability quality management, the green finance work report and other matters, and formulated and revised the Articles of Association, the measures for the administration of external donations, the administrative measures for recovery and resolution plans and other basic systems, which further strengthened the construction of the corporate governance system and promoted the continuous improvement of corporate governance.

II. INTRODUCTION TO THE GENERAL MEETING

The Bank held its 2021 annual general meeting, the first domestic shareholders' class meeting of 2022 and the first H shareholders' class meeting of 2022 in Tianjin on May 16, 2022. The relevant information is as follows:

Shareholders or their proxies attending the 2021 annual general meeting represented a total of 13,423,854,505 ordinary shares with voting rights of the Bank. 16 resolutions were considered and approved at the meeting and the matters considered included: the Report of the Board of Directors for 2021, the Report of the Board of Supervisors for 2021, the Report of Final Financial Accounts for 2021, the Profit Distribution Plan for 2021, the Financial Budget Report for 2022, the Investment Plan for 2022, re-appointment of external auditors for 2022, the Loan Reduction and Exemption Authorization Plan, the remuneration of Mr. LI Fuan for 2020, election of Mr. QU Defu as a non-executive Director of the Bank, election of Mr. ZHUANG Qifei as a non-executive Director of the Bank, election of Mr. LUAN Xianzhou as a non-executive Director of the Bank, election of Mr. ZHAO Zhihong as an executive Director of the Bank, election of Mr. SHUM Siu Hung Patrick as an independent non-executive Director of the Bank, the general mandate granted to the Board of Directors to issue Domestic Shares and/or H Shares, and the amendments to the Articles of Association of the Bank.

The meeting also reviewed 9 written reports, including the Report on Resignation of Mr. WANG Zhiyong as a Non-executive Director of the Bank, the Report on Resignation of Mr. CUI Xuesong as a Non-executive Director of the Bank, the Report on Resignation of Mr. ZHANG Xifang as a Non-executive Director of the Bank, the Report on Resignation of Mr. LI Yi as an Executive Director of the Bank, the Report on Resignation of Mr. WANG Ren as an Independent Non-executive Director of the Bank, the Bank's 2021 Report on Related Party Transactions and Management of Related Party Transactions (2021 年度關聯交易及關聯交易管理情況報告), the 2021 Assessment Report on the Performance of Duties of the Board of Directors, Senior Management and their Members issued by the Board of Supervisors (監事會對董事會、高級管理層及其成員 2021 年度履職評價報告), the 2021 Report on Self-evaluation of the Board of Supervisors and Assessment of the Performance of Duties of Supervisors (2021 年度監事會自我評價和監事履職評價報告), and the Report of the Board of Supervisors on Independent Opinions on Related Matters in 2021 (監事會關於 2021 年度有關事項獨立意見的報告).

Domestic shareholders or their proxies attending the first domestic shareholders' class meeting of 2022 represented a total of 10,190,738,261 Domestic Shares with voting rights of the Bank. The resolution on the amendments to the Articles of Association of the Bank was considered and approved at the meeting and a meeting resolution was formed.

H shareholders or their proxies attending the first H shareholders' class meeting of 2022 represented a total of 3,200,942,244 H Shares with voting rights of the Bank. The resolution on the amendments to the Articles of Association of the Bank was considered and approved at the meeting and a meeting resolution was formed.

11 Directors of the Bank attended the above meetings and the Supervisors and senior management of the Bank were present at the meetings. The PRC legal advisor of the Bank witnessed the convening of the above meetings and other related matters in accordance with the law, and believed that the meetings were in compliance with relevant laws and regulations, regulatory documents and the Articles of Association. For details of the meetings, please refer to the circular, notices and the poll results announcement of the 2021 annual general meeting, the first domestic shareholders' class meeting of 2022 and the first H shareholders' class meeting of 2022 published on the websites of the HKEX and the Bank.

III. WORK OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Bank's Articles of Association stipulates that the independent non-executive Directors of the Bank shall represent at least one-third of the total members of the Board. As of the end of the Reporting Period, there are a total of 6 independent non-executive Directors in the Bank's Board of Directors. The chairmen of the Risk Management and Green Finance Committee (and the Related Party Transactions Control Committee subordinated to it), the Audit and Consumer Rights Protection Committee, and the Nomination and Remuneration Committee under the Board of Directors are all independent non-executive Directors, and the independent non-executive Directors account for no less than one-third of the committee members. During the Reporting Period, the independent non-executive Directors of the Bank fulfilled their duties of integrity and diligence towards the Bank and all shareholders, thought independently and deeply, expressed their independent opinions objectively and impartially, performed their duties independently under the principles of fairness, impartiality and openness, and paid close attention to the Bank's business development, operation and management by reviewing the Bank's meeting documents, information reports and other materials. They attended the Board meetings and special committee meetings on time, conducted independent reviews and expressed professional opinions on matters under consideration, while those did not attend the meetings in person all appointed suitable persons to vote on their behalf and convey their opinions according to relevant regulations. They actively participated in various trainings organized by the Bank and continuously improved their ability to perform their duties. During the Reporting Period, the independent non-executive Directors expressed their independent opinions on the Bank's material related party transactions, profit distribution, election of Directors, asset disposal and re-appointment of external auditors.

IV. WORK OF EXTERNAL SUPERVISORS

As of the end of the Reporting Period, there are three external Supervisors in the Board of Supervisors of the Bank, representing no less than one-third of the total Supervisors, and the chairmen of the Nomination Committee and the Supervision Committee under the Board of Supervisors are all external Supervisors, which complied with the Bank's Articles of Association. During the Reporting Period, the external Supervisors of the Bank complied with the laws and regulations, regulatory requirements and the Bank's Articles of Association, performed their duties conscientiously and diligently, always maintained compliance, independence and high ethical standards in performing their duties, and focused on the interests of the Bank's shareholders, in particular the interests of depositors and the Bank as a whole. They attended all meetings of the Board of Supervisors held during the Reporting Period that should be attended, and complied with regulatory requirements on in-person attendance rate; presided over and convened 2 meetings of the Nomination Committee and 1 meeting of the Supervision Committee of the Board of Supervisors; observed 1 shareholders' general meeting, 4 meetings of the Board of Directors and 5 meetings of special committees under the Board of Directors; reviewed the voting materials of the meetings of the Board of Directors and its special committees by correspondence, and supervised the operation of the meetings, and the performance of duties by Directors during the meetings. During the adjournment period, they carefully studied 40 information reports of the Bank, and continued to pay attention to the operation and development of the Bank.

V. INTERNAL CONTROL

The Bank has established a "four-in-one" internal control system consisting of process execution, functional management, second-line supervision and internal audit. The Bank adheres to the "comprehensive, whole-process, and whole-workforce" control principle in internal control management, compliance support, operational risk prevention, case prevention and control, anti-money laundering management, business continuity management, auditing and inspection and other aspects, to promote compliance and orderly management and steady development of all operations.

During the Reporting Period, the Bank continued to carry out the construction of the "Digital Big Compliance" system, optimized the internal control and management mechanism; strengthened assessments and incentives to enhance the accuracy and effectiveness of the assessment of internal control and compliance management; continued to compile and issue the Internal Control Compliance Risk Alerts (《內控合規風險提示》) and conducted various forms of internal control and compliance training to continuously enhance the employees' awareness of compliance and cultivate a compliance culture; carried out off-site monitoring to improve the digital and intelligent level of internal control and compliance management; coordinated on-site inspections across the Bank to realize the organic linkage of on-site inspection planning, execution and supervision; carried out special evaluation work and conducted walk-through tests and evaluations of the business system, responsibilities, processes and system rectification and improvement.

VI. INTERNAL AUDIT

The Bank has adopted a risk-based auditing model in internal audit. Based on the division of audit units and regular risk assessment of audit units, the Bank determines audit items according to regulatory requirements, risk level and the principle of materiality, formulates annual plan for internal audit work, and actively performs the duties of audit and oversight on key businesses and major risk areas within its scope of responsibility. By tracking the rectification of audit findings, the Bank strives to promote the continuous improvement of the Bank's internal control and risk management system.

During the Reporting Period, the audit department of the Bank carried out 16 special audits and 7 regular audits to tier-one branches in accordance with the plan for internal audit work approved by the Audit and Consumer Rights Protection Committee under the Board of Directors, the work arrangements of the Board of Supervisors and regulatory requirements, focusing on the Bank's central tasks, and completed exit audits in a timely manner according to the Bank's actual situation. In response to the control weaknesses identified by internal audits, relevant departments or branches formulated remedial measures, and the audit department of the Bank has tracked the implementation of the remedial measures. The tracking results showed that, as of the end of the Reporting Period, the problems identified by internal audits of the Bank had been basically rectified before the deadline.

VII. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank has adopted the Model Code as the code of conduct for the supervision of securities transactions by Directors and Supervisors of the Bank. Following specific inquiries with all Directors and Supervisors of the Bank, the Directors and Supervisors of the Bank confirmed that they have complied with the Model Code during the Reporting Period.

VIII. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In accordance with the Code of Corporate Governance of Banking and Insurance Institutions, the Provisional Measures for the Evaluation of Performance of Duties by Directors and Supervisors of Banking and Insurance Institutions, the Provisional Rules on Major Shareholders' Conduct of Banking and Insurance Institutions, the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions and other relevant laws, regulations and regulatory documents issued by the CBIRC, and based on the actual condition of the Bank, the Bank has made amendments to the Articles of Association, which have been considered and approved at the 2021 annual general meeting, the first domestic shareholders' class meeting of 2022 and the first H shareholders' class meeting of 2022 and will become effective upon approval by the CBIRC. For details, please refer to the relevant announcements and circulars published by the Bank on the websites of the HKEX and the Bank.

IX. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Bank has adopted the code provisions set out in Part 2 of Appendix 14 to the Listing Rules. The Bank has complied with the code provisions set out in Part 2 of Appendix 14 to the Listing Rules during the Reporting Period. The Bank has also complied with certain recommended best practices set out in the Code.

Important Events

I. MATERIAL LITIGATIONS AND ARBITRATIONS

As of the end of the Reporting Period, the Bank as the plaintiff or claimant has involved in a total of 72 litigations with the amount in dispute of over RMB30 million each, most of which were routine litigations and settlements initiated by the Bank, and no provisions will be made. Among the above-mentioned litigations, except for 27 litigations that are still under trial, most of the remaining closed litigations have entered the enforcement procedure.

As of the end of the Reporting Period, the Bank as the defendant or respondent has involved in a total of 3 litigations with the amount in dispute of over RMB10 million each. Two of the litigations were disclosed in the previous year, and there is currently no progress; one new case was filed during the Reporting Period, in which the plaintiff believed that the issuer had misrepresented the bonds and the Bank and other service providers had failed to exercise due diligence, and therefore sued the Bank and other service providers for the joint and several liability in respect of the losses caused by the issuer to the plaintiff. Currently, no provisions will be made.

According to the above, the Bank considers that the above-mentioned litigations and arbitrations will not have any material impact on our operating activities and financial position.

In 2021, the Bank had a dispute with individual corporate customers over the business of bank acceptance bills pledged by certificates of deposit. As of the Reporting Date, the case is still under judicial process. The outcome of the case is subject to the effective judgment of the court, and the Bank is of the view that the financial impact of the above dispute cannot be reliably measured.

II. INCREASE OR REDUCTION IN THE REGISTERED CAPITAL, ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER

During the Reporting Period, there was no change in the registered capital of the Bank, nor were there any material acquisition and disposal of assets or business merger.

III. IMPLEMENTATION OF EQUITY INCENTIVE PLANS

During the Reporting Period, the Bank did not implement any equity incentive plan.

IV. MATERIAL RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the Reporting Period, all related party transactions of the Bank were conducted in accordance with relevant laws and regulations as well as relevant provisions of domestic and overseas regulatory authorities and the Bank's rules for related party transactions. These transactions were conducted in adherence to the general business principles, and based on conditions which were not superior to those granted to an independent third party, and their terms were fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The related party transactions of the Bank were mainly the credit business with the members of the shareholders' group. Please refer to Note "Related parties" in "Review Report and Interim Financial Report – Notes to the Unaudited Interim Financial Statements" of this report for specific data on related party transactions.

(I) Related Party Transactions Relating to Daily Operation

According to the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions issued by the CBIRC, the material related party transactions of the Bank were all credit business. All credit-granting related party transactions were conducted in accordance with relevant laws and regulations, external regulatory requirements, the Bank's credit conditions and review procedures. During the Reporting Period, the Board of Directors of the Bank approved one resolution on material related party transactions, which were the (changed) related party transactions on credit business of China Oceanwide Group Limited considered and approved at the 29th meeting of the fifth session of the Board of Directors.

As of the end of the Reporting Period, the Bank's net credit amount granted to all related parties were RMB23,404 million according to the standards of the CBIRC. Specifically, the net credit amount granted to TEDA Investment Holding Co., Ltd. and its related parties was RMB12,578 million, that granted to Standard Chartered Bank (Hong Kong) Limited and its related parties was RMB6 million, that granted to China Shipping Investment Co., Ltd. and its related parties was RMB50 million, that granted to State Development & Investment Corp., Ltd. and its related parties was RMB16 million, that granted to China Baowu Steel Group Corporation Limited and its related parties was RMB506 million, that granted to Oceanwide Industry Co., Ltd. and its related parties was RMB8,522 million, and that granted to other related parties reached RMB1,726 million.

According to the standards of Hong Kong Stock Exchange, the Bank's net credit amount granted to all connected persons amounted to RMB12,634 million. Specifically, the Bank extended RMB12,578 million of net credits to TEDA Investment Holding Co., Ltd. and its connected persons, RMB6 million to Standard Chartered Bank (Hong Kong) Limited and its connected persons, and RMB50 million to China Shipping Investment Co., Ltd. and its connected persons. The above-mentioned connected transactions are transactions conducted by the Bank with its connected persons in the ordinary course of business on general commercial terms or better terms for the Bank, which are fully exempted in accordance with Chapter 14A of the Listing Rules.

Non-credit transactions between the Bank and related parties, such as services, leasing, agency sales and other daily related party transactions, are subject to general commercial terms and conditions no superior to those granted to independent third parties. None of the above-mentioned transactions constitute material related party transactions under the standards of the CBIRC, and they are connected transactions meeting the minimum exemption level under Chapter 14A of the Listing Rules.

(II) Related Party Transactions Involving Disposal and Acquisition of Assets or Equity

During the Reporting Period, the Bank was not engaged in any related party transactions involving disposal and acquisition of assets or equity.

(III) Related Party Transactions in Joint External Investment

During the Reporting Period, the Bank was not engaged in any related party transactions in joint external investment.

V. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(I) Material Custody, Contracting or Leasing Matters

During the Reporting Period, the Bank had no material custody, contracting or leasing matters which were required to be disclosed.

(II) Material Guarantees

During the Reporting Period, save as normal operation activities, the Bank had no material guarantee matters which were required to be disclosed.

(III) Other Material Contracts

During the Reporting Period, the Bank had no other material contract matters which were required to be disclosed.

VI. SIGNIFICANT INVESTMENT AND MAJOR INVESTMENT PLAN

During the Reporting Period, the Bank had no significant external equity investment or major external equity investment plans.

VII. PENALTIES IMPOSED ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND MEMBERS OF SENIOR MANAGEMENT

During the Reporting Period, the Bank was not subject to any investigation due to suspected crimes according to law, or any criminal penalty. The Bank was not subject to any investigation or administrative penalty by the CSRC due to suspected violations of laws and regulations, or any administrative penalty by other competent authorities that has a significant impact on the operation and management of the Bank. During the Reporting Period, none of the Directors, Supervisors or members of the senior management was subject to any coercive measures due to suspected crimes according to law, any criminal penalty, any investigation or administrative penalty by the CSRC and other competent authorities due to suspected violations of laws and regulations in their performance of duties in the Bank, any confinement measures by disciplinary inspection authorities due to suspected serious violations of discipline, law or duty crimes which affect their performance of duties, or any coercive measures by other competent authorities due to suspected violations of laws and regulations which affect their performance of duties in the Bank. During the Reporting Period, neither the Bank nor any of its Directors, Supervisors or members of senior management was subject to any administrative and regulatory measures or disciplinary actions taken by the CSRC, other competent authorities or the stock exchange.

VIII. OTHER MATERIAL EVENTS

(I) Establishment of a Wealth Management Subsidiary Company

In April 2021, the Bank received the Approval from the China Banking and Insurance Regulatory Commission on the Establishment of CBHB Wealth Management Co., Ltd. (渤海理財有限責任公司). As of the Reporting Date, the preparatory work has been basically completed, and the Bank is actively pushing forward the opening of its wealth management subsidiary as soon as possible.

(II) Establishment of a Capital Operation Center

On June 23, 2022, the Bank received the "Approval from China Banking and Insurance Regulatory Commission Beijing Office on the Opening of CHINA BOHAI BANK CO., LTD. CAPITAL OPERATION CENTER (渤海銀行股份有限公司資金運營中心)" (Jingyinbaojianfu [2022] No. 422) from the Beijing Office of the CBIRC, approving the opening of the CBHB Capital Operation Center. The capital operation center has obtained the financial permit, and will complete the preparatory work of the opening within the prescribed time.

(III) Issuance of Bonds

On February 22, 2022, the Bank issued three-year special financial bonds for loans to small and micro enterprises with face value of RMB10 billion. The fixed coupon interest rate per annum is 2.95%.

IX. SUBSEQUENT EVENTS

As of the Reporting Date, the Bank had no major subsequent events that need to be disclosed.

X. REVIEW OF INTERIM RESULTS

The Bank's external auditor KPMG has reviewed the interim financial report prepared by the Bank in accordance with the disclosure requirements set out in the IFRS and the Listing Rules. Meanwhile, the Audit and Consumer Rights Protection Committee under the Board of the Bank has reviewed and approved the Bank's results and financial report for the six months ended June 30, 2022.

XI. PUBLICATION OF THE INTERIM REPORT

The English and Chinese versions of the interim report prepared by the Bank pursuant to the IFRS and the Listing Rules are available on the website of the HKEX and the Bank's website.

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Interim Financial Report

For the six months ended 30 June 2022

Review Report to the Board of Directors of **CHINA BOHAI BANK CO., LTD.** (A joint stock company incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 69 to 170 which comprises the statement of financial position of CHINA BOHAI BANK CO., LTD. (the "Bank") as at 30 June 2022 and the related statement of profit or loss and other comprehensive income, the statement of changes in equity and the cash flow statement for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2022 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 August 2022

Unaudited Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
Interest income		30,112,274	31,587,589
Interest expense		(18,760,795)	(18,043,723)
Net interest income	3	11,351,479	13,543,866
Fee and commission income		1,888,967	2,204,688
Fee and commission expense		(462,167)	(1,087,297)
Net fee and commission income	4	1,426,800	1,117,391
Net trading losses	5	(320,715)	(106,233)
Net gains arising from investment securities	6	993,051	1,186,055
Other operating income	7	40,093	61,790
Operating income		13,490,708	15,802,869
Operating expenses	8	(4,811,922)	(4,711,555)
Impairment losses on assets	9	(3,651,946)	(4,370,532)
Profit before taxation		5,026,840	6,720,782
Income tax	10	(623,924)	(1,376,217)
Net profit		4,402,916	5,344,565
Earnings per share			
– Basic and diluted (RMB yuan)	11	0.25	0.30

The notes on pages 77 to 170 form part of these interim financial report.

Unaudited Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
Net profit		4,402,916	5,344,565
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Changes in fair value of equity instruments designated as at fair value through other comprehensive income	33	112,408	–
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of financial assets measured at fair value through other comprehensive income	33	(1,079,119)	118,992
Credit losses of financial assets measured at fair value through other comprehensive income	33	976,039	3,819
Reserve from cash flow hedging instruments	33	–	(217)
Exchange difference on translating foreign operations		(7,781)	84
Other comprehensive income, net of tax		1,547	122,678
Total comprehensive income		4,404,463	5,467,243

The notes on pages 77 to 170 form part of these interim financial report.

Unaudited Statement of Financial Position

As at 30 June 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Assets			
Cash and deposits with the central bank	12	99,942,816	115,143,453
Deposits with banks and other financial institutions	13	20,570,097	27,730,508
Placements with banks and other financial institutions	14	18,076,921	9,262,262
Derivative financial assets	15	1,426,931	676,154
Loans and advances to customers	16	972,262,459	937,906,589
Financial investments:	17		
– Financial investments measured at fair value through profit or loss		109,325,575	102,377,637
– Financial investments measured at fair value through other comprehensive income		105,697,552	89,218,927
– Financial investments measured at amortised cost		309,087,357	276,034,540
Property and equipment	19	3,529,497	3,585,904
Deferred tax assets	20	11,744,710	10,923,356
Right-of-use assets	21	3,928,710	3,921,702
Other assets	22	6,424,463	5,926,566
Total assets		1,662,017,088	1,582,707,598
Liabilities and equity			
Liabilities			
Borrowing from the central bank	23	98,560,081	78,846,876
Deposits from banks and other financial institutions	24	192,669,054	171,542,080
Placements from banks and other financial institutions	25	40,990,243	60,198,745
Derivative financial liabilities	15	1,132,711	1,025,842
Financial assets sold under repurchase agreements	26	64,241,515	68,199,110
Deposits from customers	27	875,291,029	835,920,665
Income tax payable		58,773	1,224,898
Debt securities issued	28	264,981,597	242,598,064
Lease liabilities	29	4,073,172	4,047,564
Other liabilities	30	10,595,667	12,539,677
Total liabilities		1,552,593,842	1,476,143,521

The notes on pages 77 to 170 form part of these interim financial report.

Unaudited Statement of Financial Position

As at 30 June 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Equity			
Share capital	31	17,762,000	17,762,000
Other equity instruments	32	19,961,604	19,961,604
Other comprehensive income	33	(2,812,082)	(2,813,629)
Capital reserve	34	10,732,077	10,732,077
Surplus reserve	34	6,731,609	6,731,609
General reserve	34	19,496,787	19,496,787
Retained earnings	35	37,551,251	34,693,629
Total equity		109,423,246	106,564,077
Total liabilities and equity		1,662,017,088	1,582,707,598

Li Fu'an

*Legal Representative
Chairman of the
Board of Directors*

Qu Hongzhi

*President
Executive Director*

Du Gang

*The person in charge
of accounting affairs
Executive Director*

Wang Fenglei

*The person in charge
of accounting
department*

(Company stamp)

The notes on pages 77 to 170 form part of these interim financial report.

Unaudited Statement of Changes in Equity

For the six months ended 30 June 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Share capital	Other equity instruments	Other comprehensive income	Capital reserve	Surplus reserve	General reserve	Retained earnings	Total
Balance at 31 December 2021		17,762,000	19,961,604	(2,813,629)	10,732,077	6,731,609	19,496,787	34,693,629	106,564,077
Changes in equity for the period:									
Net profit for the period		-	-	-	-	-	-	4,402,916	4,402,916
Other comprehensive income	33	-	-	1,547	-	-	-	-	1,547
Total comprehensive income		-	-	1,547	-	-	-	4,402,916	4,404,463
Appropriation of profit									
- Dividends distribution to ordinary shareholders	35	-	-	-	-	-	-	(1,545,294)	(1,545,294)
Balance at 30 June 2022 (Unaudited)		17,762,000	19,961,604	(2,812,082)	10,732,077	6,731,609	19,496,787	37,551,251	109,423,246

	Note	Share capital	Other equity instruments	Other comprehensive income	Capital reserve	Surplus reserve	General reserve	Retained earnings	Total
Balance at 31 December 2020		17,762,000	19,961,604	38,078	10,732,077	5,868,637	17,664,811	31,218,623	103,245,830
Changes in equity for the period:									
Net profit for the period		-	-	-	-	-	-	5,344,565	5,344,565
Other comprehensive income	33	-	-	122,678	-	-	-	-	122,678
Total comprehensive income		-	-	122,678	-	-	-	5,344,565	5,467,243
Appropriation of profit									
- Dividends distribution to ordinary shareholders	35	-	-	-	-	-	-	(1,509,770)	(1,509,770)
Balance at 30 June 2021 (Unaudited)		17,762,000	19,961,604	160,756	10,732,077	5,868,637	17,664,811	35,053,418	107,203,303

The notes on pages 77 to 170 form part of these interim financial report.

Unaudited Statement of Changes in Equity

For the six months ended 30 June 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Share capital	Other equity instruments	Other comprehensive income	Capital reserve	Surplus reserve	General reserve	Retained earnings	Total
Balance at 31 December 2020		17,762,000	19,961,604	38,078	10,732,077	5,868,637	17,664,811	31,218,623	103,245,830
Changes in equity for the year:									
Net profit		-	-	-	-	-	-	8,629,724	8,629,724
Other comprehensive income	33	-	-	(2,851,707)	-	-	-	-	(2,851,707)
Total comprehensive income		-	-	(2,851,707)	-	-	-	8,629,724	5,778,017
Appropriation of profit									
- Appropriation to surplus reserve	34	-	-	-	-	862,972	-	(862,972)	-
- Appropriation to general reserve	34	-	-	-	-	-	1,831,976	(1,831,976)	-
- Dividend distribution to other equity instruments holders	35	-	-	-	-	-	-	(950,000)	(950,000)
- Dividends distribution to ordinary shareholders	35	-	-	-	-	-	-	(1,509,770)	(1,509,770)
Balance at 31 December 2021		17,762,000	19,961,604	(2,813,629)	10,732,077	6,731,609	19,496,787	34,693,629	106,564,077

The notes on pages 77 to 170 form part of these interim financial report.

Unaudited Cash Flow Statement

For the six months ended 30 June 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
Cash flows from operating activities			
Profit before tax		5,026,840	6,720,782
<i>Adjustments for:</i>			
Impairment losses on assets		3,651,946	4,370,532
Depreciation and amortisation		793,337	711,267
Net gains arising from investment securities		(993,051)	(1,186,055)
Interest expense on debts securities issued		3,656,998	4,006,618
Net trading losses		320,715	106,233
Interest income arising from financial investments		(6,125,364)	(5,827,615)
Interest expense on lease liabilities		82,564	80,100
Net gains on disposal of property and equipment and other long-term assets		(1,264)	(212)
		6,412,721	8,981,650
<i>Changes in operating assets</i>			
Net decrease/(increase) in deposits with banks and other financial institutions with maturity over 3 months		200,000	(450,000)
Net decrease/(increase) in deposits with the central bank		4,680,311	(8,067,651)
Net increase in placement with banks and other institutions		(8,220,905)	(2,860,000)
Net increase in financial assets held for trading		(837,353)	(3,880,229)
Net increase in loans and advances to customers		(36,282,695)	(94,806,828)
Net (increase)/decrease in other operating assets		(298,313)	1,347,024
		(40,758,955)	(108,717,684)
<i>Changes in operating liabilities</i>			
Net increase in borrowings from the central bank		19,000,000	400,000
Net increase in deposits from banks and other financial institutions		20,909,978	20,948,309
Net (decrease)/increase in placements from banks and other financial institutions		(19,060,877)	29,757,934
Net decrease in financial assets sold under repurchase agreements		(3,922,441)	(36,689,181)
Net increase in deposits from customers		38,785,507	100,004,044
Net decrease in other operating liabilities		(5,406,239)	(661,595)
		50,305,928	113,759,511
Net cash flows generated from operating activities before tax		15,959,694	14,023,477
Income tax paid		(2,614,514)	(3,961,862)
Net cash flows generated from operating activities		13,345,180	10,061,615

The notes on pages 77 to 170 form part of these interim financial report.

Unaudited Cash Flow Statement

For the six months ended 30 June 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
Cash flows from investing activities			
Proceeds from disposal sale and redemption of investments		183,175,406	221,212,781
Proceeds received from investment activities		6,874,458	5,799,991
Proceeds from disposal of property and equipment and other long-term assets		49	218
Payments on acquisition of investments		(238,820,643)	(247,087,330)
Payments on acquisition of property and equipment, intangible assets and other long-term assets		(271,009)	(659,384)
Net cash flows used in investing activities		(49,041,739)	(20,733,724)
Cash flows from financing activities			
Proceeds from debt securities issued		204,479,145	221,040,769
Repayment of debt securities issued		(181,265,719)	(173,859,575)
Interest paid on debt securities issued		(4,486,890)	(3,038,659)
Repayment of capital element of lease liabilities		(548,659)	(645,738)
Interest paid on lease liabilities		(82,564)	(80,100)
Net cash flows generated from financing activities		18,095,313	43,416,697
Effect of foreign exchange rate changes on cash and cash equivalents		665,855	(572,695)
Net (decrease)/increase in cash and cash equivalents	39(a)	(16,935,391)	32,171,893
Cash and cash equivalents as at 1 January		76,843,021	64,755,129
Cash and cash equivalents as at 30 June	39(b)	59,907,630	96,927,022
Interest received		31,006,654	30,468,158
Interest paid (excluding interest expense on debt securities issued)		(16,436,076)	(15,875,188)

The notes on pages 77 to 170 form part of these interim financial report.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

1 Background information

CHINA BOHAI BANK CO., LTD. (the “Bank”) is a national joint-stock commercial bank established in Tianjin on 30 December 2005.

The Bank has been approved by the former China Banking Regulatory Commission (the “CBRC”) to hold financial business permit (No. B0017H112000001) and approved by the Tianjin Administration for Market Regulation for the business license (No. 911200007109339563).

On 16 July 2020, the Bank’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 9668).

The Bank commenced its operation on 16 February 2006. As at 30 June 2022, the Bank has established 36 tier-one branches (including Suzhou, Qingdao and Ningbo Branches under direct management of the Head Office and and 1 overseas branch), 33 tier-two branches, 211 sub-branches. The total number of outlets reached 280, including 24 branches and sub-branches, and 304 small and micro community sub-branches.

2 Basis of preparation and accounting policies

Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue by the Bank’s Board of Directors on 26 August 2022.

This interim financial report contains financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Bank since the 2021 annual financial statements. The interim financial statements and selected notes thereon do not include all the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institution of Certified Public Accountants.

The financial information relating to the financial year ended 31 December 2021 that is included in the interim financial report as comparative information does not constitute the Bank’s statutory annual financial statements for that financial year but is derived from those financial statements.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

2 Basis of preparation and accounting policies *(Continued)*

Accounting judgements and estimates

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense on a year to date basis. The significant judgements made by management in applying the Bank’s accounting policies and the key sources of estimation uncertainty were the same as those applied in the preparation of the financial statements for the year ended 31 December 2021. Actual results may differ from these estimates.

Significant accounting policies

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements.

The IASB has issued the following amendments to IFRSs (including IASs) that are first effective for the current accounting period of the Bank.

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

The adoption of the amendments has no material impact on the financial position and the financial performance of the Bank.

The Bank has not applied any new standard, amendment or interpretation that is not yet effective for the current accounting period.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

3 Net interest income

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Interest income arising from		
Deposits with the central bank	468,560	500,715
Deposits with banks and other financial institutions	116,326	134,996
Placements with banks and other financial institutions	286,417	127,886
Loans and advances to customers		
– Corporate loans and advances	11,761,619	13,060,719
– Personal loans	10,324,967	10,982,217
– Discounted bills	948,668	744,090
Financial assets held under resale agreements	80,353	209,351
Financial investments	6,125,364	5,827,615
Sub-total	30,112,274	31,587,589
Interest expense arising from		
Borrowing from the central bank	(1,322,716)	(1,095,409)
Deposits from banks and other financial institutions	(2,771,934)	(2,535,084)
Placements from banks and other financial institutions	(238,811)	(248,013)
Deposits from customers	(10,290,369)	(9,800,775)
Financial assets sold under repurchase agreements	(479,967)	(357,824)
Debt securities issued	(3,656,998)	(4,006,618)
Sub-total	(18,760,795)	(18,043,723)
Net interest income	11,351,479	13,543,866

Interest income arising from impaired loans for the six months ended 30 June 2022 and 2021 amounted to RMB312 million and RMB209 million, respectively.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

4 Net fee and commission income**(a) Income and expense streams:**

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Fee and commission income		
Agency service fees	677,746	918,022
Settlement and clearing fees	489,911	472,576
Custodian service fees	241,511	297,186
Credit commitments and asset management fees	203,693	219,333
Consulting service fees	144,725	238,328
Bank card fees	44,737	32,438
Others	86,644	26,805
Sub-total	1,888,967	2,204,688
Fee and commission expense		
Information service fees	(351,337)	(968,013)
Agency service fees	(32,996)	(37,710)
Settlement and clearing fees	(23,582)	(21,273)
Consulting service fees	(19,817)	(17,760)
Bank card fees	(14,374)	(19,479)
Others	(20,061)	(23,062)
Sub-total	(462,167)	(1,087,297)
Net fee and commission income	1,426,800	1,117,391

(b) Disaggregation of income:

	Six months ended 30 June (Unaudited)			
	2022		2021	
	At a point in time	Over time	At a point in time	Over time
Agency service fees	259,005	418,741	298,506	619,516
Settlement and clearing fees	848	489,063	995	471,581
Custodian service fees	–	241,511	–	297,186
Credit commitments and asset management fees	15,426	188,267	13,774	205,559
Consulting service fees	–	144,725	–	238,328
Bank card fees	44,737	–	32,438	–
Others	5,127	81,517	6,840	19,965
Total	325,143	1,563,824	352,553	1,852,135

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

5 Net trading losses

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Net gains/(losses) from derivative instruments	600,035	(43,827)
Exchange losses	(1,003,996)	(443,085)
Net (losses)/gains from trading of precious metals	(100,016)	152,865
Net gains from debt securities	138,141	148,473
Net gains from loans and advances at fair value through profit or loss	34,000	11,323
Net gains from equity investment	11,121	68,018
Total	(320,715)	(106,233)

6 Net gains arising from investment securities

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Net gains of financial investments measured at fair value through profit or loss	711,269	882,682
Net gains of financial investments measured at fair value through other comprehensive income	116,968	53,601
Net gains on disposal of financial investments measured at amortised cost	164,814	249,772
Total	993,051	1,186,055

7 Other operating income

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Government grants	30,212	44,606
Rental income	5,664	7,820
Long-term unwithdrawn items income	2,142	2,429
Net gains on disposal of property and equipment	317	212
Others	1,758	6,723
Total	40,093	61,790

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

8 Operating expenses

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Staff costs		
– Salaries, bonuses and allowances	1,844,438	1,915,017
– Social insurance and annuity	453,824	409,896
– Housing allowances	251,721	230,529
– Staff welfares	120,859	106,952
– Employee education expenses and labour union expenses	58,261	62,717
– Others	121,176	102,557
Sub-total	2,850,279	2,827,668
Depreciation and amortisation	793,337	711,267
Taxes and surcharges	208,045	219,382
Interest expense on lease liabilities	82,564	80,100
Other general and administrative expenses	877,697	873,138
Total	4,811,922	4,711,555

Expenses relating to short-term leases and leases of low-value assets were RMB27 million and RMB17 million for the six months ended 30 June 2022 and 2021.

9 Impairment losses on assets

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Deposits with banks and other financial institutions	6,972	32,132
Placements with banks and other financial institutions	54,068	27,629
Financial assets held under resale agreements	–	4,306
Loans and advances to customers	3,836,122	6,194,174
Financial investments	(230,799)	(1,573,537)
Credit commitments	(18,936)	(314,172)
Others	4,519	–
Total	3,651,946	4,370,532

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

10 Income tax expense

(a) Income tax:

	Note	Six months ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
Current tax		1,448,388	2,476,510
Deferred tax	20(b)	(824,464)	(1,100,293)
Total		623,924	1,376,217

(b) Reconciliations between income tax and accounting profit are as follows:

	Note	Six months ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
Profit before taxation		5,026,840	6,720,782
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		1,256,710	1,680,196
Non-deductible expenses		284,777	163,017
Non-taxable income	(i)	(917,589)	(464,725)
Others		26	(2,271)
Income tax		623,924	1,376,217

- (i) The non-taxable income mainly represents the interest income arising from the People’s Republic of China (“PRC”) government bonds, municipal debts, and dividend income from funds.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

11 Basic and diluted earnings per share

	Note	Six months ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
Profit attributable to ordinary equity holders of the Bank		4,402,916	5,344,565
Weighted average number of ordinary shares in issue (in thousands)	(a)	17,762,000	17,762,000
Basic and diluted earnings per share (in RMB)		0.25	0.30

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the reporting period.

(a) Weighted average number of ordinary shares (in thousands)

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Number of ordinary shares at the beginning of the period	17,762,000	17,762,000
Weighted average number of ordinary shares issued during the period	–	–
Weighted average number of ordinary shares	17,762,000	17,762,000

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

12 Cash and deposits with the central bank

	Note	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Cash on hand		836,942	443,231
Deposits with the central bank			
– Statutory deposit reserves	(a)	61,634,989	65,845,978
– Surplus deposit reserves	(b)	37,332,239	48,243,464
– Fiscal deposits		112,986	582,308
Sub-total		99,080,214	114,671,750
Interests accrued		25,660	28,472
Total		99,942,816	115,143,453

- (a) The Bank places statutory deposit reserves with the People's Bank of China ("PBoC") in accordance with relevant regulations. As at the end of the reporting period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	At 30 June 2022	At 31 December 2021
Reserve ratio for RMB deposits	7.75%	8.00%
Reserve ratio for foreign currency deposits	8.00%	9.00%

The statutory deposit reserves are not available for the Bank's daily business.

- (b) The surplus deposit reserves are maintained with the PBoC for the purpose of clearing.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

13 Deposits with banks and other financial institutions Analysed by type and location of counterparty

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Deposits in mainland China		
– Banks	13,379,321	13,449,264
Sub-total	13,379,321	13,449,264
Deposits outside mainland China		
– Banks	7,382,669	14,466,118
Sub-total	7,382,669	14,466,118
Interests accrued	12,534	12,400
Less: Provision for impairment losses	(204,427)	(197,274)
Total	20,570,097	27,730,508

14 Placements with banks and other financial institutions Analysed by type and location of counterparty

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Placements in mainland China		
– Banks	16,190,000	8,170,000
Sub-total	16,190,000	8,170,000
Placements outside Mainland China		
– Banks	1,785,111	1,048,691
Sub-total	1,785,111	1,048,691
Interests accrued	250,895	138,459
Less: Provision for impairment losses	(149,085)	(94,888)
Total	18,076,921	9,262,262

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

15 Derivative financial instruments

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Bank uses derivative financial instruments mainly including forwards, swaps and option contracts.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Bank but does not reflect the risk.

The notional amount and fair value of unexpired derivative financial instruments held by the Bank are set out in the following tables:

	30 June 2022 (Unaudited)		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	232,520,917	322,562	(322,214)
Exchange rate swaps	48,486,619	559,405	(392,329)
Exchange rate forwards	56,462,755	505,626	(399,099)
Precious metal swaps	2,390,255	39,335	(19,067)
Option contracts	2,009	3	(2)
Total	339,862,555	1,426,931	(1,132,711)

	31 December 2021 (Audited)		
	Notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	201,286,476	47,291	(38,405)
Exchange rate swaps	59,174,936	17,386	(356,177)
Exchange rate forwards	43,299,707	577,205	(521,346)
Precious metal derivatives	2,748,971	6,134	(84,366)
Option contracts	1,676,974	28,138	(25,548)
Total	308,187,064	676,154	(1,025,842)

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

16 Loans and advances to customers**(a) Analysed by nature**

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Loans and advances to customers measured at amortised cost:		
Corporate loans and advances	554,602,327	536,715,503
Personal loans		
– Residential and commercial housing loans	187,781,983	191,493,666
– Personal consumer loans	98,006,553	103,737,632
– Personal business loans	53,928,721	46,185,939
Sub-total	339,717,257	341,417,237
Interests accrued	7,382,330	5,296,053
Less: Provision for loans and advances to customers measured at amortised cost	(22,300,322)	(22,744,711)
Sub-total	879,401,592	860,684,082
Loans and advances to customers measured at fair value through other comprehensive income:		
Discounted bills	92,140,106	76,698,756
Loans and advances to customers measured at fair value through profit or loss:		
Corporate loans and advances	720,761	523,751
Net loans and advances to customers	972,262,459	937,906,589

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

16 Loans and advances to customers *(Continued)*

(b) Loans and advances to customers (excluding interests accrued) analysed by industry sector

	At 30 June 2022 (Unaudited)		
	Amount	Percentage	Loans and advances secured by collaterals
Lease and business services	187,525,999	19.01%	35,561,677
Manufacturing	106,461,571	10.78%	64,981,048
Real estate	86,472,332	8.76%	57,738,845
Water conservancy, environment and public facilities management	61,586,710	6.24%	8,120,233
Wholesale and retail	38,309,079	3.88%	17,641,426
Construction	26,830,998	2.72%	14,470,138
Transportations and communications, storage and post	13,361,392	1.35%	5,752,520
Production and supply of electricity, heat, gas and water	10,080,760	1.02%	764,250
Mining	6,966,028	0.71%	50,000
Financial services	6,047,170	0.61%	623,500
Agriculture, forestry, animal husbandry and fishery	2,540,349	0.26%	641,620
Scientific research and technical services	1,994,047	0.20%	603,752
Education	1,593,683	0.16%	410,944
Others	5,552,970	0.56%	1,795,534
Sub-total of corporate loans and advances	555,323,088	56.26%	209,155,487
Personal loans	339,717,257	34.41%	202,857,483
Discounted bills	92,140,106	9.33%	92,140,106
Gross loans and advances to customers	987,180,451	100.00%	504,153,076

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

16 Loans and advances to customers (Continued)**(b) Loans and advances to customers (excluding interests accrued) analysed by industry sector** (Continued)

	At 31 December 2021 (Audited)		
	Amount	Percentage	Loans and advances secured by collaterals
Lease and business services	180,718,892	18.91%	43,672,995
Manufacturing	100,507,008	10.52%	68,220,265
Real estate	75,817,353	7.94%	50,743,098
Water conservancy, environment and public facilities management	60,174,126	6.30%	8,385,579
Wholesale and retail	44,945,025	4.70%	26,799,020
Construction	26,574,895	2.78%	16,974,625
Transportations and communications, storage and post	13,109,144	1.37%	6,040,052
Production and supply of electricity, heat, gas and water	9,554,863	1.00%	599,123
Mining	8,745,021	0.92%	–
Finance	5,805,897	0.61%	813,149
Agriculture, forestry, animal husbandry and fishery	2,049,445	0.21%	220,900
Scientific research and technical services	1,642,644	0.17%	607,355
Education	1,707,452	0.18%	499,646
Others	5,887,489	0.62%	2,063,695
Sub-total of corporate loans and advances	537,239,254	56.23%	225,639,502
Personal loans	341,417,237	35.74%	205,677,804
Discounted bills	76,698,756	8.03%	76,698,756
Gross loans and advances to customers	955,355,247	100.00%	508,016,062

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

16 Loans and advances to customers *(Continued)*

(b) Loans and advances to customers (excluding interests accrued) analysed by industry sector *(Continued)*

As at the end of the reporting period, detailed information of the credit-impaired loans and advances to customers (excluding interests accrued) as well as the corresponding provision for impairment losses in respect of each industry sector which constitutes 10% or more of gross loans and advances to customers are as follows:

	At 30 June 2022 (Unaudited)					
	Credit-impaired loans and advances	Expected credit losses over the next 12 months	Expected credit loss that assessed for loans and advances that are not credit-impaired	Expected credit loss that assessed for loans and advances that are credit-impaired	Impairment losses charged during the period	Written-off during the period
Lease and business services	1,269,275	(1,523,003)	(827,440)	(345,665)	(224,821)	574,563
Manufacturing	2,810,599	(872,479)	(535,349)	(1,256,609)	(731,680)	976,204

	At 31 December 2021 (Audited)					
	Credit-impaired loans and advances	Expected credit losses over the next 12 months	Expected credit loss that assessed for loans and advances that are not credit-impaired	Expected credit loss that assessed for loans and advances that are credit-impaired	Impairment losses charged during the year	Written-off during the year
Lease and business services	1,645,285	(1,491,461)	(846,091)	(708,298)	(630,825)	77,936
Manufacturing	3,112,072	(597,904)	(724,159)	(1,503,984)	(730,842)	1,906,061

(c) Analysed by geographical sector (excluding interests accrued)

	At 30 June 2022 (Unaudited)		
	Amount	Percentage	Loans and advances secured by collaterals
Northern and Northeastern China	408,361,371	41.37%	174,043,258
Eastern China	244,843,723	24.80%	131,859,986
Central and Southern China	243,124,310	24.63%	153,917,581
Western China	90,851,047	9.20%	44,332,251
Gross loans and advances to customers	987,180,451	100.00%	504,153,076

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

16 Loans and advances to customers (Continued)**(c) Analysed by geographical sector (excluding interests accrued)** (Continued)

At 31 December 2021 (Audited)			
	Amount	Percentage	Loans and advances secured by collaterals
Northern and Northeast China	395,136,402	41.36%	181,452,426
Eastern China	240,292,222	25.15%	126,241,782
Central and Southern China	232,967,007	24.39%	156,632,480
Western China	86,959,616	9.10%	43,689,374
Gross loans and advances to customers	955,355,247	100.00%	508,016,062

The geographical areas are categorized as follows:

Northern and Northeastern China includes Head Office, Beijing Branch, Tianjin Branch, Binhai Branch, Tianjin Pilot Free Trade Zone Branch, Dalian Branch, Hohhot Branch, Taiyuan Branch, Shijiazhuang Branch, Changchun Branch and Shenyang Branch.

Eastern China includes Nanjing Branch, Hangzhou Branch, Jinan Branch, Shanghai Branch, Shanghai Pilot Free Trade Zone Branch, Hefei Branch, Suzhou Branch, Qingdao Branch, Ningbo Branch and Nanchang Branch.

Central and Southern China includes Guangzhou Branch, Shenzhen Branch, Shenzhen Qianhai Branch, Hong Kong Branch, Changsha Branch, Wuhan Branch, Fuzhou Branch, Zhengzhou Branch, Xiamen Pilot Free Trade Zone Branch, Haikou Branch and Nanning Branch.

Western China includes Chengdu Branch, Xi'an Branch, Chongqing Branch, Guiyang Branch and Kunming Branch.

(d) Analysed by type of collateral (excluding interests accrued)

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Unsecured loans	179,937,593	174,499,677
Guaranteed loans	303,089,782	272,839,508
Collateralised loans	307,734,537	303,198,889
Pledged loans	196,418,539	204,817,173
Gross loans and advances to customers	987,180,451	955,355,247

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

16 Loans and advances to customers *(Continued)*

(e) Overdue loans (excluding interests accrued) analysed by overdue period

At 30 June 2022 (Unaudited)					
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	2,987,007	2,848,265	1,441,712	119,826	7,396,810
Guaranteed loans	2,122,325	1,765,005	1,945,133	936,882	6,769,345
Collateralised loans	2,067,669	1,375,167	2,545,721	804,915	6,793,472
Pledged loans	1,703,136	1,567,423	700,814	47,209	4,018,582
Total	8,880,137	7,555,860	6,633,380	1,908,832	24,978,209
As a percentage of gross loans and advances to customers	0.90%	0.77%	0.67%	0.19%	2.53%

At 31 December 2021 (Audited)					
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	3,983,672	1,900,715	1,465,311	97,860	7,447,558
Guaranteed loans	8,968,902	2,434,814	1,363,615	1,215,744	13,983,075
Collateralised loans	6,554,421	1,069,971	2,608,396	642,216	10,875,004
Pledged loans	4,503,149	880,962	818,810	47,209	6,250,130
Total	24,010,144	6,286,462	6,256,132	2,003,029	38,555,767
As a percentage of gross loans and advances to customers	2.51%	0.66%	0.65%	0.21%	4.03%

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

16 Loans and advances to customers (Continued)**(f) Loans and advances (excluding interests accrued) and provision for impairment losses**

	At 30 June 2022 (Unaudited)			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
Total loans and advances to customers measured at amortised cost	847,613,262	29,862,599	16,843,723	894,319,584
Less: Provision for impairment losses	(8,711,357)	(4,105,698)	(9,483,267)	(22,300,322)
Carrying amount of loans and advances to customers measured at amortised cost	838,901,905	25,756,901	7,360,456	872,019,262
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	91,640,769	–	499,337	92,140,106
	At 31 December 2021 (Audited)			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
Total loans and advances to customers measured at amortised cost	831,491,740	29,806,453	16,834,547	878,132,740
Less: Provision for impairment losses	(7,834,624)	(4,893,154)	(10,016,933)	(22,744,711)
Carrying amount of loans and advances to customers measured at amortised cost	823,657,116	24,913,299	6,817,614	855,388,029
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	76,698,756	–	–	76,698,756

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

16 Loans and advances to customers *(Continued)*

(g) Movements of provision for impairment losses

(i) *Movements of provision for impairment losses of loans and advances to customers measured at amortised cost:*

	Six months ended 30 June 2022 (Unaudited)			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
As at 1 January	7,834,624	4,893,154	10,016,933	22,744,711
Transferred:				
– to expected credit losses over the next 12 months	11,159	(7,485)	(3,674)	–
– to lifetime expected credit losses: not credit-impaired loans	(42,259)	42,259	–	–
– to lifetime expected credit losses: credit-impaired loans	(8,426)	(308,295)	316,721	–
Charge/(reversal) for the period	912,076	(513,935)	2,187,130	2,585,271
Transfer out	–	–	(93,980)	(93,980)
Recoveries	–	–	153,903	153,903
Write-offs	–	–	(3,098,998)	(3,098,998)
Exchange differences and other	4,183	–	5,232	9,415
As at 30 June	8,711,357	4,105,698	9,483,267	22,300,322

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

16 Loans and advances to customers (Continued)**(g) Movements of provision for impairment losses** (Continued)**(i) Movements of provision for impairment losses of loans and advances to customers measured at amortised cost:** (Continued)

	Year ended 31 December 2021 (Audited)			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
As at 1 January	9,664,387	7,228,243	7,933,218	24,825,848
Transferred:				
– to expected credit losses over the next 12 months	34,216	(34,216)	–	–
– to lifetime expected credit losses: not credit-impaired loans	(242,370)	242,370	–	–
– to lifetime expected credit losses: credit-impaired loans	(43,298)	(3,026,328)	3,069,626	–
(Reversal)/charge for the year	(1,569,250)	483,085	8,641,457	7,555,292
Transfer out	–	–	(3,471,058)	(3,471,058)
Recoveries	–	–	161,633	161,633
Write-offs	–	–	(6,316,008)	(6,316,008)
Exchange differences and other	(9,061)	–	(1,935)	(10,996)
As at 31 December	7,834,624	4,893,154	10,016,933	22,744,711

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

16 Loans and advances to customers (Continued)**(g) Movements of provision for impairment losses** (Continued)**(ii) Movements of provision for impairment of loans and advances to customers measured at fair value through other comprehensive income:**

	Six months ended 30 June 2022 (Unaudited)			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
As at 1 January	87,437	–	–	87,437
Transferred:				
– to lifetime expected credit losses: credit-impaired loans	(4,087)	–	4,087	–
Charge for the period	964	–	1,249,887	1,250,851
As at 30 June	84,314	–	1,253,974	1,338,288

	Year ended 31 December 2021 (Audited)			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
As at 1 January	127,184	–	–	127,184
Reversal for the year	(39,747)	–	–	(39,747)
As at 31 December	87,437	–	–	87,437

Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of loans and advances to customers presented in the statements of financial position, and impairment loss or gain is recognised in the profit or loss.

(h) Disposal of loans and advances to customers

During the six months ended 30 June 2022, the Bank transferred loans and advances with gross amount of RMB734 million to independent third parties, and the transfer price was RMB640 million. During the years ended 31 December 2021, the Bank transferred loans and advances with gross amount of RMB160 million to independent third parties, and the transfer price was RMB17 million.

The Bank enters into transactions by which it transfers loans to structured entities and transfer the trust beneficiary rights to investors. During the six months ended 30 June 2022, the amount at the time of transfer of the loans was RMB865 million (2021: RMB1,555 million) (Note 37).

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

17 Financial investments

	Note	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Financial investments measured at fair value through profit or loss	(a)	109,325,575	102,377,637
Financial investments measured at fair value through other comprehensive income	(b)	105,697,552	89,218,927
Financial investments measured at amortised cost	(c)	309,087,357	276,034,540
Total		524,110,484	467,631,104

(a) Financial investments measured at fair value through profit or loss

	Note	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Debt securities	(i)		
– Government		2,839,561	3,424,829
– Policy banks		3,052,433	2,092,809
– Corporates		6,683,256	7,650,373
Sub-total		12,575,250	13,168,011
– Unlisted		12,575,250	13,168,011
Interbank deposits			
– Unlisted		3,173,894	1,752,105
Investment funds			
– Unlisted		60,254,274	58,080,079
Equity investments			
– Listed outside Hong Kong		473,967	514,335
– Unlisted		3,299,864	3,299,833
Trust plans and asset management plans			
– Unlisted		29,548,326	25,563,274
Total		109,325,575	102,377,637

Note:

- (i) As at 30 June 2022, there were no investments subject to material restrictions in the realization, as at 31 December 2021, certain debt securities were pledged for borrowings from central bank (Note 45(e))

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

17 Financial investments (Continued)

(b) Financial investments measured at fair value through other comprehensive income

	Note	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Debt securities	(i)		
– Government		53,068,140	48,571,904
– Policy banks		38,996,389	31,292,651
– Banks and other financial institutions		9,577,252	5,505,633
– Corporates		6,119	20,008
Interests accrued		1,089,235	1,018,191
Sub-total		102,737,135	86,408,387
– Unlisted		102,737,135	86,408,387
Equity investments			
– Unlisted	(ii)	2,960,417	2,810,540
Total		105,697,552	89,218,927

Notes:

- (i) As at 30 June 2022 and 31 December 2021, certain debt securities were pledged for borrowings from the central bank and financial assets sold under repurchase agreements (Note 45(e)).
- (ii) Dividends income from such equity investments during six months ended 2022 and the year ended 31 December 2021 was nil and RMB15.6 million, respectively, which was included in the profit or loss. The Bank did not dispose such equity investments during the reporting period, and there was no cumulative gain or loss transferred from other comprehensive income to retained earnings.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

17 Financial investments *(Continued)*

(b) Financial investments measured at fair value through other comprehensive income *(Continued)*

- (iii) Movements of provision for impairment losses of financial investments measured at fair value through other comprehensive income is as follows:

	Six months ended 30 June 2022 (Unaudited)			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January	76,558	–	10,000	86,558
Charge for the period	50,535	–	–	50,535
Balance at 30 June	127,093	–	10,000	137,093

	Year ended 31 December 2021 (Audited)			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January	42,501	–	30,000	72,501
Charge/(reversal) for the year	34,057	–	(20,000)	14,057
Balance at 31 December	76,558	–	10,000	86,558

Provision for impairment on financial investments measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of financial investments presented in the statements of financial position, and impairment loss or gain is recognised in the profit or loss.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

17 Financial investments (Continued)

(c) Financial investments measured at amortised cost

	Note	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Debt securities	(i)		
– Government and central banks		90,143,724	84,535,941
– Policy banks		57,661,953	58,441,663
– Banks and other financial institutions		2,278,129	1,518,517
– Corporates		27,886,438	12,624,118
Interests accrued		2,663,181	2,422,815
Sub-total		180,633,425	159,543,054
– Unlisted		180,633,425	159,543,054
Interbank deposits		663,509	957,663
Interests accrued		1,706	215
Sub-total		665,215	957,878
– Unlisted		665,215	957,878
Trust plans and asset management plans		135,410,320	123,246,580
Interests accrued		3,658,862	3,842,307
Sub-total		139,069,182	127,088,887
Unlisted		139,069,182	127,088,887
Less: Provision for impairment losses	(ii)	(11,280,465)	(11,555,279)
Total		309,087,357	276,034,540

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

17 Financial investments *(Continued)*

(c) Financial investments measured at amortised cost *(Continued)*

Notes:

- (i) As at 30 June 2022 and 31 December 2021, certain debt securities were pledged for borrowings from the central bank and financial assets sold under repurchase agreements (Note 45(e)).
- (ii) Movements of provision for impairment losses of financial investments measured at amortised cost is as follows:

Six months ended 30 June 2022 (Unaudited)				
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January	742,018	5,051,135	5,762,126	11,555,279
Transfers:				
– to lifetime expected credit losses not credit-impaired	(56,222)	56,222	–	–
– to lifetime expected credit losses credit-impaired	–	(7,615)	7,615	–
Charge/(reversal) for the period	202,380	(127,524)	(356,190)	(281,334)
Exchange differences and other	6,520	–	–	6,520
Balance at 30 June	894,696	4,972,218	5,413,551	11,280,465

Year ended 31 December 2021 (Audited)				
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January	1,247,621	3,725,889	4,945,739	9,919,249
Transfers:				
– to lifetime expected credit losses credit-impaired	(49,891)	(440,000)	489,891	–
(Reversal)/charge for the year	(451,965)	1,765,246	326,496	1,639,777
Exchange differences and other	(3,747)	–	–	(3,747)
Balance at 31 December	742,018	5,051,135	5,762,126	11,555,279

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

18 Interest in associate

	Note	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Interest in associate	(a)	–	–

Notes:

- (a) The following list contains the Bank's associate, which is immaterial to the Bank and is unlisted corporate entity whose quoted market price is not available:

Name	Percentages of Equity/voting rights		Place of incorporation/ registration	Business sector
	30 June 2022	31 December 2021		
Hawtai Motor Finance Co., Ltd. ("Hawtai Motor Finance")	10%	10%	Tianjin, China	Motor Finance

The following tables illustrate the information of the Bank's associate that is not material:

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Carrying amount of immaterial associate in the statements of financial position of the Bank	–	–
Amounts of the Bank's share of results of this associate		
– Losses from continuing operations	–	–
– Total comprehensive losses	–	–

- (b) As at 30 June 2022 and 31 December 2021, the Bank has not recognised share of losses totalling RMB93 million and RMB89 million in relation to its interest in the associate, because the Bank has no obligation in respect of this losses.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

19 Property and equipment

	Premises	Leasehold improvements	Operating equipment	Motor vehicles	Construction in progress	Total
Cost						
As at 1 January 2021	3,875,984	732,466	1,467,777	82,155	363,813	6,522,195
Additions	–	170,026	213,383	6,438	34,318	424,165
Transfers	–	–	3,596	–	(3,596)	–
Disposals	–	(10,133)	(33,400)	(1,393)	–	(44,926)
Foreign currency translation differences	–	(432)	(474)	(21)	–	(927)
As at 31 December 2021 (Audited)	3,875,984	891,927	1,650,882	87,179	394,535	6,900,507
As at 1 January 2022 (Unaudited)	3,875,984	891,927	1,650,882	87,179	394,535	6,900,507
Additions	–	69,364	115,561	3,389	5,364	193,678
Transfers	–	–	1,806	–	(1,806)	–
Disposals	–	(13,733)	(11,295)	(4,141)	–	(29,169)
Foreign currency translation differences	–	583	799	29	–	1,411
As at 30 June 2022 (Unaudited)	3,875,984	948,141	1,757,753	86,456	398,093	7,066,427
Accumulated depreciation						
As at 1 January 2021	(1,170,096)	(630,097)	(1,027,244)	(64,604)	–	(2,892,041)
Charge for the year	(185,892)	(97,705)	(173,374)	(6,181)	–	(463,152)
Disposals	–	9,343	29,147	1,323	–	39,813
Foreign currency translation differences	–	432	325	20	–	777
As at 31 December 2021 (Audited)	(1,355,988)	(718,027)	(1,171,146)	(69,442)	–	(3,314,603)
As at 1 January 2022 (Unaudited)	(1,355,988)	(718,027)	(1,171,146)	(69,442)	–	(3,314,603)
Charge for the period	(92,946)	(53,464)	(96,486)	(2,951)	–	(245,847)
Disposals	–	11,608	9,061	4,004	–	24,673
Foreign currency translation differences	–	(583)	(542)	(28)	–	(1,153)
As at 30 June 2022 (Unaudited)	(1,448,934)	(760,466)	(1,259,113)	(68,417)	–	(3,536,930)
Net book value						
As at 31 December 2021 (Audited)	2,519,996	173,900	479,736	17,737	394,535	3,585,904
As at 30 June 2022 (Unaudited)	2,427,050	187,675	498,640	18,039	398,093	3,529,497

The net book values of premises as at the end of the reporting period are analysed by the remaining terms of the leases as follows:

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Held in mainland China		
– Medium-term leases (10 – 50 years)	2,427,050	2,519,996

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

20 Deferred tax assets**(a) Analysed by nature**

	30 June 2022 (Unaudited)		31 December 2021 (Audited)	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets				
– Allowance for impairment losses	38,101,377	9,525,344	36,569,536	9,142,384
– Fair value changes	6,640,925	1,660,231	5,508,869	1,377,217
– Accrued salary cost	4,168,229	1,042,057	4,517,403	1,129,351
– Provisions	504,686	126,171	521,039	130,260
– Others	880,127	220,032	801,225	200,306
	50,295,344	12,573,835	47,918,072	11,979,518
Deferred income tax liability				
– Fair value changes	(2,951,994)	(737,998)	(3,826,772)	(956,693)
– Others	(364,510)	(91,127)	(397,876)	(99,469)
	(3,316,504)	(829,125)	(4,224,648)	(1,056,162)
Net balances	46,978,840	11,744,710	43,693,424	10,923,356

(b) Movements of deferred tax

	Allowance for impairment losses Note (i)	Fair value changes Note (ii)	Others	Net balance of deferred tax assets
As at 1 January 2021	7,732,980	(297,735)	1,229,373	8,664,618
Recognised in profit or loss	1,409,404	(226,538)	131,075	1,313,941
Recognised in other comprehensive income	–	944,797	–	944,797
As at 31 December 2021 (Audited)	9,142,384	420,524	1,360,448	10,923,356
Recognised in profit or loss	382,960	179,472	(63,315)	499,117
Recognised in other comprehensive income	–	322,237	–	322,237
As at 30 June 2022 (Unaudited)	9,525,344	922,233	1,297,133	11,744,710

Notes:

- (i) The Bank made provision for impairment losses on loans and advances to customers and other assets. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of the reporting period, together with write-offs which fulfil specific criteria as set out in the PRC tax rules and are approved by the tax authorities.
- (ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

21 Right-of-use assets

	Premises	Others	Total
Cost			
As at 1 January 2021	5,639,878	27,009	5,666,887
Additions	1,150,945	949	1,151,894
Disposals	(569,603)	(12,777)	(582,380)
Foreign currency conversion difference	(736)	(4)	(740)
As at 31 December 2021 (Audited)	6,220,484	15,177	6,235,661
As at 1 January 2022	6,220,484	15,177	6,235,661
Additions	565,202	504	565,706
Disposals	(242,046)	(1,034)	(243,080)
Foreign currency conversion difference	1,719	9	1,728
As at 30 June 2022 (Unaudited)	6,545,359	14,656	6,560,015
Accumulated depreciation			
As at 1 January 2021	(1,683,026)	(7,107)	(1,690,133)
Charge for the year	(855,549)	(2,018)	(857,567)
Disposals	229,445	3,926	233,371
Foreign currency conversion difference	372	(2)	370
As at 31 December 2021 (Audited)	(2,308,758)	(5,201)	(2,313,959)
As at 1 January 2022	(2,308,758)	(5,201)	(2,313,959)
Charge for the period	(504,492)	(1,171)	(505,663)
Disposals	188,790	961	189,751
Foreign currency conversion difference	(1,428)	(6)	(1,434)
As at 30 June 2022 (Unaudited)	(2,625,888)	(5,417)	(2,631,305)
Net book value			
As at 31 December 2021 (Audited)	3,911,726	9,976	3,921,702
As at 30 June 2022 (Unaudited)	3,919,471	9,239	3,928,710

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

22 Other assets

	Note	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Investment funds payment		2,000,000	2,000,000
Interest receivable	(a)	1,536,660	2,005,270
Settlement accounts		822,020	154,099
Land use rights	(b)	407,348	414,711
Fees and commission receivable		319,669	313,287
Prepayments		304,739	212,774
Intangible assets	(c)	174,023	174,293
Guarantee deposits		153,355	150,835
Long-term deferred expenses		2,128	3,702
Others		704,521	497,595
Sub-total		6,424,463	5,926,566
Less: Allowances for impairment losses		–	–
Total		6,424,463	5,926,566

(a) Interest receivable

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Interests receivables arising from:		
Loans and advances to customers	49,411	727,865
Financial investments	1,487,249	1,277,405
Total	1,536,660	2,005,270

As at 30 June 2022 and 31 December 2021, interest receivable only includes interest that has been due for the relevant financial instruments but not yet received. Interest on financial instruments based on the effective interest method has been reflected in the balance of corresponding financial instruments.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

22 Other assets (Continued)

(b) Land use rights

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Located in mainland China: 10 – 50 years	407,348	414,711

(c) Intangible assets

	Six months ended 30 June 2022 (Unaudited)	Year ended 31 December 2021 (Audited)
Cost		
As at 1 January	601,397	515,276
Additions for the period/year	32,352	86,205
Foreign currency translation differences	458	(84)
As at 30 June/31 December	634,207	601,397
Accumulated amortisation		
As at 1 January	(427,104)	(368,259)
Charge for the period/year	(32,890)	(58,910)
Foreign currency translation differences	(190)	65
As at 30 June/31 December	(460,184)	(427,104)
Book value		
As at 1 January	174,293	147,017
As at 30 June/31 December	174,023	174,293

23 Borrowings from the central bank

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Medium-term Lending Facility	96,900,000	77,900,000
Interests accrued	1,660,081	946,876
Total	98,560,081	78,846,876

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

24 Deposits from banks and other financial institutions Analysed by type of and location of counterparty

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Deposits in mainland China		
– Banks	129,357,840	113,225,298
– Other financial institutions	60,186,076	55,767,056
Sub-total	189,543,916	168,992,354
Deposits outside mainland China		
– Other financial institutions	1,498,337	1,139,921
Sub-total	1,498,337	1,139,921
Interests accrued	1,626,801	1,409,805
Total	192,669,054	171,542,080

25 Placements from banks and other financial institutions Analysed by type and location of counterparty

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Placements in mainland China		
– Banks	12,584,229	27,092,932
– Other financial institutions	–	1,000,000
Sub-total	12,584,229	28,092,932
Placements outside mainland China		
– Banks	28,227,286	31,779,460
Sub-total	28,227,286	31,779,460
Interests accrued	178,728	326,353
Total	40,990,243	60,198,745

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

26 Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparty

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
In mainland China		
– Banks	64,205,530	66,834,971
– Other financial institutions	–	294,000
Sub-total	64,205,530	67,128,971
Outside mainland China		
– Banks	–	999,000
Sub-total	–	999,000
Interests accrued	35,985	71,139
Total	64,241,515	68,199,110

(b) Analysed by type of collateral held

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Debt securities	48,676,000	57,058,210
Acceptance	15,529,530	11,069,761
Sub-total	64,205,530	68,127,971
Interests accrued	35,985	71,139
Total	64,241,515	68,199,110

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

27 Deposits from customers

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Demand deposits		
– Corporate customers	194,043,106	175,579,642
– Individual customers	41,700,971	47,169,584
Sub-total	235,744,077	222,749,226
Time deposits		
– Corporate customers	392,075,011	380,549,788
– Individual customers	102,527,045	87,761,951
Sub-total	494,602,056	468,311,739
Pledged deposits		
– Acceptances	54,741,430	38,735,191
– Letters of credit and guarantees	17,912,590	33,111,255
– Letters of guarantees	5,253,259	4,498,172
– Others	50,996,231	52,955,029
Sub-total	128,903,510	129,299,647
Fiscal deposits	76,254	138,608
Inward and outward remittances	48,767	89,937
Interests accrued	15,916,365	15,331,508
Total	875,291,029	835,920,665

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

28 Debt securities issued

	Note	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Interbank deposits issued	(a)	188,056,388	176,076,608
Financial bonds issued	(b)	62,966,885	52,958,797
Tier 2 capital debts issued	(c)	8,987,891	8,989,126
Medium term notes	(d)	2,005,336	1,902,460
Subordinate bonds issued	(e)	947,806	947,345
Certificates of deposit issued	(f)	939,510	–
Sub-total		263,903,816	240,874,336
Interests accrued		1,077,781	1,723,728
Total		264,981,597	242,598,064

Notes:

(a) Interbank deposit issued

- (i) For six months ended 30 June 2022, the Bank issued a number of certificates of interbank deposit with total nominal amount of RMB195,840 million and duration between 1 to 12 months. The effective interest rates ranged from 1.80% to 2.70% per annum.
- (ii) For the year ended 31 December 2021, the Bank issued a number of certificates of interbank deposit with total nominal amount of RMB374,570 million and duration between 1 to 12 months. The effective interest rates ranged from 2.35% to 3.28% per annum.
- (iii) As at 30 June 2022 and 31 December 2021, the fair value of interbank deposits issued was RMB187,108 million and RMB174,787 million, respectively.

(b) Financial bonds issued

- (i) On 22 February 2022, the Bank issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 2.95%.
- (ii) On 26 April 2021, the Bank issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 3.53%.
- (iii) On 6 April 2021, the Bank issued three-year financial bonds with face value of RMB15,000 million. The coupon interest rate per annum is 3.55%.
- (iv) On 18 August 2020, the Bank issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 3.55%.
- (v) On 17 February 2020, the Bank issued three-year financial bonds with face value of RMB8,000 million. The coupon interest rate per annum is 3.24%.
- (vi) On 13 January 2020, the Bank issued three-year financial bonds with face value of RMB10,000 million. The coupon interest rate per annum is 3.47%.
- (vii) As at 30 June 2022 and 31 December 2021, the fair value of financial bonds issued was RMB63,498 million and RMB53,188 million, respectively.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

28 Debt securities issued *(Continued)*

- (c) Tier 2 capital debts issued
- (i) On 15 January 2021, the Bank issued ten-year fixed interest rate tier 2 capital debts with face value of RMB9,000 million. The coupon interest rate per annum is 4.40%. According to the issuance terms, the Bank has an option to redeem all the debts at face value on the last day of the fifth year.
- (ii) As at 30 June 2022 and 31 December 2021, the fair value of tier 2 capital debts issued was RMB8,982 million and RMB9,060, respectively.
- (d) Medium term notes
- (i) On 3 November 2021, the Hong Kong Branch issued three-year financial bonds with face value of USD300 million. The coupon interest rate per annum is 1.50%.
- (ii) As at 30 June 2022 and 31 December 2021, the fair value of medium term notes issued was RMB1,878 million and RMB1,870 million, respectively.
- (e) Subordinated bonds issued
- (i) On 20 July 2012, the Bank issued fifteen-year fixed interest rate subordinated bonds with face value of RMB950 million. The coupon interest rate per annum is 5.68%. According to the issuance terms, the Bank has the option to redeem all the bonds at face value on the last day of the tenth year.
- (ii) As at 30 June 2022 and 31 December 2021, the fair value of subordinated bonds issued was RMB952 million and RMB963 million, respectively.
- (f) Certificates of deposit issued
- (i) For six months ended 30 June 2022, the Hong Kong Branch issued a number of certificates of deposit with total face value amount of RMB956 million and duration between 6 to 12 months. The effective interest rates ranged from 0.51% to 2.91% per annum.
- (ii) As at 30 June 2022, the fair value of certificates of deposit issued was RMB931 million.

As at 30 June 2022 and 31 December 2021, there were no defaults of principal and interest or other breaches with respect to these debt securities. None of the above debt securities were secured.

29 Lease liabilities

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Less than one year (inclusive)	1,012,338	963,220
One to two years (inclusive)	890,344	883,479
Two to three years (inclusive)	728,150	751,435
Three to five years (inclusive)	1,006,288	1,007,109
More than five years	909,466	926,920
Undiscounted lease liabilities	4,546,586	4,532,163
Ending balance of lease liabilities	4,073,172	4,047,564

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

30 Other liabilities

	Note	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Accrued staff cost	(a)	4,406,662	4,711,117
Dividends payable		1,539,057	–
Payment and collection clearance accounts		1,350,376	4,033,774
Other taxes payable		864,505	827,887
Provisions	(b)	504,686	521,039
Settlement accounts		964,971	1,562,943
Contract liabilities	(c)	213,608	165,263
Others		751,802	717,654
Total		10,595,667	12,539,677

(a) Accrued staff cost

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Salary, bonuses and allowances payable	3,962,828	4,354,559
Housing fund payable	37,015	5,914
Pension and annuity payable	36,805	14,112
Other social insurance payable	16,181	7,151
Others	353,833	329,381
Total	4,406,662	4,711,117

(b) Provisions

	Note	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Provision for credit commitment losses	(i)	462,442	478,795
Expected litigation losses		42,244	42,244
Total		504,686	521,039

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

30 Other liabilities (Continued)**(b) Provisions** (Continued)*(i) Movements of provisions for credit commitment losses is as follows:*

	Six months ended 30 June 2022 (Unaudited)			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January 2022	477,637	520	638	478,795
(Reversal)/charge for the period	(18,636)	(338)	38	(18,936)
Exchange differences and other	2,583	-	-	2,583
Balance at 30 June 2022	461,584	182	676	462,442

	Year ended 31 December 2021 (Audited)			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
Balance at 1 January 2021	861,465	144,264	658	1,006,387
Reversal for the year	(381,940)	(143,744)	(20)	(525,704)
Exchange differences and other	(1,888)	-	-	(1,888)
Balance at 31 December 2021	477,637	520	638	478,795

(c) Contract liabilities

As at 30 June 2022 and 31 December 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Bank's existing contracts are approximately RMB214 million and RMB165 million, respectively. This amount represents income expected to be recognised in the future from agency, custody, guarantee and acceptance services. The Bank will recognise the expected income in future as the services are provided.

31 Share capital**Issued share capital**

Share capital of the Bank as at 30 June 2022 and 31 December 2021 represented share capital of the Bank, which is fully paid.

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Number of shares issued and fully paid at par value of RMB1.00 each (in thousand)	17,762,000	17,762,000

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

32 Other equity instruments

Undated capital bonds

(a) Outstanding undated capital bonds at 30 June 2022

Financial Instrument outstanding	Issue date	Accounting classification	Distribution rate	Issue price	Amount (million shares)	In RMB (Unaudited)	Maturity	Conversion condition	Conversion
Undated Capital Bonds	11 September 2019	Equity	4.75%	100RMB/Share	200	20,000,000	None	No	No
Total						20,000,000			
Less: Issue fees						(38,396)			
Book value						19,961,604			

(b) Main Clauses

(i) Principal Amount

RMB20 billion.

(ii) Maturity Date

The Bonds will continue to be outstanding so long as the Issuer’s business continues to operate.

(iii) Distribution Rate

The distribution rate of the Bonds will be adjusted at defined intervals, with a distribution rate adjustment period every 5 years since the payment settlement date. In any distribution rate adjusted period, the Distribution Payments on the Bonds will be paid at a prescribed fixed distribution rate. The distribution rate at the time of issuance is determined by way of book building running and centralised allocation.

The distribution rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of 5 trading days prior to the Announcement Date of the Subscription Agreement, as indicated by the yield to maturity curve of applicable 5-year China government Notes (rounded up to 0.01%) published on www.ChinaBond.com.cn (or other websites approved by the China Central Depository & Clearing Co., Ltd.). The fixed spread is the difference between the distribution rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

The Bonds will not have any distribution rate step up nor any other incentive to redeem.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

32 Other equity instruments *(Continued)*

Undated capital bonds *(Continued)*

(b) Main Clauses (Continued)

(iv) Conditional Redemption Rights of the Issuer

The Bonds Issuance sets conditional redemption rights for the Issuer. From the fifth anniversary since the Issuance of the Bonds, the Issuer may redeem the Bonds in whole or in part on each distribution payment date (including the fifth distribution payment date since the Issuance). If, after the Issuance, the Bonds no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Issuer may redeem all but not some only of the Bonds.

(v) Subordination

The claims in respect of the Bonds, in the event of the liquidation of the Issuer, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness; shall rank in priority to all classes of shares held by the Issuer's shareholders and rank pari passu with the claims in respect of any other Additional Tier 1 Capital instruments of the Issuer that rank pari passu with the Bonds. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.

(vi) Distribution Payment

The distribution of the Bonds will be payable annually. The distribution payment date of the Bonds shall be 16 September of each year. If any distribution payment date falls on a day which is an official holiday or non-business day in the PRC, it shall be postponed to the subsequent business day. Such postponed distributions shall not bear interest. The Issuer shall have the right to cancel, in whole or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Issuer will take into full consideration the interest of the Bonds' holders. The Issuer may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the Bonds, no matter in whole or in part, will not impose any other restriction on the Issuer, except in relation to dividend distributions to ordinary shares. Any cancellation of any distribution on the Notes, no matter in whole or in part, will require the deliberation and approval of the general shareholders meeting. And the Issuer shall give notice to the investors on such cancellation in a timely manner.

(vii) Put Option

The holder of the Bonds do not have any put option to sell back the Bonds to the Issuer.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

32 Other equity instruments *(Continued)*

Undated capital bonds *(Continued)*

(b) Main Clauses (Continued)

(viii) Write-down/write-off Clauses

Upon the occurrence of an Additional Tier 1 Capital Trigger Event, namely, the Issuer’s Core Tier 1 Capital Adequacy Ratio having fallen to 5.125% (or below), the Issuer has the right, subject to the approval of the China Banking and Insurance Regulatory Commission (“CBIRC”) but without the need for the consent of the Bond holders, to write down all or part of the aggregate amount of the Bonds then issued and outstanding, in order to restore the Core Tier 1 Capital Adequacy Ratio to above 5.125%. In the case of a partial write-down, all of the Bonds then issued and outstanding shall be written down on a prorata basis, according to the outstanding par value, with all other Additional Tier 1 Capital instruments with equivalent write-down clauses of the Issuer. The Bonds may be subject to write-down more than once, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Issuer to above 5.125%.

Upon the occurrence of a Tier 2 Capital Trigger Event, the Issuer has the right to write off in whole, without the need for the consent of Bond holders, the aggregate principal amount of the Bonds then issued and outstanding according to the outstanding par value. A Tier 2 Capital Trigger Event refers to the earlier of the following events: (a) CBIRC having decided that the Issuer would become non-viable without a write-off; (b) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable. Upon write-off of the Bonds, such Bonds are to be permanently cancelled and will not be restored under any circumstances.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

33 Other comprehensive income

	Six months ended 30 June 2022 (Unaudited)	Year ended 31 December 2021 (Audited)
Items that will not be reclassified to profit or loss:		
<i>Changes in fair value of equity instruments designated as at fair value through other comprehensive income</i>		
As at 1 January	(3,362,294)	–
Changes in fair value recognised in other comprehensive income	149,877	(4,483,059)
Less: deferred tax	(37,469)	1,120,765
As at 30 June/31 December	(3,249,886)	(3,362,294)
Items that may be reclassified subsequently to profit or loss:		
<i>Changes in fair value of debt instruments measured at FVOCI</i>		
As at 1 January	416,217	(111,526)
Changes in fair value recognised in other comprehensive income	(1,357,329)	714,594
Transfer to profit or loss upon disposal	(81,496)	(10,936)
Less: deferred tax	359,706	(175,915)
As at 30 June/31 December	(662,902)	416,217
<i>Credit losses of debt instruments measured at fair value through other comprehensive income</i>		
As at 1 January	130,496	149,764
Impairment losses recognised in other comprehensive income	1,301,386	(25,690)
Less: deferred tax	(325,347)	6,422
As at 30 June/31 December	1,106,535	130,496
<i>Reserve from cash flow hedging instruments</i>		
As at 1 January	–	(160)
Transfer to profit or loss upon disposal	–	213
Less: deferred tax	–	(53)
As at 30 June/31 December	–	–
<i>Exchange difference on translating foreign operations</i>		
As at 30 June/31 December	(5,829)	1,952

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

34 Reserves

(a) Capital reserve

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Share premium	10,732,077	10,732,077

(b) Surplus reserve

Pursuant to the Company Law of the PRC and the Article of Association of the Bank, the Bank is required to appropriate 10% of its net profit as on an annual basis determined under the People’s Republic of China Generally Accepted Accounting Principles (PRC GAAP) after making good prior year’s accumulated loss, to statutory surplus reserve until the balance reaches 50% of its registered capital.

(c) General reserve

Pursuant to the “Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)” issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis.

35 Retained earnings

Appropriation of profits

In accordance with the resolution at the Bank’s Annual General Meeting on 16 May 2022, the shareholders approved the following profit appropriations for the year ended 31 December 2021:

- Appropriation of statutory surplus reserve base on 10% of the net profit under the PRC GAAP;
- Appropriation of general reserve to 1.5% of the ending balance of the gross risk-bearing assets amounted to approximately RMB1,832 million; and
- Declaration of cash dividend in an aggregation amount of approximately RMB1,545 million to all existing ordinary equity holders.

In accordance with the resolution at the Bank’s Annual General Meeting on 17 May 2021, the shareholders approved the following profit appropriations for the year ended 31 December 2020:

- Appropriation of statutory surplus reserve base on 10% of the net profit under the PRC GAAP; and
- Appropriation of general reserve to 1.5% of the ending balance of the gross risk-bearing assets amounted to approximately RMB3,583 million.
- Declaration of cash dividend in an aggregation amount of approximately RMB1,510 million to all existing ordinary equity holders.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

36 Involvement with unconsolidated structured entities**(a) Structured entities sponsored by third party institutions in which the Bank holds an interest:**

The Bank holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include the investment management products under trust schemes, wealth management products under trust schemes issued by financial institutions and investment funds. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Bank in unconsolidated structured entities, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised as at 30 June 2022 and 31 December 2021:

	At 30 June 2022 (Unaudited)		At 31 December 2021 (Audited)	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Financial investments measured at fair value through profit or loss	89,802,600	89,802,600	83,643,353	83,643,353
Financial investments measured at amortised cost	128,212,235	129,698,889	115,719,153	116,995,963
Total	218,014,835	219,501,489	199,362,506	200,639,316

(b) Structured entities sponsored by the Bank which the Bank does not consolidate but holds an interest in:

The types of unconsolidated structured entities sponsored by the Bank include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Bank includes investments in units issued by these structured entities and fees charged by providing management services. As at 30 June 2022 and 31 December 2021, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised are not material to the Bank's financial positions.

For the six months ended 30 June 2022 and 2021, the amount of fee and commission income received from the abovementioned structured entities by the Bank amounted to RMB416 million and RMB619 million, respectively.

As at 30 June 2022 and 31 December 2021, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Bank, were RMB195,899 million and RMB196,067 million, respectively.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

36 Involvement with unconsolidated structured entities *(Continued)*

(c) Unconsolidated structure entities sponsored by the Bank during the period which the Bank does not have an interest in as at 30 June:

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Bank after 1 January 2022 but matured before 30 June 2022 was RMB14,183 million (the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Bank after 1 January 2021 but matured before 30 June 2021 was RMB20,940 million).

37 Transferred financial assets

The Bank enters into transactions in the normal course of business whereby it transfers recognised financial assets to third parties or to structured entities. In some cases these transfers may give rise to full or partial de-recognition of the financial assets concerned. In other cases where the transferred assets do not qualify for de-recognition as the Bank retains substantially all the risks and rewards of these assets, the Bank continues to recognise the transferred assets.

The Bank enters into transactions by which it transfers loans to structured entities and transfer the trust beneficiary rights to investors. The Bank assessed among other factors, whether or not to derecognise the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished control over these assets.

For the six months ended 30 June 2022, the carrying amount at the time of transfer of the credit assets were RMB865 million. In 2021, the amount at the time of transfer of the credit assets and placements from banks and other financial institutions were RMB2,555 million. These transactions were all qualified for full de-recognition.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

38 Capital management

The Bank implements a comprehensive capital management framework, covering the management of the regulated capital, economic capital and book capital, particularly the capital compliance management, capital planning, allocation and evaluation.

In setting its capital adequacy objective, the Bank considers regulatory requirements, external rating objective and its own risk preference, so as to protect the interest of its customers and creditors, maximize the value of shareholders and meet all regulatory requirements on capital management.

The Bank calculates capital adequacy ratios in accordance with the “Regulation Governing Capital of Commercial Banks (Provisional)” promulgated by the former CBRC and related regulatory requirements. In calculating its capital adequacy ratios, the Bank considers all its domestic and overseas branches and sub-branches and financial institution subsidiaries (excluding insurance companies).

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. The credit risk weighted assets of counterparties in over-the-counter derivatives transactions are the sum of default risk weighted assets of counterparties and credit-adjusted risk-weighted assets. Market risk-weighted assets are calculated using the standardized approach. Operational risk-weighted assets are calculated using basic indicator approach.

The former CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with “Regulation Governing Capital of Commercial Banks (Provisional)”. For domestic systemically important banks, minimum core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should reach 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, the minimum ratios for core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively. During the year, the Bank has complied in full with all its externally imposed capital requirements.

The Bank calculates its core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio in accordance with the former CBRC’s “Regulation Governing Capital of Commercial Banks (Provisional)” and relevant requirements. The capital adequacy ratios and related components of the Bank illustrated below are computed based on the Bank’s statutory financial statements prepared in accordance with PRC GAAP.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

38 Capital management *(Continued)*

The Bank’s capital adequacy ratios at 30 June 2022 and 31 December 2021 calculated in accordance with “Regulation Governing Capital of Commercial Banks (Provisional)” and relevant requirements promulgated by the former CBRC are as follows:

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Total core tier 1 capital		
– Share capital	17,762,000	17,762,000
– Qualifying portion of capital reserve	10,752,077	10,752,077
– Surplus reserve	6,731,609	6,731,609
– General reserve	19,496,787	19,496,787
– Other comprehensive income	(2,812,082)	(2,813,629)
– Retained earnings	37,531,251	34,673,629
Core tier 1 capital	89,461,642	86,602,473
Core tier 1 capital deductions	(2,989,972)	(2,454,831)
Net core tier 1 capital	86,471,670	84,147,642
Other tier 1 capital	19,961,604	19,961,604
Net tier 1 capital	106,433,274	104,109,246
Tier 2 capital		
– Instruments issued and share premium	8,987,891	9,397,688
– Surplus provision for loan impairment	5,115,852	5,997,063
Tier 2 capital	14,103,743	15,394,751
Net capital base	120,537,017	119,503,997
Total risk weighted assets	1,046,434,613	967,783,914
Core tier 1 capital adequacy ratio	8.26%	8.69%
Tier 1 capital adequacy ratio	10.17%	10.76%
Capital adequacy ratio	11.52%	12.35%

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

39 Notes to the cash flow statement

(a) Net (decrease)/increase in cash and cash equivalents

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Cash and cash equivalents as at 30 June	59,907,630	96,927,022
Less: Cash and cash equivalents as at 1 January	76,843,021	64,755,129
Net (decrease)/increase in cash and cash equivalents	(16,935,391)	32,171,893

(b) Cash and cash equivalents

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
	Cash on hand	836,942
Deposits with central bank other than restricted deposits	37,332,239	48,243,464
Deposits with banks and other financial institutions	20,154,243	27,107,635
Placements with banks and other financial institutions	1,584,206	1,048,691
Total	59,907,630	76,843,021

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

40 Related parties

Related parties of the Bank

(a) *The Bank’s major shareholders*

Major shareholders include shareholders of the Bank with direct or indirect 5% or above shareholding, or with the right to appoint a director in the Bank.

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
TEDA Investment Holding Co., Ltd. (天津泰達投資控股有限公司)	20.34%	20.34%
Standard Chartered Bank (Hong Kong) Limited (渣打銀行(香港)有限公司)	16.26%	16.26%
China Shipping Investment Co., Ltd. (中海集團投資有限公司)	11.12%	11.12%
State Development & Investment Corp., Ltd. (國家開發投資集團有限公司)	9.49%	9.49%
China Baowu Steel Group Corporation Limited (中國寶武鋼鐵集團有限公司)	9.49%	9.49%
Oceanwide Industry Co., Ltd. (泛海實業股份有限公司)	7.72%	7.72%
Tianjin Shanghui Investment Holding Company Limited (天津商匯投資(控股)有限公司)	6.51%	6.51%

(b) *Associate of the Bank*

The detailed information of the Bank’s associate is set out in Note 18.

(c) *Other related parties*

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; entities (and their subsidiary) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 40(a) or their controlling shareholders.

Related party transactions

(a) *Pricing policy*

Transactions between the Bank and related parties are conducted in the normal course of its business and under normal commercial terms. The pricing policies are no more favourable than those offered to independent third parties.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

40 Related parties *(Continued)*

Related party transactions *(Continued)*

(b) Transactions with related parties other than key management personnel

(i) Transactions between the Bank and major shareholders:

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Transactions during the period		
Interest income	112,963	124,153
Interest expense	8	21
Operating expense	48	648
	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Balances at end of the period/year		
Deposits with banks and other financial institutions	521,147	1,588,105
Loans and advances to customers	3,440,200	3,442,294
Deposits from customers	783	967
Other liabilities	2,033	13,556

(ii) Transactions between the Bank and associate:

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Transactions during the period		
Interest expense	17	17
	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Balances at end of the period/year		
Deposits from banks and other financial institutions	4,290	4,273

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

40 Related parties *(Continued)*

Related party transactions *(Continued)*

(b) Transactions with related parties other than key management personnel (Continued)

(iii) Transactions between the Bank and other related parties:

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Transactions during the period		
Interest income	342,572	356,344
Fee and commission income	24,382	21,896
Net gains of investment securities	237	303
Interest expense	134,861	44,137
Operating expense	9,724	9,809
	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Balances at end of the period/year		
Deposits with banks and other financial institutions	8,964,354	4,361,792
Derivative financial assets	3,876	1,403
Loans and advances to customers	11,260,384	11,303,133
Financial investments	3,051,953	3,178,452
Deposits from banks and other financial institutions	9,308,215	4,062,382
Derivative financial liabilities	4,120	4,706
Deposits from customers	1,387,352	1,117,170
Debt securities issued	324,829	1,658,349
Other liabilities	205,074	192,794
Derivative financial instruments-notional amount	3,485,088	10,517,000
Bank acceptances	–	30,000
Letters of guarantees	49,105	50,348
Letters of credit	235,276	235,424

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

40 Related parties *(Continued)*

Related party transactions *(Continued)*

(c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Bank, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

(i) Transactions between the Bank and key management personnel

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Transactions during the period		
Interest income	1	–
Interest expense	18	3
	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Balances at end of the period/year		
Loans and advances to customers	46	2
Deposits from customers	2,198	1,767

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Key management personnel compensation	5,517	5,932

(d) Loans and advances to directors, supervisors and officers

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
	Aggregate amount of relevant loans outstanding at the end of the period/year	46
Maximum aggregate amount of relevant loans outstanding during the period/year	46	3,302

There were no amount due but unpaid as at 30 June 2022 and 31 December 2021.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

41 Segment reporting

(a) Business segment

The Bank manages its business by business lines. Consistent with the way in which information is reported internally to the Bank’s most senior executive management for the purposes of resource allocation and performance assessment, the Bank defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade financing, deposit taking activities, agency services, wealth management services, consulting and advisory services, remittance and settlement services and guarantee services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans, deposit taking activities, personal wealth management services and remittance services.

Financial market

This segment covers the Bank’s financial market business operations. The financial market business enters into inter-bank money market transactions, repurchases transactions, and investments. It also trades in debt securities. The financial market business segment also covers management of the Bank’s overall liquidity position, including the issuance of debts.

Others

These represent assets, liabilities, income and expenses which cannot directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Bank’s accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as “external net interest income/expense”. Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as “internal net interest income/expense”.

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Intra-group balances and intra-group transactions are eliminated by segment income, expenses, assets and liabilities as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment, intangible assets and other long-term assets.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

41 Segment reporting (Continued)

(a) Business segment (Continued)

	Six months ended 30 June 2022 (Unaudited)				
	Corporate banking	Retail banking	Financial market	Others	Total
Operating income					
External net interest income/(expense)	4,470,905	8,520,073	(1,639,499)	-	11,351,479
Internal net interest income/(expense)	1,057,061	(3,673,429)	2,616,368	-	-
Net interest income	5,527,966	4,846,644	976,869	-	11,351,479
Net fee and commission income/(expense)	1,181,721	(17,797)	262,054	822	1,426,800
Net trading gains/(losses)	119,913	-	(440,628)	-	(320,715)
Net gains arising from investment securities	174,265	434	818,352	-	993,051
Other operating income	2,144	-	-	37,949	40,093
Operating income	7,006,009	4,829,281	1,616,647	38,771	13,490,708
Operating expenses	(2,290,463)	(2,054,315)	(357,271)	(109,873)	(4,811,922)
Impairment (losses)/reversals on assets	(2,436,390)	(1,618,985)	403,429	-	(3,651,946)
Profit/(loss) before tax	2,279,156	1,155,981	1,662,805	(71,102)	5,026,840
Other segment information					
- Depreciation and amortisation	310,129	341,928	30,725	110,555	793,337
- Capital expenditure	88,539	97,616	8,772	31,562	226,489
	At 30 June 2022 (Unaudited)				
	Corporate banking	Retail banking	Financial market	Others	Total
Segment assets	822,584,651	351,657,325	460,861,293	15,169,109	1,650,272,378
Deferred tax assets					11,744,710
Total assets					1,662,017,088
Segment liabilities	794,520,496	152,585,841	599,115,435	6,372,070	1,552,593,842
Total liabilities					1,552,593,842
Credit commitment	295,496,191	12,462,908	-	-	307,959,099

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

41 Segment reporting (Continued)

(b) Geographical segment

Geographically, the Bank mainly conducts its business in the four areas listed below in Mainland China.

Northern and Northeastern China includes Head Office, Beijing Branch, Tianjin Branch, Binhai Branch, Tianjin Pilot Free Trade Zone Branch, Dalian Branch, Hohhot Branch, Taiyuan Branch, Shijiazhuang Branch, Changchun Branch and Shenyang Branch.

Eastern China includes Nanjing Branch, Hangzhou Branch, Jinan Branch, Shanghai Branch, Shanghai Pilot Free Trade Zone Branch, Hefei Branch, Suzhou Branch, Qingdao Branch, Ningbo Branch and Nanchang Branch.

Central and Southern China includes Guangzhou Branch, Shenzhen Branch, Shenzhen Qianhai Branch, Hong Kong Branch, Changsha Branch, Wuhan Branch, Fuzhou Branch, Zhengzhou Branch, Xiamen Pilot Free Trade Zone Branch, Haikou Branch and Nanning Branch.

Western China includes Chengdu Branch, Xi'an Branch, Chongqing Branch, Guiyang Branch and Kunming Branch.

	Six months ended 30 June 2022 (Unaudited)					Total
	Northern and Northeastern China	Eastern China	Central and Southern China	Western China	Elimination	
Operating income						
External net interest income	4,773,000	2,614,028	2,576,384	1,388,067	-	11,351,479
Internal net interest income/(expense)	1,108,577	(253,931)	(251,913)	(602,733)	-	-
Net interest income	5,881,577	2,360,097	2,324,471	785,334	-	11,351,479
Net fee and commission income	904,140	372,310	64,166	86,184	-	1,426,800
Net trading (losses)/gains	(512,816)	80,288	91,603	20,210	-	(320,715)
Net gains arising from investment securities	993,051	-	-	-	-	993,051
Other operating income	25,994	8,608	977	4,514	-	40,093
Operating income	7,291,946	2,821,303	2,481,217	896,242	-	13,490,708
Operating expenses	(2,569,786)	(977,687)	(947,445)	(317,004)	-	(4,811,922)
Impairment losses on assets	(1,829,366)	(946,868)	(500,828)	(374,884)	-	(3,651,946)
Profit before tax	2,892,794	896,748	1,032,944	204,354	-	5,026,840
Other segment information						
- Depreciation and amortisation	366,472	178,358	183,414	65,093	-	793,337
- Capital expenditure	128,926	16,842	32,802	47,919	-	226,489

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

41 Segment reporting (Continued)

(b) Geographical segment (Continued)

	At 30 June 2022 (Unaudited)					
	Northern and Northeastern China	Eastern China	Central and Southern China	Western China	Elimination	Total
Segment assets	1,131,757,814	292,144,666	281,245,251	94,517,605	(149,392,958)	1,650,272,378
Deferred tax assets						11,744,710
Total assets						1,662,017,088
Segment liabilities	1,037,656,887	290,423,198	279,939,738	93,966,977	(149,392,958)	1,552,593,842
Total liabilities						1,552,593,842
Credit commitment	103,354,146	96,341,813	90,077,854	18,185,286	-	307,959,099

	Six months ended 30 June 2021 (Unaudited)					
	Northern and Northeastern China	Eastern China	Central and Southern China	Western China	Elimination	Total
Operating income						
External net interest income	5,618,241	2,831,345	3,489,051	1,605,229	-	13,543,866
Internal net interest income/(expense)	1,960,857	(361,385)	(883,909)	(715,563)	-	-
Net interest income	7,579,098	2,469,960	2,605,142	889,666	-	13,543,866
Net fee and commission income	536,624	342,361	186,622	51,784	-	1,117,391
Net trading (losses)/gains	(121,491)	12,806	1,634	818	-	(106,233)
Net gains arising from investment securities	1,186,055	-	-	-	-	1,186,055
Other operating income	27,223	21,324	10,540	2,703	-	61,790
Operating income	9,207,509	2,846,451	2,803,938	944,971	-	15,802,869
Operating expenses	(2,627,886)	(972,983)	(871,774)	(238,912)	-	(4,711,555)
Impairment (losses)/reversals on assets	(2,098,297)	353,166	(2,481,090)	(144,311)	-	(4,370,532)
Profit/(loss) before tax	4,481,326	2,226,634	(548,926)	561,748	-	6,720,782
Other segment information						
- Depreciation and amortisation	348,552	164,073	160,960	37,682	-	711,267
- Capital expenditure	82,077	20,982	30,913	8,566	-	142,538

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

41 Segment reporting *(Continued)*

(b) Geographical segment *(Continued)*

	At 31 December 2021 (Audited)					Total
	Northern and Northeast China	Eastern China	Central and Southern China	Western China	Elimination	
Segment assets	1,079,592,520	273,981,004	283,043,201	96,123,646	(160,956,129)	1,571,784,242
Deferred tax assets						10,923,356
Total assets						1,582,707,598
Segment liabilities	991,565,776	270,660,714	280,049,691	94,823,469	(160,956,129)	1,476,143,521
Total liabilities						1,476,143,521
Credit commitment	110,137,278	93,609,922	77,184,375	17,846,484	–	298,778,059

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

42 Risk management

The Bank has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

The Bank develops and continually improves risk management policies, limit system, control procedures and IT systems based on the latest changes in regulatory policies, market conditions and business development to analyze, identify, monitor and report various risks.

This note presents information about the Bank’s exposure to each of the above risks and their sources, and the Bank’s objectives, policies and procedures for measuring and managing these risks.

Risk management system

The Board of Directors of the Bank is responsible for the ultimate responsibility for comprehensive risk management. The Risk Management and Green Finance Committee of the Bank is set up under the Board of Directors, which is responsible to the Board of Directors. The Board of Supervisors of the Bank is responsible for the supervision of comprehensive risk management and is responsible for supervising the performance of the Board of Directors and senior management in risk management and the rectification. The senior management shall assume the responsibilities for implementing comprehensive risk management and implementing the resolutions of the Board of Directors.

The Bank has established a risk prevention system consisting of three lines of defense against each main risk to which it is exposed. The first line of defense is formed by various business departments at the head office, branches, and sub-branches of the Bank, who are directly responsible for the prevention of various types of risks. The second line of defense is business management departments of risk management line, Assets and Liabilities Management Department and Internal Control and Compliance Departments of the Bank, who take the lead in formulating the requisite policies and procedures, and supervising bank-wide risk management measures. The third line of defense is the Audit departments of the Bank, which are responsible for conducting independent valuation of risk management system and its implementation, and monitoring the effectiveness of risk management policies.

(a) Credit risk

Credit risk is one of the most important risks facing the business operations of the Bank. The Bank may be exposed to significant risks when all counterparties are concentrated in a single industry or region. This is mainly because the counterparties’ concentration risk are subject to the same impact by the economic development of the region or industry in which they operate.

The Board of Directors of the Bank is responsible for ultimate responsibility for credit risk management and may authorize the Risk Management Committee to execute some of its functions. The bank continues to improve the credit risk management system, credit risk management policies and tools, and the management process is gradually online and digital. The efficiency of credit approval is further improved, providing strategic support for the business development of the Bank.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

42 Risk management *(Continued)*

(a) Credit risk *(Continued)*

Measurement of credit risk

Loans and advances to customers and off-balance sheet credit commitments

The Risk Management Department, Asset Monitoring Department, Credit Monitoring Department and Retail Risk Management Department are jointly responsible for management of credit risks in various credit exposures, and the credit risk management for financial investments. For corporate credit, the Bank keeps itself closely informed of the clients' credit ratings through credit rating assessment using its client credit rating models and facility rating models, and applies the ratings in its loan reviews. Together with the early warning system which monitors the risk of a customer in real time, they are the basis of credit extension. The Bank uses facility rating to determine the loss given default for each credit facility and help its credit officers to balance the risks and rewards. With respect to retail credit business, the Bank measures the credit risks of loans and borrowers through closely studying the ecological platform of the retail credit segment, continuously improving credit scoring models and data mining and risk analysis of the historical performance of the borrowers, so as to gradually improve the effectiveness and efficiency of credit access, asset management, asset classification and impairment provisioning.

Deposits and placements with banks and other financial institutions and financial assets purchased under resale agreements

The Bank adopts a centralized underwriting process in relation to approving credit limits for financial institution counterparties engaged in interbank placements, investment securities and securities under repurchase and resale agreements. The Bank conducts credit approvals for these counterparties based on the comprehensive evaluation and quantitative and qualitative approach which collectively involves the assessment and review of their credit rating in the banking industry, customer base and profiles, management capabilities, business prospects, industry position, external environment, regulatory indicators, cooperation with the Bank and financial standing and performance etc.

Debt investments and derivative financial instruments

Before making investment in bonds issued by financial institutions or corporate bonds or before any dealing in financial derivatives with clients, the Bank conducts credit assessment on the issuers and the potential clients for dealing in derivative financial instruments (excluding customers who pay full margin). The Bank is also appropriately using external credit rating in assessing risk.

The credit risks in derivatives engaged by the Bank are mitigated mainly through margin deposits, government bonds, pledge of time deposit certificates recognized by the Bank and credit facilities from banks.

Prior to approval, the Asset and Liability Management Department assess the potential future exposure ratio for settlement of foreign exchange on behalf of customers which is guaranteed by margin. The Credit Monitor Department is responsible for reviewing the specific business, specific operations are carried out in accordance with the business administrative measures.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

42 Risk management *(Continued)*

(a) Credit risk *(Continued)*

Credit risk limit management

Loans and advances to customers and off-balance sheet credit commitments

The Bank takes effect credit scheme amount for the customers in accordance with the approval opinions. Meanwhile, the Bank reviews the approved conditions for the credit line, and monitors the use of the credit limit. Where clients provide collateral, credit limits shall be frozen or adjusted in a timely manner in responding to the change in value of the collateral in order to meet the approved conditions for the credit lines.

Debt investment and derivative trading

The Bank activates credit limits for financial institutions based on credit approvals, and monitors the limits of debt investment and derivative trading of inter-bank or non-inter-bank customer based on relevant information such as bond investment and derivative product credit approvals and risk exposures.

Credit risk mitigation measures

Collateral

The credit policies of the Bank provide specific requirements on the acceptable collaterals and pledges, and set different rates for different collaterals and pledges based on their nature and extent of realization. The Bank sets out specific requirements for the qualifications of professional evaluation agencies. In addition, through credit risk management system, the Bank implements strict management on the collaterals and pledges and their ownership certificates to prevent the occurrence of operational risks.

If the decrease in value or quantity of collateral makes it insufficient for the actual value of the collateral to meet collateral rate, the Bank shall freeze the underlying credit program amounts, require the client to provide additional collateral or security deposit or return the corresponding credit lines.

In respect of real estate development loans, the Bank, by complying with relevant regulatory requirements, assesses the value of collateralized real estate properties based on their progress of construction, cost to resume and complete construction, expected time of completion, selling prices and reasonable discount rates to prevent over extension of credit. For real estate properties accepted for pledge, the Bank sets the minimum requirements on their completion.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

42 Risk management *(Continued)*

(a) Credit risk *(Continued)*

Credit risk mitigation measures *(Continued)*

Collateral *(Continued)*

The acceptable collateral includes financial collateral, real estate properties, accounts receivable and other collateral, mainly consisting of the following types:

- Cash and its equivalent
- Bills
- Stock
- State-owned construction land use right
- Residential real estate
- Commercial real estate
- Accounts receivable
- Vehicle
- Mechanical equipment
- Inventory
- Resource assets
- Intellectual property

Master netting arrangements

The Bank and its counterparties enter into master netting arrangements for derivatives transactions to further reduce credit risk. Master netting arrangements may not lead to the offsetting between assets and liabilities on the statement of financial position, because the transactions are usually settled on a gross basis. However, the credit risk associated with favorable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts are terminated and settled on a net basis.

The derivatives are mainly settled in accordance with the provisions of the International Swaps and Derivatives Association and the features of the products, using, in principle, the method that involves the lowest settlement risk.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

42 Risk management *(Continued)*

(a) Credit risk *(Continued)*

Credit risk mitigation measures (Continued)

Credit commitments

The main objective of credit commitments is to ensure that clients obtain the funds they need. The Bank makes irrevocable guarantee when it issues letters of guarantee, letters of credit and bank’s acceptance bill, i.e., the Bank shall make repayments on behalf of the client if the client cannot meet its repayment obligations to a third party, and the Bank assumes the same credit risks as those of a loan, review should be done in strict compliance with the Bank’s relevant requirements in conducting such business.

The Bank defines margin deposit as one of the risk mitigations and receives certain margin deposits when conducting relevant credit extension business, with the exception of certain creditworthy clients, to reduce the credit risk involved in providing this service. The margin deposit is collected at a certain percentage of the committed amount based on the credibility of the client.

Impairment and provisioning policies

Stages of risks in financial instrument

The financial assets are categorized by the Bank into the following stages to manage its financial assets’ credit risk:

- Stage 1: Financial assets have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months expected credit losses.
- Stage 2: Financial assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.
- Stage 3: Financial assets that are in default and considered credit-impaired.

Significant increase in credit risk

The Bank evaluates the whether the credit risk of related financial instruments at least on each date of statement of financial position has increased significantly since initial recognition. The Bank makes full use of all reasonable and supportable information, including forward-looking information, to reflect the significant changes in its credit risk when it conducts the classification of losses of financial instruments. Criteria include regulation and operation environment, internal and external credit ratings, solvency, ability to continue as a going concern, provisions of loan contract, and repayment activities etc. Based on a single financial instrument or a combination of financial instruments with similar credit risk characteristics, the Bank compares the risk of default of financial instruments on the date of statement of financial position to determine the change in default risk during the expected duration of financial instruments. The Bank judges whether the credit risk of a financial instrument has significantly increased since initial confirmation from the risk classification, risk overdue days, internal and external ratings, probability of default, and market price etc.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

42 Risk management *(Continued)*

(a) Credit risk *(Continued)*

Credit risk mitigation measures (Continued)

Impairment and provisioning policies (Continued)

Definition of “default” and “credit-impaired assets”

When a financial asset is impaired, the Bank identifies the financial asset as a default. Generally speaking, if the financial asset is overdue for more than 90 days, it is considered as a default.

At each date of the statement of financial position, the Bank assesses whether financial assets carried at amortised cost and debt instruments at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the borrower’s financial difficulty, the Bank having granted to the borrower a concession that would not otherwise consider;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties;
- purchase or source a financial asset at significant discount, which reflects that the financial asset is credit-impaired; or
- overdue more than 90 days.

The above criteria apply to all financial assets of the Bank and they are consistent with the definition of “default” adopted by the internal management of credit risk.

Measurement of expected credit losses (“ECL”)

The Bank adopts ECL model to measures provision for loss of financial assets based on the stages categorised above.

The ECL is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The definitions of these terms are as follows:

- PD refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan;
- EAD is the amount that the Bank should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan;
- LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Bank. LGD varies according to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

42 Risk management *(Continued)*

(a) Credit risk *(Continued)*

Credit risk mitigation measures (Continued)

Impairment and provisioning policies (Continued)

Measurement of expected credit losses (“ECL”) (Continued)

The Bank determines the ECL by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future years. The Bank multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). For the purpose of calculating the lifetime ECL, the Bank calculated the ECL of each period, and the results of calculation are then discounted to the date of statement of financial position and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime PD is deduced from using the maturity model or 12-month probability of default. The maturity model describes the development rule of the defaults of the asset portfolio over its lifetime. The model is developed based on historical observational data and applicable to all assets in the same portfolio with the same credit rating. The above method is supported by empirical analysis.

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different according to different types of products.

- In respect of the financial assets with instalment repayments and bullet repayment, the Bank determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on prediction of overlimit repayment and prepayments/refinancing made by the borrower.
- As to the off-balance sheet credit commitments, the parameter of EAD is calculated using the current exposure method, and obtained from multiplying the nominal amount of the off-balance sheet items on the date of statement of financial position by the credit conversion factor (CCF).
- The Bank determines the 12-month loss given default (LGD) and lifetime LGD based on the factors that affects post-default recovery. LGD for different product types are different.
- As to financial assets classified as guarantees, the Bank determines the loss given default (LGD) according to the types of collaterals and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.
- As to credit-based financial assets, the Bank usually determines loss given default (LGD) in the product level due to the limited differences in recoverable amounts from different borrowers.

Forward-looking economic information should be considered when determining the 12-month and lifetime probability of default, exposure at default and loss given default.

The Bank quarterly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the value of collaterals under the different time limits.

During the six months ended 30 June 2021, there has been no significant changes in the estimate techniques and key assumptions of the Bank.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

42 Risk management *(Continued)*

(a) Credit risk *(Continued)*

Credit risk mitigation measures (Continued)

Impairment and provisioning policies (Continued)

Measurement of expected credit losses ("ECL") (Continued)

Forward-looking information included in the expected credit loss model is as follows:

The calculation of expected credit losses involves forward-looking information. After the historical analysis, the Bank identified the key economic indicators related to expected credit loss, such as gross domestic product (GDP), consumer price index(CPI), Purchasing Managers' index (PMI), Broad money (M2), Industrial Added Value, and Real Estate Climate Index. The Bank carried out regression analysis to determine the relationship between these economic indicators and PD, so as to ascertain the impact of historical changes in these indicators on PD. The Bank forecasts these economic indicators at least annually and provides the best estimates of the economic conditions for the coming year.

The important macroeconomic assumptions used by the Bank in various macroeconomic scenarios include M2, consumer price index, and GDP.

The Bank established measurement models to identify the three risk weights, i.e. positivity, neutrality and negativity. During the six months ended 30 June 2022, the Bank's positivity scenario weight is 40%, neutrality scenario weight is 50%, and negativity scenario weight is 10%. The Bank measures allowance for credit losses for the first stage based on the weighted average of the credit losses in the three cases in the next 12 months; and measures allowance for credit losses for the second and third stages based on the weighted average of credit losses in the three cases within the lifetime.

During the six months ended 30 June 2022, the Bank has fully considered the impact of the COVID-19 pandemic on the macro economy and banking industry when evaluating the forward-looking information used in the expected credit loss measurement model.

Management Overlay

Taking into account inherent limitations of ECL model and temporary systematic risk factors, the Bank has additionally accrued loss allowance in response to potential risk and improved its risk compensation capability.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

42 Risk management *(Continued)*

(a) Credit risk *(Continued)*

(i) *Maximum credit risk exposure*

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Credit risk exposures relating to on-balance sheet items:		
Cash and deposits with the central bank	99,105,874	114,700,222
Deposits with banks and other financial institutions	20,570,097	27,730,508
Placements with banks and other financial institutions	18,076,921	9,262,262
Derivative financial assets	1,426,931	676,154
Loans and advances to customers	972,262,459	937,906,589
Financial investments		
– Financial investments measured at fair value through profit or loss	109,325,575	102,377,637
– Financial investments measured at fair value through other comprehensive income	105,697,552	89,218,927
– Financial investments measured at amortised cost	309,087,357	276,034,540
Other assets	4,181,241	4,642,370
Sub-total	1,639,734,007	1,562,549,209
Credit risk exposures relating to off-balance sheet items:		
Acceptances	230,068,999	208,847,025
Letters of credit	42,443,851	57,334,637
Letters of guarantees	22,421,085	21,141,709
Credit card commitment	12,462,908	11,039,187
Irrevocable loan commitments	562,256	415,501
Sub-total	307,959,099	298,778,059
Total	1,947,693,106	1,861,327,268

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

42 Risk management (Continued)

(a) Credit risk (Continued)

(ii) Financial assets analysed by credit quality are summarized as follows:

Financial assets (excluding interests accrued) analysed by credit quality

	At 30 June 2022 (Unaudited)							
	Balance				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	99,917,156	-	-	99,917,156	-	-	-	-
Deposits with banks and other financial institutions	20,604,243	-	157,747	20,761,990	(46,680)	-	(157,747)	(204,427)
Placements with banks and other financial institutions	17,775,111	-	200,000	17,975,111	(89,085)	-	(60,000)	(149,085)
Loans and advances to customers	847,613,262	29,862,599	16,843,723	894,319,584	(8,711,357)	(4,105,698)	(9,483,267)	(22,300,322)
Financial investments	267,131,061	27,524,759	19,388,253	314,044,073	(894,696)	(4,972,218)	(5,413,551)	(11,280,465)
Other assets	4,181,241	-	-	4,181,241	-	-	-	-
Total	1,257,222,074	57,387,358	36,589,723	1,351,199,155	(9,741,818)	(9,077,916)	(15,114,565)	(33,934,299)
Financial assets measured at fair value through other comprehensive income								
Loans and advances to customers	91,640,769	-	499,337	92,140,106	(84,314)	-	(1,253,974)	(1,338,288)
Financial investments	101,647,900	-	-	101,647,900	(127,093)	-	(10,000)	(137,093)
Total	193,288,669	-	499,337	193,788,006	(211,407)	-	(1,263,974)	(1,475,381)
Credit commitments	307,954,623	1,128	3,348	307,959,099	(461,584)	(182)	(676)	(462,442)

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

42 Risk management *(Continued)*

(a) Credit risk *(Continued)*

(ii) *Financial assets analysed by credit quality are summarized as follows: (Continued)*

Financial assets (excluding interests accrued) analysed by credit quality (Continued)

	At 31 December 2021 (Audited)							
	Balance				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and deposits with the central bank	115,114,981	-	-	115,114,981	-	-	-	-
Deposits with banks and other financial institutions	27,757,635	-	157,747	27,915,382	(39,527)	-	(157,747)	(197,274)
Placements with banks and other financial institutions	9,018,691	-	200,000	9,218,691	(34,888)	-	(60,000)	(94,888)
Loans and advances to customers	831,491,740	29,806,453	16,834,547	878,132,740	(7,834,624)	(4,893,154)	(10,016,933)	(22,744,711)
Financial investments	236,138,906	25,553,695	19,631,881	281,324,482	(742,018)	(5,051,135)	(5,762,126)	(11,555,279)
Other assets	4,642,370	-	-	4,642,370	-	-	-	-
Total	1,224,164,323	55,360,148	36,824,175	1,316,348,646	(8,651,057)	(9,944,289)	(15,996,806)	(34,592,152)
Financial assets at fair value through other comprehensive income								
Loans and advances to customers	76,698,756	-	-	76,698,756	(87,437)	-	-	(87,437)
Financial investments	88,200,736	-	-	88,200,736	(76,558)	-	(10,000)	(86,558)
Total	164,899,492	-	-	164,899,492	(163,995)	-	(10,000)	(173,995)
Credit commitments	298,766,955	7,927	3,177	298,778,059	(477,637)	(520)	(638)	(478,795)

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

42 Risk management *(Continued)***(a) Credit risk** *(Continued)**(ii) Financial assets analysed by credit quality are summarized as follows: (Continued)*

The overall ECL rate for financial assets and credit commitments analysed by credit quality

	At 30 June 2022 (Unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	0.77%	15.82%	41.31%	2.51%
Financial assets measured at fair value through other comprehensive income	0.11%	N/A	71.68%	0.76%
Credit commitments	0.15%	16.13%	20.19%	0.15%

	At 31 December 2021 (Audited)			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	0.71%	17.96%	43.44%	2.63%
Financial assets measured at fair value through other comprehensive income	0.10%	N/A	100.00%	0.11%
Credit commitments	0.16%	6.56%	20.08%	0.16%

As at 30 June 2022 and at 31 December 2021, the fair value of collaterals held against loans and advances that are not credit-impaired and assessed for lifetime expected credit losses amounted to RMB8,507 million and RMB13,013 million. The fair value of collaterals held against loans and advances that are credit-impaired and assessed for lifetime expected credit losses amounted to RMB17,086 million and RMB7,862 million. The collaterals mainly include lands, buildings, machinery and equipments, etc. The fair value of collaterals were estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(iii) Rescheduled loans and advances to customers

Restructured loans refer to those loans that the financial status of the relevant borrowers deteriorate, or that borrowers are not capable of repaying and therefore certain clauses on the loan contract are adjusted. As at 30 June 2022 and at 31 December 2021, the Bank's restructured loans amounted to RMB1,219 million and RMB1,386 million.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

42 Risk management *(Continued)*

(a) Credit risk *(Continued)*

(iv) Credit rating

The Bank adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments (excluding interests accrued) analysed by the rating agency designations as at 30 June 2022 and at 31 December 2021 are as follows:

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Neither overdue nor impaired		
<i>Ratings</i>		
– AAA	275,711,719	248,332,539
– AA – to AA+	18,484,764	8,600,956
<i>Unrated</i>	1,834,314	1,454,719
Sub-total	296,030,797	258,388,214
Overdue and credit-impaired		
<i>Ratings</i>		
– C	–	–
Total	296,030,797	258,388,214

(b) Market risk (including the interest rate risk in the banking book)

Market risk refers to the risk of losses to the Bank’s on-balance sheet and off-balance sheet activities arising from unfavorable changes in market prices, mainly including interest rates and exchange rates, commodity risk and equity risks. The interest rate risk in the banking book refers to the risk of losses on the economic value and the overall income of the banking book resulted from unfavorable changes in interest rate levels and the maturity structure. The Bank is exposed to market risks in its trading book and banking book. Financial instruments and commodity position recorded in the trading book are those held by the Bank for the purpose of trading or avoiding risks in other items of trading book and which can be traded freely. The assets and liabilities of long-term positions held for the purpose of managing the liquidity of the Bank, regulatory reserve or profit maximization are included in the banking book. Generally, the assets and liabilities recorded in the banking book are mainly held-to-maturity.

The Board is responsible for approving management strategies of market risk (including interest rate risks in the banking book, similarly hereinafter), policy and procedure, determining the level of market risk tolerance, urging senior management to undertake necessary measures to identify, measure, monitor and control market risk, obtaining periodic reports associated with nature and level of market risk, monitoring and evaluating the comprehensiveness, effectiveness of market risk management, and performance of senior management under market risk management. The Bank’s senior management has set up the Asset and Liability Management Committee which is in charge of formulating, reviewing and supervising market risk policy and procedure, and process execution. The committee sets market risk limit according to the Board’s risk appetite.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

42 Risk management *(Continued)*

(b) Market risk (including the interest rate risk in the banking book) *(Continued)*

The Bank sets up the market risk management team under the Asset and Liability Management Department. The team is independent of trading department, and responsible for market risk identification, measurement, monitoring, and control, ensuring that the market risk of the Bank is in compliance with the requirements of internal limits and external supervision according to Bank's market risk management policies and procedures.

Trading book market risk

Limits management

In order to control trading book market risk, the Bank sets Value-at-Risk limits, Basis Point Value limits and stop loss limits.

Stress testing

Stress testing is used to assess the loss sustainability under extremely adverse conditions when significant market changes take place, including the extreme fluctuations of market risk elements, such as interest rates and exchange rates, unexpected political or economic events, or a combination of the above situations. The market risk of the Bank goes through stress testing on a regular basis.

Assessment of fair value

Assessment of the fair value of financial instruments is based on the quantitative analysis of the financial products that takes into consideration the specific characteristics of the financial products, market situation of trading strategy, risk factors and the quality and qualification of counterparties. The Bank assesses the fair value of its financial instruments on a regular basis.

Interest rate risk of banking book

Interest rate risk of the banking book are measured and managed mainly through gap management, sensitivity analysis and duration analysis to ensure the interest rate risk of the banking book are controlled within the scope set by the risk appetite.

The Bank calculates the interest rate sensitivity gap based on repricing cash flow of the interest-earning assets and interest-bearing liabilities, and conducts scenario analysis, to assess the impact on the Bank of changes in interest rates. The impact on the market value of assets or liabilities of one basis point movement in interest rate was assessed through calculation of Basic Point Value.

Interest rate risk of the Bank's banking book goes through stress testing on a regular basis. In such stress testing, basic interest rate and market rate is treated as a prime factor, and other factors such as political and economic contingency or several contingencies happened at the same time are included.

Interest rate risk

The Bank operates its business predominantly in mainland China under the interest rate scheme regulated by PBoC.

The Bank manages its interest rate risks through gap analysis, duration analysis and sensitivity analysis of its assets and liabilities. The Bank has set limits to the rate gap, duration and interest rate sensitivity, and monitors regularly to ensure that the exposures are within the Bank's limit.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

42 Risk management *(Continued)*

(b) Market risk (including the interest rate risk in the banking book) *(Continued)*

Interest rate risk (Continued)

- (i) The table below summarizes the Bank’s exposures to interest rate risks. It presents the Bank’s assets and liabilities on the statement of financial position at carrying amounts, by the earlier of the contractual re-pricing date or the maturity date.

	At 30 June 2022 (Unaudited)					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	99,942,816	862,602	99,080,214	-	-	-
Deposits with banks and other financial institutions	20,570,097	12,534	20,307,745	249,818	-	-
Placements with banks and other financial institutions	18,076,921	250,895	3,634,231	11,606,044	2,585,751	-
Derivative financial assets	1,426,931	1,426,931	-	-	-	-
Loans and advances to customers (Note (i))	972,262,459	7,382,330	208,573,693	628,900,146	113,340,226	14,066,064
Financial investments (Note (ii))	524,110,484	28,812,721	140,294,153	66,129,018	232,242,531	56,632,061
Other	25,627,380	25,627,380	-	-	-	-
Total assets	1,662,017,088	64,375,393	471,890,036	706,885,026	348,168,508	70,698,125
Liabilities						
Borrowing from the central bank	98,560,081	1,660,081	34,500,000	62,400,000	-	-
Deposits from banks and other financial institutions	192,669,054	1,626,801	79,167,253	96,775,000	15,100,000	-
Placements from banks and other financial institutions	40,990,243	178,728	18,124,181	22,364,731	322,603	-
Derivative financial liabilities	1,132,711	1,132,711	-	-	-	-
Financial assets sold under repurchase agreements	64,241,515	35,985	64,103,358	102,172	-	-
Deposits from customers	875,291,029	15,970,446	357,892,069	276,385,798	223,795,716	1,247,000
Debt securities issued	264,981,597	1,077,781	93,947,535	113,989,418	55,966,863	-
Other	14,727,612	10,654,440	255,817	668,613	2,428,539	720,203
Total liabilities	1,552,593,842	32,336,973	647,990,213	572,685,732	297,613,721	1,967,203
Asset-liability gap	109,423,246	32,038,420	(176,100,177)	134,199,294	50,554,787	68,730,922

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

42 Risk management (Continued)

(b) Market risk (including the interest rate risk in the banking book) (Continued)

Interest rate risk (Continued)

(i) (Continued)

	At 31 December 2021 (Audited)					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	115,143,453	471,703	114,671,750	-	-	-
Deposits with banks and other financial institutions	27,730,508	12,400	27,319,847	398,261	-	-
Placements with banks and other financial institutions	9,262,262	138,459	3,985,901	5,137,902	-	-
Derivative financial assets	676,154	676,154	-	-	-	-
Loans and advances to customers (Note (i))	937,906,589	5,296,053	475,663,808	351,020,611	91,665,324	14,260,793
Financial investments (Note (ii))	467,631,104	28,309,297	124,758,220	72,562,952	198,054,930	43,945,705
Other	24,357,528	24,357,528	-	-	-	-
Total assets	1,582,707,598	59,261,594	746,399,526	429,119,726	289,720,254	58,206,498
Liabilities						
Borrowing from the central bank	78,846,876	946,876	17,600,000	60,300,000	-	-
Deposits from banks and other financial institutions	171,542,080	1,409,805	60,725,875	90,316,400	19,090,000	-
Placements from banks and other financial institutions	60,198,745	326,353	31,612,656	26,952,133	1,307,603	-
Derivative financial liabilities	1,025,842	1,025,842	-	-	-	-
Financial assets sold under repurchase agreements	68,199,110	71,139	68,035,411	92,560	-	-
Deposits from customers	835,920,665	15,422,174	343,932,219	219,867,067	255,452,205	1,247,000
Debt securities issued	242,598,064	1,723,728	73,772,490	103,251,463	63,850,383	-
Other	17,812,139	13,764,575	237,992	713,976	2,368,137	727,459
Total liabilities	1,476,143,521	34,690,492	595,916,643	501,493,599	342,068,328	1,974,459
Asset-liability gap	106,564,077	24,571,102	150,482,883	(72,373,873)	(52,348,074)	56,232,039

Notes:

- (i) As at 30 June 2022 and 31 December 2021, for loans and advances to customers, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB14,886 million and RMB26,920 million, respectively.
- (ii) Financial investments include financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income and financial investments measured at amortised cost.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

42 Risk management *(Continued)*

(b) Market risk (including the interest rate risk in the banking book) *(Continued)*

Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis

The Bank uses sensitivity analysis to measure the potential impact of changes in interest rate on the Bank’s profit before tax and equity (without tax effect). The following table sets forth the results of the Bank’s interest rate sensitivity analysis on profit before tax and equity (without tax effect) with an assumption that all other variables held constant.

	At 30 June 2022 (Unaudited) (Decrease)/ Increase	At 31 December 2021 (Audited) Increase/ (Decrease)
Change in net profit before tax		
Up 100 bps parallel shift in yield curves	(1,766,359)	106,688
Down 100 bps parallel shift in yield curves	1,766,359	(106,688)

	At 30 June 2022 (Unaudited) (Decrease)/ Increase	At 31 December 2021 (Audited) Increase/ (Decrease)
Change in equity (without tax effect)		
Up 100 bps parallel shift in yield curves	(754,507)	962,025
Down 100 bps parallel shift in yield curves	754,507	(962,025)

The sensitivity analysis above is based on a static interest rate risk profile of the Bank’s assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized profit before tax and equity (without tax effect) would have been affected by repricing of the Bank’s assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at 30 June 2022 and 31 December 2021 apply to all non-derivative financial instruments of the Bank;
- At 30 June 2022 and 31 December 2021, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next full year from the end of the period;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account risk management measures taken by the Bank.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

42 Risk management *(Continued)*

(b) Market risk (including the interest rate risk in the banking book) *(Continued)*

Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

Due to the adoption of the aforementioned assumptions, the actual changes in the Bank's profit before tax and equity (without tax effect) caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

Foreign currency risk

Foreign exchange risk refers to the risk of losses arising from the negative changes in the rate of exchange. The Bank conducts the majority of its business in RMB, with certain foreign transactions in United States dollars ("USD"), Hong Kong dollars ("HKD") and, to a much lesser extent, other currencies.

The Bank's principle in controlling foreign exchange risk is to match its assets and liabilities by currency and to maintain foreign exchange risk within established limits. The Bank has set foreign exchange risk limits which are consistent with the guidelines established by the Asset and Liability Management Committee of the Bank and are in accordance with relevant regulatory requirements, and reflect management's assessment of current circumstances. The Bank also manages its sources and uses of foreign currencies to minimize potential mismatches.

The Bank monitors its foreign exchange risk. The Bank mainly uses the foreign exchange exposure analysis, scenario analysis and stress testing to measure and analyze the foreign exchange risk. Besides, the Bank monitors and controls the foreign exchange risk through the limit management. The Asset and Liability Management Department's market risk team performs independent monitoring, reporting, and management for the entire bank's foreign exchange risk. Meanwhile, the Bank managed the on-balance sheet foreign exchange risk exposures through derivative financial instruments such as foreign exchange swaps and foreign exchange futures, and kept the Bank's total exposures of on-balance sheet and off-balance sheet to a low level. Therefore, the foreign exchange exposure at the end of the period is not sensitive to exchange rate fluctuations, and the potential impact on the Bank's net profit and shareholders' equity is not significant.

The following table summarizes the Bank's exchange risk of assets and liabilities at reporting date. Included in the table are the carrying value of assets and liabilities, and the off-balance sheet credit commitments in RMB equivalent, categorized by the original currency.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

42 Risk management *(Continued)*

(b) Market risk (including the interest rate risk in the banking book) *(Continued)*

Foreign currency risk (Continued)

The Bank’s currency exposures as at 30 June 2022 and 31 December 2021 are as follows:

	At 30 June 2022 (Unaudited)			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with the central bank	91,544,968	7,983,076	414,772	99,942,816
Deposits with banks and other financial institutions	11,510,485	6,220,134	2,839,478	20,570,097
Placements with banks and other financial institutions	16,722,865	969,960	384,096	18,076,921
Derivative financial assets	1,426,221	–	710	1,426,931
Loans and advances to customers	898,942,663	69,423,464	3,896,332	972,262,459
Financial investments (Note (i))	491,905,348	30,596,471	1,608,665	524,110,484
Other assets	25,593,921	7,253	26,206	25,627,380
Total assets	1,537,646,471	115,200,358	9,170,259	1,662,017,088
Liabilities				
Borrowing from the central bank	98,560,081	–	–	98,560,081
Deposits from banks and other financial Institutions	191,168,647	320,099	1,180,308	192,669,054
Placements from banks and other financial institutions	3,432,130	33,681,980	3,876,133	40,990,243
Derivative financial liabilities	1,132,316	–	395	1,132,711
Financial assets sold under repurchase agreements	64,241,515	–	–	64,241,515
Deposits from customers	778,770,140	92,851,966	3,668,923	875,291,029
Debt securities issued	262,032,481	2,863,806	85,310	264,981,597
Other liabilities	14,111,130	79,784	536,698	14,727,612
Total liabilities	1,413,448,440	129,797,635	9,347,767	1,552,593,842
Net position	124,198,031	(14,597,277)	(177,508)	109,423,246
Off-balance sheet credit commitments	286,905,250	17,596,012	3,457,837	307,959,099

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

42 Risk management (Continued)

(b) Market risk (including the interest rate risk in the banking book) (Continued)

Foreign currency risk (Continued)

	At 31 December 2021 (Audited)			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with the central bank	102,147,355	11,884,558	1,111,540	115,143,453
Deposits with banks and other financial institutions	9,252,356	17,169,761	1,308,391	27,730,508
Placements with banks and other financial institutions	8,214,270	1,047,992	–	9,262,262
Derivative financial assets	676,154	–	–	676,154
Loans and advances to customers	860,547,501	74,458,884	2,900,204	937,906,589
Financial investments (Note (i))	448,711,500	18,363,276	556,328	467,631,104
Other	24,252,593	64,656	40,279	24,357,528
Total assets	1,453,801,729	122,989,127	5,916,742	1,582,707,598
Liabilities				
Borrowing from the central bank	78,846,876	–	–	78,846,876
Deposits from banks and other financial Institutions	170,401,048	175,433	965,599	171,542,080
Placements from banks and other financial institutions	3,423,312	52,545,828	4,229,605	60,198,745
Derivative financial liabilities	1,025,842	–	–	1,025,842
Financial assets sold under repurchase agreements	68,199,110	–	–	68,199,110
Deposits from customers	707,696,923	126,790,772	1,432,970	835,920,665
Debt securities issued	240,691,553	1,906,511	–	242,598,064
Other	15,603,186	142,238	2,066,715	17,812,139
Total liabilities	1,285,887,850	181,560,782	8,694,889	1,476,143,521
Net position	167,913,879	(58,571,655)	(2,778,147)	106,564,077
Credit commitments	267,242,860	28,320,028	3,215,171	298,778,059

- (i) Financial investments include financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income, financial investments measured at amortised cost.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

42 Risk management *(Continued)*

(c) Liquidity risk

The Bank adopts a centralized approach with respect to its liquidity risk management, in which the head office centrally manages overall liquidity risk across the Bank under the policies and guidance of the Board of Directors. Liquidity risk is managed on three levels from the Board of Directors, to senior management and down to individual departments, so that all the Bank is involved in the liquidity risk management. The Asset and Liability Management Department is the leading department in managing the liquidity risk, and is responsible for formulating liquidity risk management strategies, policies and procedures, and identifying, measuring, monitoring and controlling liquidity risk, and ensuring the Bank's overall liquidity risk is controlled within the Bank's risk tolerance based on cash flow gap analysis, with the help of intraday position management, early-warning indicators and limit control, among other means and methods, and by conducting stress testing and crisis response exercises, strengthening market prejudgment and implementing dynamic liquidity risk management when appropriate. The Bank reviews the above practices and means and methods at least once a year. The Bank has established and continuously improved a comprehensive and systematic liability business management and risk control system to continuously improve the efficiency and level of financial services to the real economy. The Corporate Banking Department, Retail Banking Department and Financial Market Department, among others at the head office, and the subsidiaries engage in their business activities in compliance with the liquidity risk management policies, appetite, processes, limits and other requirements as set down by the Board of Directors and senior management.

In addition to effectively managing intraday positions, the Bank managed cash flow, balancing liquidity and profitability and ensuring safety payment of the Bank and implementing integration management of local and foreign currency. For medium and long term liquidity risk management, the Bank strengthened management measures on regulatory ratios and internal limit, and timely monitored early warning indicators, implemented initiative supplementing of liabilities, stabilized the source of capital and improved future maturity structure of assets and liabilities. Regulatory indicators mainly including liquidity proportion, liquidity coverage ratio, net stable funding ratio and liquidity matching rate are set to guide business development. Internal limits, primarily on treasury loans, debt securities pledged as security and asset-liability maturity gap, are monitored to manage and adjust mismatches between the duration of assets and liabilities. Enforcing the establishment and analysis of customer behavior models, leveraging liquidity management models that use prudent assumptions on the Bank's cash inflows and outflows from its assets and liabilities, and by monitoring, analyzing and managing its compliance with regulatory indicators and internal limits, the Bank has been able to maintain a sound liquidity position.

In order to cope with its liquidity risks arising from fluctuation of capital market and changes of macro-economic environment, the Bank sticks to the practice of stress testing of them, including the test of cash flow gaps in the future 7 days, 30 days and 90 days and implementation of shortest lifetime management of the Bank by introducing the results of customer behaviors analysis to test the Bank's tolerance of liquidity risks under different stress scenarios through stimulation of decline in the price of marketable securities and outflow of deposits. Also, in consideration of its business size, complexity, level of risk and organizational structure, the Bank has emergency plans in place and explicit internal labor division and emergency procedures to ensure its liquidity under a crisis situation.

To bolster the Bank's liquidity, the Bank formulates investment guidelines and regularly assesses and adjusts its investment strategies for debt securities in light of actual risk management needs, clearly defines the ceiling for collateral bonds through internal limits. This ensures the availability of sufficient quality liquid assets which are readily realizable, and structurally ensure the potential liquidity needs of the Bank are well taken care of. The bank focuses on the adjustment and optimization of asset structure, establishes a portfolio of liquidity reserve assets, and implements asset planning management, and pay attention to the stable return of funds when business is due. In addition, the Bank continues to expand its various debt channels, actively strengthens the degree of participation in the issuance of financial bonds, inter-bank customer relationship management and open market operations of the PBoC, attempts to expand the Bank's medium and long-term stable sources of liabilities, so as to improve the Bank's financing ability under high liquidity pressure.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

42 Risk management (Continued)

(c) Liquidity risk (Continued)

Maturity analysis

The following tables provide an analysis of non-derivative assets and liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment at 30 June 2022 and 31 December 2021:

	At 30 June 2022 (Unaudited)							Total
	Indefinite Note (i)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	61,657,084	38,285,732	-	-	-	-	-	99,942,816
Deposit with banks and other financial institutions	-	20,119,964	-	200,066	250,067	-	-	20,570,097
Placements with banks and other financial institutions	185,806	813,460	1,283,156	1,438,099	11,759,249	2,597,151	-	18,076,921
Loans and advances to customers	11,858,003	3,021,569	74,482,679	87,369,193	365,109,181	256,596,803	173,825,031	972,262,459
Financial investments (ii)	38,391,240	26,591,706	15,713,014	30,501,860	83,778,589	271,975,729	57,158,346	524,110,484
Other	25,627,380	-	-	-	-	-	-	25,627,380
Total assets	137,719,513	88,832,431	91,478,849	119,509,218	460,897,086	531,169,683	230,983,377	1,660,590,157
Liabilities								
Borrowing from the central bank	-	-	-	35,317,027	63,243,054	-	-	98,560,081
Deposits from banks and other financial institutions	-	40,254,245	12,024,929	27,495,958	97,765,438	15,128,484	-	192,669,054
Placements from banks and other financial institutions	-	248,729	6,587,068	11,361,676	22,469,861	322,909	-	40,990,243
Financial assets sold under repurchase agreements	-	19,032,575	35,423,996	9,682,555	102,389	-	-	64,241,515
Deposit from customers	-	238,887,137	62,454,462	54,274,944	285,420,925	232,978,353	1,275,208	875,291,029
Debt securities issued	-	90,000	27,105,563	53,036,642	128,782,529	55,966,863	-	264,981,597
Other	10,654,440	-	178,959	76,858	668,613	2,428,539	720,203	14,727,612
Total liabilities	10,654,440	298,512,686	143,774,977	191,245,660	598,452,809	306,825,148	1,995,411	1,551,461,131
Net position	127,065,073	(209,680,255)	(52,296,128)	(71,736,442)	(137,555,723)	224,344,535	228,987,966	109,129,026

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

42 Risk management (Continued)

(c) Liquidity risk (Continued)

Maturity analysis (Continued)

	At 31 December 2021 (Audited)							Total
	Indefinite Note (i)	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	65,869,888	49,273,565	-	-	-	-	-	115,143,453
Deposit with banks and other financial institutions	-	27,077,130	200,072	49,297	404,009	-	-	27,730,508
Placements with banks and other financial institutions	177,258	444,579	1,609,026	1,842,198	5,189,201	-	-	9,262,262
Loans and advances to customers	12,933,724	4,339,909	77,398,039	105,845,584	330,560,020	232,892,985	173,936,328	937,906,589
Financial investments (ii)	42,860,811	29,449,079	18,196,118	30,056,586	84,491,933	214,837,880	47,738,697	467,631,104
Other	24,357,528	-	-	-	-	-	-	24,357,528
Total assets	146,199,209	110,584,262	97,403,255	137,793,665	420,645,163	447,730,865	221,675,025	1,582,031,444
Liabilities								
Borrowing from the central bank	-	-	14,711,304	3,382,035	60,753,537	-	-	78,846,876
Deposits from banks and other financial institutions	-	108,320	40,431,521	20,573,028	90,891,508	19,537,703	-	171,542,080
Placements from banks and other financial institutions	-	-	15,219,659	16,623,697	27,047,786	1,307,603	-	60,198,745
Financial assets sold under repurchase agreements	-	-	57,596,429	10,509,747	92,934	-	-	68,199,110
Deposit from customers	-	220,109,553	64,479,607	63,040,040	222,361,627	264,651,887	1,277,951	835,920,665
Debt securities issued	-	-	10,603,838	64,103,217	104,040,626	63,850,383	-	242,598,064
Other	13,764,575	-	79,331	158,661	713,976	2,368,137	727,459	17,812,139
Total liabilities	13,764,575	220,217,873	203,121,689	178,390,425	505,901,994	351,715,713	2,005,410	1,475,117,679
Net position	132,434,634	(109,633,611)	(105,718,434)	(40,596,760)	(85,256,831)	96,015,152	219,669,615	106,913,765

Note:

- (i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans and advances, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand. Indefinite amount of financial investments represents impaired investments or those overdue more than one month. Equity investments are listed in the category of indefinite.
- (ii) Financial investments include financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income, financial investments measured at amortised cost.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

42 Risk management (Continued)

(c) Liquidity risk (Continued)

Analysis on contractual undiscounted cash flows of non-derivative financial liabilities

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities of the Bank at 30 June 2022 and 31 December 2021:

	At 30 June 2022 (Unaudited)								
	Carrying amount	Contractual undiscounted cash flow	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities									
Borrowing from the central bank	98,560,081	99,766,238	-	-	-	35,534,713	64,231,525	-	-
Deposits from banks and other financial institutions	192,669,054	195,540,969	-	40,254,309	12,039,518	28,030,867	99,365,096	15,851,179	-
Placements from banks and other financial institutions	40,990,243	41,310,635	-	248,734	6,590,928	11,386,674	22,746,945	337,354	-
Financial assets sold under repurchase agreements	64,241,515	64,274,058	-	19,033,552	35,436,923	9,700,457	103,126	-	-
Deposits from customers	875,291,029	893,616,025	-	238,887,223	62,482,425	54,390,837	289,121,258	246,991,487	1,742,795
Debt securities issued	264,981,597	271,207,154	-	90,006	27,134,049	53,268,205	130,431,708	60,283,186	-
Other	14,727,612	15,201,026	10,654,440	-	192,478	82,714	737,146	2,624,782	909,466
Total non-derivative financial liabilities	1,551,461,131	1,580,916,105	10,654,440	298,513,824	143,876,321	192,394,467	606,736,804	326,087,988	2,652,261
Credit commitments	307,959,099	307,959,099	-	13,607,330	30,134,615	41,387,796	212,779,173	10,050,185	-
	At 31 December 2021 (Audited)								
	Carrying amount	Contractual undiscounted cash flow	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative financial liabilities									
Borrowing from the central bank	78,846,876	78,846,876	-	-	14,711,304	3,382,035	60,753,537	-	-
Deposits from banks and other financial institutions	171,542,080	175,198,685	-	28,160,230	12,370,796	20,630,707	92,319,978	21,716,974	-
Placements from banks and other financial institutions	60,198,745	60,350,771	-	-	15,225,293	16,647,274	27,160,997	1,317,207	-
Financial assets sold under repurchase agreements	68,199,110	68,268,439	-	-	57,622,786	10,552,133	93,520	-	-
Deposits from customers	835,920,665	856,982,519	-	220,109,553	64,514,635	63,223,329	224,930,303	282,424,919	1,779,780
Debt securities issued	242,598,064	249,285,395	-	-	10,621,126	64,413,375	105,381,805	68,869,089	-
Other	17,812,139	18,296,738	13,764,575	-	80,268	160,537	722,415	2,642,022	926,921
Total non-derivative financial liabilities	1,475,117,679	1,507,229,423	13,764,575	248,269,783	175,146,208	179,009,390	511,362,555	376,970,211	2,706,701
Credit commitments	298,778,059	298,778,059	-	14,424,968	27,669,279	45,822,954	204,346,400	6,514,458	-

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

42 Risk management *(Continued)*

(c) Liquidity risk *(Continued)*

Analysis on contractual undiscounted cash flow of derivative financial instruments

The Bank’s derivative financial instruments that will be settled on a net basis include interest rate swaps and precious metal swaps. The Bank’s derivative financial instruments that will be settled on a gross basis are exchange rate swaps and exchange rate forwards.

The following table analyses the contractual undiscounted cash flow of financial derivatives that will be settled on net amounts and gross amounts basis held by the Bank at the the end of the reporting period. The amounts disclosed are the contractual undiscounted cash flows.

	At 30 June 2022 (Unaudited)				
	Within one month	One months to three months	Three months to one year	One year to five years	Total
Derivative financial instruments settled on net basis					
Interest rate swaps	146	–	177	4,034	4,357
Precious metal swaps	–	20,269	–	–	20,269
Derivative financial instruments settled on gross basis					
Exchange rate swaps					
– Cash inflow	16,806,921	15,079,253	18,666,807	–	50,552,981
– Cash outflow	(16,786,925)	(14,992,466)	(18,594,968)	–	(50,374,359)
	At 31 December 2021 (Audited)				
	Within one month	One months to three months	Three months to one year	One year to five years	Total
Derivative financial instruments settled on net basis					
Interest rate swaps	355	4,320	5,352	2,727	12,754
Precious metal swaps	(44,458)	6,134	(39,908)	–	(78,232)
Derivative financial instruments settled on gross basis					
Exchange rate swaps					
– Cash inflow	10,430,732	17,008,092	31,155,201	–	58,594,025
– Cash outflow	(10,558,311)	(17,177,166)	(31,828,304)	–	(59,563,781)

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

42 Risk management *(Continued)*

(d) Operational risk

Operational risk is the risk of losses due to inadequate or flawed internal processes, staff and IT systems, and external events. It includes legal risk but excludes strategic risk and reputational risk.

During the reporting period, the Bank organized comprehensive review of operational risk management tools, updated and improved indicators in a timely manner; completed the transformation of the operational risk management system, simplified the approval of operational risk management tools, optimized the approval process and risk event reporting process, and improved work efficiency. The Bank coordinate the on-site inspection work of the whole bank to realize the organic linkage of on-site inspection planning, execution and supervision; carry out special evaluation work, carry out walk-through testing and evaluation of business systems, responsibilities, processes, and system rectification and improvement; continue to improve the operational risk case database. A series of trainings were carried out to actively create a good operational risk management culture.

43 Fair value

(a) Methods and assumptions for measurement of fair value

The Bank adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of reporting period. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, such as discounted cash flows model.

(ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of reporting period.

(iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices at the end of reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of reporting period.

(iv) Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, foreign exchange forwards, swaps and options, etc. The most frequently applied valuation techniques include discounted cash flow model and the Garman Kohlhagen model extended from Black Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

43 Fair value *(Continued)*

(b) Fair value measurement

(i) *Financial assets*

The Bank’s financial assets mainly consist of cash and deposits with the central bank, deposit with banks and other financial institutions, placements with banks and other financial institutions, derivative financial assets, financial assets held under resale agreements, loans and advances to customers, and investments.

Deposits with the central bank, deposit with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBoC rates. Accordingly, the carrying amounts approximate the fair values.

Derivative financial assets, financial investments measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss are stated at fair value. Financial investments measured at amortised cost are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently.

(ii) *Financial liabilities*

The Bank’s financial liabilities mainly include deposits from banks and other financial institutions, placements from banks and other financial institutions, derivative financial liabilities, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

Derivative financial liabilities is stated at fair value. The book value and fair value of debt securities issued is presented in Note 28. The carrying amounts of other financial liabilities approximate their fair value.

(c) Fair value hierarchy

The following table presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: Fair value measured using significant unobservable inputs.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

43 Fair value (Continued)

(c) Fair value hierarchy (Continued)

If there is a reliable market quote for financial instruments that measured at fair value, the fair value of which is based on quoted market prices. When quoted prices on open market are not available, the Banks will determine the fair value of financial instruments by using appropriate valuation model, enquiry or by reference to the valuation results of third-party valuation institution. The Bank selects appropriate models based on the risk characteristics, liquidity, counterparty risk and pricing basis of specific financial instruments or trading strategies to ensure that their fair value are truly and effectively reflected. The Bank selects the quoted prices or refers to the valuation results of third-party valuation agencies for evaluation of the fair value of a financial instrument, and when referring to the valuation results of third-party valuation agencies, the authority, independence and professionalism of the agencies should be assessed.

	At 30 June 2022 (Unaudited)			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Derivative financial assets	–	1,426,931	–	1,426,931
Loans and advances to customers measured at fair value through profit or loss				
– corporate loans and advance	–	720,761	–	720,761
Loans and advances to customers measured at fair value through other comprehensive income				
– discounted bills	–	92,140,106	–	92,140,106
Financial investments measured at fair value through profit or loss				
– debt securities	–	12,008,021	567,229	12,575,250
– interbank deposits	–	3,173,894	–	3,173,894
– investment funds	–	60,254,274	–	60,254,274
– trust plans and asset management plans	–	26,365,010	3,183,316	29,548,326
– equity investments	473,967	–	3,299,864	3,773,831
Financial investments measured at fair value through other comprehensive income				
– debt securities (exclusive interests accrued)	–	101,647,900	–	101,647,900
– equity investments	–	2,760,417	200,000	2,960,417
Total	473,967	300,497,314	7,250,409	308,221,690
Liabilities				
Derivative financial liabilities	–	(1,132,711)	–	(1,132,711)
Total	–	(1,132,711)	–	(1,132,711)

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

43 Fair value *(Continued)*

(c) Fair value hierarchy *(Continued)*

	At 31 December 2021 (Audited)			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Derivative financial assets	–	676,154	–	676,154
Loans and advances to customers measured at fair value through profit or loss				
– Corporate loans and advance	–	523,751	–	523,751
Loans and advances to customers measured at fair value through other comprehensive income				
– Discounted bills	–	76,698,756	–	76,698,756
Financial investments measured at fair value through profit or loss				
– Debt securities	–	12,600,782	567,229	13,168,011
– Interbank deposits	–	1,752,105	–	1,752,105
– Investment funds	–	58,080,079	–	58,080,079
– Trust plans and asset management plans	–	22,379,958	3,183,316	25,563,274
– Equity investments	514,335	–	3,299,833	3,814,168
Financial investments measured at fair value through other comprehensive income				
– Debt securities (exclusive interests accrued)	–	85,390,196	–	85,390,196
– Equity investments	–	2,610,540	200,000	2,810,540
Total	514,335	260,712,321	7,250,378	268,477,034
Liabilities				
Derivative financial liabilities	–	(1,025,842)	–	(1,025,842)
Total	–	(1,025,842)	–	(1,025,842)

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

43 Fair value (Continued)**(c) Fair value hierarchy** (Continued)

The movement during the six months ended 30 June 2022 in the balance of Level 3 fair value measurements (unaudited) is as follows:

	1 January 2022	Transfer into Level 3	Transfer out of Level 3	Total gains or losses of the period	Recorded in other comprehensive income	Additions	Issues	Sales	Settlements	30 June 2022	Unrealized gains or losses for the year included in profit or loss for assets held at the end of the period
Assets											
Financial assets measured at fair value through profit or loss											
– debt securities	567,229	-	-	-	-	-	-	-	-	567,229	-
– trust plans and asset management plans	3,183,316	-	-	-	-	-	-	-	-	3,183,316	-
– equity investments	3,299,833	-	-	31	-	-	-	-	-	3,299,864	31
Sub-total	7,050,378	-	-	31	-	-	-	-	-	7,050,409	31
Financial assets measured at fair value through other comprehensive income											
– equity investments	200,000	-	-	-	-	-	-	-	-	200,000	-
Total	7,250,378	-	-	31	-	-	-	-	-	7,250,409	31

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

43 Fair value (Continued)

(c) Fair value hierarchy (Continued)

The movement during the year ended 31 December 2021 in the balance of Level 3 fair value measurements (audited) is as follows:

	1 January 2021	Transfer into Level 3	Transfer out of Level 3	Total gains or losses of the year	Recorded in other comprehensive profit or loss	Recorded in other comprehensive income	Additions	Issues	Sales	Settlements	31 December 2021	Unrealised gains or losses for the year included in profit or loss for assets held at the end of the year
Assets												
Financial assets measured at fair value through profit or loss												
– Debt securities	567,229	-	-	-	-	-	-	-	-	-	567,229	-
– Trust plans and asset management plans	1,676,276	-	-	-	-	-	1,517,930	-	-	(10,890)	3,183,316	-
– Equity investments	1,832,738	-	-	299,927	299,927	-	1,167,185	-	-	(17)	3,299,833	299,927
Sub-total	4,076,243	-	-	299,927	299,927	-	2,685,115	-	-	(10,907)	7,050,378	299,927
Financial assets measured at fair value through other comprehensive income												
– Equity investments	200,000	-	-	-	-	-	-	-	-	-	200,000	-
Total	4,276,243	-	-	299,927	299,927	-	2,685,115	-	-	(10,907)	7,250,378	299,927

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

43 Fair value *(Continued)*

(c) Fair value hierarchy *(Continued)*

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorized within Level 3.

Quantitative information of Level 3 fair value measurement is as below:

	Fair value as at 30 June 2022 (Unaudited)	Valuation techniques	Unobservable input
Financial investments measured at fair value through profit or loss			
– Debt securities	567,229	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Trust plans and asset management plans	3,183,316	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Equity investments	3,299,864	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial investments measured at fair value through other comprehensive income			
– Equity investments	200,000	Discounted cash flow	Risk-adjusted discount rate, cash flow

	Fair value as at 31 December 2021 (Audited)	Valuation techniques	Unobservable input
Financial investments measured at fair value through profit or loss			
– Debt securities	567,229	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Trust plans and asset management plans	3,183,316	Discounted cash flow	Risk-adjusted discount rate, cash flow
– Equity investments	3,299,833	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial investments measured at fair value through other comprehensive income			
– Equity investments	200,000	Discounted cash flow	Risk-adjusted discount rate, cash flow

During the reporting period, there were no significant change in the valuation techniques.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

44 Entrusted lending business

The Bank provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Bank does not take any credit risk in relation to these transactions. The Bank acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Bank and are not recognised in the statements of financial position. Surplus funding is accounted for as deposits from customers.

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Entrusted loans	27,775,122	29,314,061
Entrusted funds	27,775,122	29,314,061

45 Commitments and contingent liabilities

(a) Credit commitments

The Bank’s credit commitments take the form of approved loans with signed contracts, credit card commitments, bank acceptances, letters of credit and financial guarantees.

The Bank’s loan commitments are the commitments to extend credit for any given time in the form of approved loans and credit card limits. The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Irrevocable loan commitments		
– Original contractual maturity within one year	562,256	415,501
Credit card commitments	12,462,908	11,039,187
Sub-total	13,025,164	11,454,688
Acceptances	230,068,999	208,847,025
Letters of credit	42,443,851	57,334,637
Letters of guarantees	22,421,085	21,141,709
Total	307,959,099	298,778,059

The Bank may be exposed to credit risk in all the above credit businesses. Bank Management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows. As at 30 June 2022 and 31 December 2021, provisions for credit commitments were RMB462 million and RMB479 million.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

45 Commitments and contingent liabilities *(Continued)***(b) Credit risk-weighted amount for credit commitments**

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Credit risk-weighted amounts	57,249,364	52,113,951

The credit risk-weighted amount for credit commitments represents the amount calculated with reference to the guidelines issued by the former CBRC.

(c) Capital commitments

As at 30 June 2022 and 31 December 2021, the Bank's authorised capital commitments are as follows:

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Contracted but not paid for	462,278	502,916
Authorised but not contracted for	51,037	119,279
Total	513,315	622,195

(d) Outstanding litigations and disputes

As at 30 June 2022 and 31 December 2021, the Bank has been involved in certain claims and acting as the defendant in certain outstanding litigations and disputes with an estimated gross amounts of RMB106.13 million and RMB44.63 million, respectively. The Bank has assessed the impact of the above outstanding litigations and disputes that may lead to an outflow of economic benefits. According to the opinion of the Bank's internal legal department and external lawyers, as at 30 June 2022 and 31 December 2021, the Bank has made provisions of RMB42.24 million and RMB42.24 million regarding such pending litigations and claims arising from normal course of business.

For the year ended 31 December 2021, the Bank had a dispute with individual corporate customers over the business of bank acceptance bills pledged by certificates of deposit. The Bank has reported the case to the security authorities, and as of the approval date of the Bank's financial statements, it's still under judicial process. The outcome of the case is subject to the effective judgement of the court, and the Bank is of the view that the financial impact of the above dispute cannot be reliably measured. As a result, no relevant accrued liabilities were recognised as at 30 June 2022 and 31 December 2021.

Notes to the Unaudited Interim Financial Statements

(Expressed in thousands of Renminbi (“RMB”), unless otherwise stated)

45 Commitments and contingent liabilities *(Continued)*

(e) Pledged assets

Assets pledged as collateral

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Investment securities	152,322,541	138,984,213
Discounted bills	15,575,863	11,155,774
Total	167,898,404	150,139,987

Certain assets are pledged as collateral under repurchase agreements, and borrowings from central bank and other banks.

As at 30 June 2022 and 31 December 2021, the Bank did not have these discounted bills under resale agreements. As at 30 June 2022 and 31 December 2021, the Bank did not sell or repledge any pledged assets which it has an obligation to resale when they are due.

46 Subsequent events

Up to the approval date of the report, the Bank has no significant subsequent events for disclosure.

47 Comparative figures

For financial statements disclosure purpose, the Bank made reclassification adjustments to some comparative figures.

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

In accordance with the Listing Rules and Banking (Disclosure) Rules, the Bank discloses the unaudited supplementary financial information as follows:

1 Liquidity coverage ratio and leverage ratio

(a) Liquidity coverage ratio

	At 30 June 2022	Average for the six months 30 June 2022
Liquidity coverage ratio (RMB and foreign currency)	134.41%	122.63%

	At 31 December 2021	Average for the year ended 31 December 2021
Liquidity coverage ratio (RMB and foreign currency)	155.13%	127.66%

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks, the liquidity coverage ratio of commercial banks shall reach 100%.

(b) Leverage Ratio

	At 30 June 2022	At 31 December 2021
Leverage Ratio	5.45%	5.66%

Pursuant to the Leverage Ratio Management of Commercial Banks (Revision) issued by the former CBRC and was effective since 1 April 2015, a minimum leverage ratio 4% is required.

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

1 Liquidity coverage ratio and leverage ratio *(Continued)*

(c) Net Stable Funding Ratio

	30 June 2022	31 December 2021
Available stable funding	928,111,879	918,302,817
Required stable funding	914,846,340	875,039,639
Net Stable Funding Ratio	101.45%	104.94%

Pursuant to the Administrative Measures on the Liquidity Risk Management of Commercial Banks, a minimum net stable funding ratio 100% is required.

The above liquidity coverage ratio, leverage ratio and net stable funding ratio are calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with PRC GAAP.

2 Currency concentrations

	At 30 June 2022			Total
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	
Spot assets	115,200,358	3,535,845	5,634,414	124,370,617
Spot liabilities	(129,797,635)	(2,725,647)	(6,622,120)	(139,145,402)
Net position	(14,597,277)	810,198	(987,706)	(14,774,785)

	At 31 December 2021			Total
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	
Spot assets	122,989,127	3,360,449	2,556,293	128,905,869
Spot liabilities	(181,560,782)	(3,394,704)	(5,300,185)	(190,255,671)
Net position	(58,571,655)	(34,255)	(2,743,892)	(61,349,802)

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

3 International claims

The Bank is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, deposits with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions and financial investments.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	At 30 June 2022		
	Banks	Non-bank financial institutions	Total
Asia Pacific (excluding North and South America)	4,303,926	25,720,680	30,024,606
Europe	2,692,695	596,015	3,288,710
North and South America	3,804,028	24,449	3,828,477
Others	107,504	–	107,504
Total	10,908,153	26,341,144	37,249,297

	At 31 December 2021		
	Banks	Non-bank financial institutions	Total
Asia Pacific (excluding North and South America)	3,676,440	20,260,619	23,937,059
Europe	484,378	241,517	725,895
North and South America	14,009,872	23,204	14,033,076
Others	6,796	–	6,796
Total	18,177,486	20,525,340	38,702,826

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Gross amount of overdue loans and advances

	At 30 June 2022	At 31 December 2021
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	2,347,084	2,745,420
– between 6 months and 1 year (inclusive)	5,208,776	3,541,042
– between 1 year and 3 years (inclusive)	6,633,380	6,256,132
– over 3 years	1,908,832	2,003,029
Total	16,098,072	14,545,623
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.24%	0.29%
– between 6 months and 1 year (inclusive)	0.53%	0.37%
– between 1 year and 3 years (inclusive)	0.67%	0.65%
– over 3 years	0.19%	0.21%
Total	1.63%	1.52%

Supplementary Information on Capital Composition and Leverage Ratio

The following information is disclosed in accordance with the Regulatory Requirement on Information Disclosure of Capital Composition in Commercial Banks, Appendix 2 to the Notice on Issuing Supporting Policy Documents for the Capital Regulation of Commercial Banks (《關於印發商業銀行資本監管配套政策文件的通知》) of the CBRC.

Table 1: Capital Composition

Unit: RMB million, %

No.	Item	June 30, 2022
Core tier 1 capital:		
1	Paid-in capital	17,762
2	Retained earnings	63,760
2a	Surplus reserve	6,732
2b	General reserve	19,497
2c	Undistributed profits	37,531
3	Accumulated other comprehensive income and disclosed reserves	7,940
3a	Capital reserve	10,752
3b	Others	-2,812
4	Amount allowed to be included in core tier 1 capital during the transitional period (only applicable to non-stock corporation, banks of stock corporation just fill with 0)	0
5	Qualifying portion of minority shareholders' capital	0
6	Core tier 1 capital before regulatory adjustments	89,462
Core tier 1 capital: Regulatory adjustments		
7	Prudential valuation adjustments	0
8	Goodwill (net of deferred tax liabilities)	0
9	Other intangible assets other than land use rights (net of deferred tax liabilities)	174
10	Net deferred tax assets relying on future profitability and arising from operating losses	0
11	Reserves generated from the cash flow hedging to items that are not measured at fair value	0
12	Gaps of provision for loan impairment	0
13	Gains on sale of asset securitization	0
14	Unrealized profit or loss arising from the changes in the fair value of liabilities due to changes in own credit risk	0
15	Net defined-benefit pension assets (net of deferred tax liabilities)	0
16	Direct or indirect investments in own ordinary shares	0
17	Reciprocal cross-holdings in core tier 1 capital between banks or between banks and other financial institutions	0
18	Deductible amount in core tier 1 capital of non-significant minority capital investments in unconsolidated financial institutions	0
19	Deductible amount in core tier 1 capital of significant minority capital investments in unconsolidated financial institutions	0
20	Collateralized loan service rights	N/A

No.	Item	June 30, 2022
21	Deductible amount in other net deferred tax assets relying on the Bank's future profitability	2,816
22	Deductible amount of non-deducted part of core tier 1 capital of significant minority capital investments in unconsolidated financial institutions and other net deferred tax assets relying on the Bank's future profitability in excess of 15% of core tier 1 capital	0
23	Of which: Amount deductible from significant minority capital investments in financial institutions	0
24	Of which: Amount deductible from collateralized loan service rights	N/A
25	Of which: Amount deductible from other deferred tax assets relying on the Bank's future profitability	0
26a	Investments in core tier 1 capital of financial institutions that are under control but unconsolidated	0
26b	Gaps of core tier 1 capital of financial institutions that are under control but unconsolidated	0
26c	Total of other items deductible from core tier 1 capital	0
27	Non-deducted gap deductible from additional tier 1 capital and tier 2 capital	0
28	Total regulatory adjustments to core tier 1 capital	2,990
29	Core tier 1 capital	86,472
Additional tier 1 capital:		
30	Additional tier 1 capital instruments and related premium	19,962
31	Of which: Classified as equity	19,962
32	Of which: Classified as liabilities	0
33	Instruments not allowed to be included in additional tier 1 capital after the transitional period	0
34	Qualifying portion of minority shareholders' capital	0
35	Of which: Not allowed to be included in additional tier 1 capital after the transitional period	0
36	Additional tier 1 capital before regulatory adjustments	19,962
Additional tier 1 capital: Regulatory adjustments		
37	Direct or indirect investments in own additional tier 1 capital	0
38	Reciprocal cross-holdings in additional tier 1 capital between banks or between banks and other financial institutions	0
39	Deductible amount in additional tier 1 capital of non-significant minority capital investments in unconsolidated financial institutions	0
40	Additional tier 1 capital of significant minority capital investments in unconsolidated financial institutions	0
41a	Investments in additional tier 1 capital of financial institutions that are under control but unconsolidated	0
41b	Gaps of additional tier 1 capital of financial institutions that are under control but unconsolidated	0
41c	Other items deductible from additional tier 1 capital	0
42	Non-deducted gap deductible from tier 2 capital	0
43	Total regulatory adjustments to additional tier 1 capital	0
44	Additional tier 1 capital	19,962
45	Tier 1 capital (core tier 1 capital + additional tier 1 capital)	106,434

No.	Item	June 30, 2022
Tier 2 capital:		
46	Tier 2 capital instruments and related premium	8,988
47	Instruments not allowed to be included in tier 2 capital after the transitional period	0
48	Qualifying portion of minority shareholders' capital	0
49	Of which: Not allowed to be included in tier 2 capital after the transitional period	0
50	Qualifying portion of surplus provision for loan impairment	5,116
51	Tier 2 capital before regulatory adjustments	14,104
Tier 2 capital: Regulatory adjustments		
52	Direct or indirect investments in own tier 2 capital	0
53	Reciprocal cross-holdings in tier 2 capital between banks or between banks and other financial institutions	0
54	Deductible amount in tier 2 capital of non-significant minority capital investments in unconsolidated financial institutions	0
55	Tier 2 capital of significant minority capital investments in unconsolidated financial institutions	0
56a	Investments in tier 2 capital of financial institutions that are under control but unconsolidated	0
56b	Gaps of tier 2 capital of financial institutions that are under control but unconsolidated	0
56c	Other items deductible from tier 2 capital	0
57	Total regulatory adjustments to tier 2 capital	0
58	Tier 2 capital	14,104
59	Total capital (tier 1 capital + tier 2 capital)	120,538
60	Total risk-weighted assets	1,046,435
Requirements on capital adequacy ratio and reserve capital		
61	Core tier 1 capital adequacy ratio	8.26%
62	Tier 1 capital adequacy ratio	10.17%
63	Capital adequacy ratio	11.52%
64	Specific capital requirements of regulators	
65	Of which: Reserve capital requirements	2.50%
66	Of which: Counter-cyclical capital requirements	0
67	Of which: Additional capital requirements of systemically important banks worldwide	0
68	Core tier 1 capital meeting buffers as a percentage of risk-weighted assets	3.26%
Domestic minimum regulatory capital requirements		
69	Core tier 1 capital adequacy ratio	5%
70	Tier 1 capital adequacy ratio	6%
71	Capital adequacy ratio	8%

No.	Item	June 30, 2022
Amounts below the threshold deductions		
72	Non-deducted portion of non-significant minority capital investments in unconsolidated financial institutions	1,000
73	Non-deducted portion of significant minority capital investments in unconsolidated financial institutions	50
74	Collateralized loan service rights (net of deferred tax liabilities)	N/A
75	Other net deferred tax assets relying on the Bank's future profitability (net of deferred tax liabilities)	8,929
Cap on surplus provision for loan impairment allowed to be included in tier 2 capital		
76	Provision for loan impairment actually provided under the Weighted Approach	23,639
77	Surplus provision for loan impairment allowed to be included in tier 2 capital under the Weighted Approach	5,116
78	Surplus provision for loan impairment actually provided under the Internal Ratings Based Approach	N/A
79	Surplus provision for loan impairment allowed to be included in tier 2 capital under the Internal Ratings Based Approach	N/A
Capital instruments subject to phase-out arrangements		
80	Amount allowed to be included in core tier 1 capital for the current period due to arrangements in the transitional period	0
81	Amount not allowed to be included in core tier 1 capital due to arrangements in the transitional period	0
82	Amount allowed to be included in additional tier 1 capital for the current period due to arrangements in the transitional period	0
83	Amount not allowed to be included in additional tier 1 capital due to arrangements in the transitional period	0
84	Amount allowed to be included in tier 2 capital for the current period due to arrangements in the transitional period	0
85	Amount not allowed to be included in tier 2 capital for the current period due to arrangements in the transitional period	948

Table 2: Balance Sheet at the Group's Level

Not applicable, please refer to the Interim Financial Report.

Table 3: Detailed explanation on relevant items

Unit: RMB million

Item	Amount in the balance sheet	Code
Goodwill	0	a
Intangible assets	581	b
Of which: Land use rights	407	c
Deferred income tax liabilities		
Of which: Deferred tax liabilities relating to goodwill	0	d
Of which: Deferred tax liabilities relating to other intangible assets (excluding land use rights)	0	e
Paid-in capital	17,762	
Of which: Amount allowed to be included in core tier 1 capital	17,762	f
Other equity instruments	19,962	
Of which: Perpetual bonds	19,962	g
Capital reserve	10,752	h
Other comprehensive income	-2,812	i
Surplus reserve	6,732	j
General reserve	19,497	k
Undistributed profits	37,531	l
Bonds payable	264,982	
Of which: Debts issued allowed to be included in tier 2 capital instruments and related premium	8,988	m

Table 4: Correspondence between all the items disclosed in the second step and items in the disclosure template of capital composition

Unit: RMB million

Item	Amount	Code
Core tier 1 capital:		
1 Paid-in capital	17,762	f
2 Retained earnings	63,760	j+k+l
2a Surplus reserve	6,732	j
2b General reserve	19,497	k
2c Undistributed profits	37,531	l
3 Accumulated other comprehensive income and disclosed reserves	7,940	h+i
3a Capital reserve	10,752	h
3b Other comprehensive income	-2,812	i
6 Core tier 1 capital before regulatory adjustments	89,462	
9 Other intangible assets other than land use rights (net of deferred tax liabilities)	174	b-c-e
30 Additional tier 1 capital instruments and related premium	19,962	g
46 Tier 2 capital instruments and related premium	8,988	m

Table 5: Main features of capital instruments

		CHINA BOHAI BANK CO., LTD.			
1	Issuer				
2	Identification code (bond, stock code)	1224002. IB	1928024. IB	9668. HK	2128001. IB
3	Applicable laws	Mainland China	Mainland China	Hong Kong, China	Mainland China
4	Regulatory processing				
5	Of which: Applicable rules of the Capital Rules for Commercial Banks (Provisional) for the transitional period	Included in tier 2 capital, to be decreased year on year	Additional tier 1 capital	Core tier 1 capital	Included in tier 2 capital
6	Of which: Applicable rules of the Capital Rules for Commercial Banks (Provisional) after expiration of the transitional period	Excluded from tier 2 capital	Additional tier 1 capital	Core tier 1 capital	Included in tier 2 capital
7	Of which: Applicable at legal person/group level	Legal person/group	Legal person/group	Legal person/group	Legal person/group
8	Instrument type	Subordinated debt	Undated capital bonds	Ordinary shares	Tier 2 capital bonds
9	Amount allowed to be included in regulatory capital (expressed in RMB million, as at the latest reporting date)	0	19,962	14,044	8,988
10	Par value of the instrument (expressed in RMB million)	950	20,000	3,312	9,000
11	Accounting	Bonds payable	Other equity instruments	Share capital and capital reserve	Bonds payable
12	Initial issuance date	2012/7/20	2019/9/11	2020/7/16	2021/1/19
13	Existence of maturity (dated or undated)	Dated	Undated	Undated	Dated
14	Of which: Original maturity	2027/7/23	No maturity	No maturity	2031/1/19
15	Called by Issuer (subject to regulatory approval)	Yes	Yes	No	Yes

16	Of which: Redemption date (contingent redemption date) and amount	Subject to approval by the CBIRC, on the last day of the tenth interest-bearing year from the date of issuance, the Issuer may redeem the Bonds in whole.	Subject to approval by the CBIRC, from the fifth anniversary since the date of issuance, the Issuer may redeem the Bonds in whole or in part on each distribution payment date (including the fifth distribution payment date since the Issuance).	N/A	Subject to approval by the CBIRC, the Issuer may redeem part or all of the tier 2 capital bonds at the par value on the last day of the fifth interest-bearing year of the tier 2 capital bonds.
17	Of which: Subsequent redemption date (if any)	None	Subject to approval by the CBIRC, from the fifth anniversary since the date of issuance, the Issuer may redeem the Bonds in whole or in part on each distribution payment date (including the fifth distribution payment date since the Issuance). If, after the Issuance, the Bonds no longer qualify as additional tier 1 capital as a result of an unforeseeable change to relevant provisions of supervisory regulations, the Issuer may redeem all but not some only of the Bonds.	N/A	None
18	Bonuses or dividends				
19	Of which: Fixed or floating dividends/bonuses	Fixed	The distribution rate of the Bonds will be adjusted at defined intervals, with a distribution rate adjustment period every 5 years since the payment settlement date. Each distribution rate adjustment period has a fixed distribution rate.	Floating	Fixed
20	Of which: Coupon rate and relevant indicators	5.68%	The coupon rate for the first coupon rate adjustment period is 4.75%.	N/A	4.40%

21	Of which: Existence of a dividend stopper	No	Yes	N/A	No
22	Of which: Discretion to cancel bonuses or dividends	Without discretionary	Sole discretionary	Sole discretionary	Without discretionary
23	Of which: Existence of redemption incentive mechanism	No	No	No	No
24	Of which: Cumulative or non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
25	Whether they are convertible into shares or not	No	No	N/A	No
26	Of which: Trigger(s) for conversion, if convertible	N/A	N/A	N/A	N/A
27	Of which: Fully or partially, if convertible	N/A	N/A	N/A	N/A
28	Of which: Method to determine the conversion price, if convertible	N/A	N/A	N/A	N/A
29	Of which: Mandatory or not, if convertible	N/A	N/A	N/A	N/A
30	Of which: Instrument type convertible into, if convertible	N/A	N/A	N/A	N/A
31	Of which: Issuer of the instrument convertible into, if convertible	N/A	N/A	N/A	N/A
32	Write-down feature	No	Yes	N/A	Yes

33	Of which: Trigger(s) for write-down, if write-down shall be committed	N/A	<p>(1) Upon the occurrence of an additional tier 1 capital instrument trigger event, i.e. the core tier 1 capital adequacy ratio of the Issuer having fallen to 5.125% (or below), the Issuer has the right, subject to the approval of CBIRC but without the need for the consent of the Bond holders, to write down all or part of the aggregate amount of the Bonds then issued and outstanding bonds, in order to restore the core tier 1 capital adequacy ratio to above 5.125%.</p> <p>(2) Upon the occurrence of a tier 2 capital instrument trigger event, the Issuer has the right to write down in whole, without the need for the consent of Bond holders, the aggregate principal amount of the Bonds then issued and outstanding according to the outstanding par value. In particular, a tier 2 capital instrument trigger event shall refer to the earlier of the following events: ① CBIRC having decided that the Issuer would become non-viable without a write-off; or ② the relevant authorities having decided that the Issuer would become non-viable without a public sector injection of capital or equivalent support.</p>	N/A	<p>Upon the occurrence of a non-viable trigger event, the Issuer has the right, without the need for the consent of the Bond holders, write down all or part of the principal amount of the Bonds after all additional tier 1 capital instruments are written down or converted into shares. Non-viable trigger event shall refer to the earlier of the following events:</p> <p>(1) CBIRC having decided that the Issuer would become non-viable without a write-off; or</p> <p>(2) the relevant authorities having decided that the Issuer would become non-viable without a public sector injection of capital or equivalent support.</p>
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34	Of which: Full or partial, if write-down shall be committed	N/A	Full/partial	N/A	Full/partial
35	Of which: Permanent or temporary, if write-down shall be committed	N/A	Permanent write-down	N/A	Permanent write-down
36	Of which: Write-up mechanism, if temporary	N/A	N/A	N/A	N/A
37	Hierarchy in liquidation (clarify instrument types with higher priorities)	The claims of the holders of the Bonds in respect of the principal and interest of the Bonds will be subordinated to other liabilities (excluding other subordinated indebtedness that ranks pari passu with the Bonds) of the Issuer; shall rank in priority to the Issuer's equity capital and hybrid capital bonds. All holders of the Bonds rank pari passu with each other. Unless the Issuer will wind up, enter bankruptcy or liquidate, investors shall not request early repayment of the principal and interest of the Bonds by the Issuer.	The claims in respect of the Bonds will be subordinated to claims of depositors, general creditors and subordinated indebtedness (including tier 2 capital bonds) that ranks senior to the Bonds, and shall rank in priority to all classes of shares held by the Issuer's shareholders; the Bond shall rank pari passu with the claims in respect of any other tier 1 capital instruments of the Issuer that rank pari passu with the Bonds. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.	The claims in respect of ordinary shares will be subordinated to claims of depositors, general creditors, and holders of subordinated debt, tier 2 capital debts and additional tier 1 capital instruments.	The claims in respect of the principal and interest of the Bonds will be subordinated to claims of depositors and general creditors, and shall rank in priority to equity capital, additional tier 1 capital instruments and hybrid capital bonds. The Bonds ranks pari passu with other subordinated indebtedness issued by the Issuer that ranks pari passu with the Bonds, and shall rank pari passu with the claims in respect of any other tier 2 capital instruments that may be issued in the future and rank pari passu with the Bonds. Unless the Issuer will wind up, enter bankruptcy or liquidate, investors shall not request early repayment of the principal and interest of the Bonds by the Issuer.
38	Non-eligible temporary features	Yes	No	No	No
39	Of which: Clarify such features, if yes	No write-down or share conversion clause	N/A	N/A	N/A

The following information is disclosed in accordance with the Disclosure Templates of Leverage Ratio, Appendix 3 to the Leverage Ratio Rules for Commercial Banks (Revised) of the CBRC.

Table 1: Regulatory leverage ratio items and corresponding accounting items

N/A

Table 2: Leverage ratio information table

Unit: RMB million, %

No.	Item	Balance
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	1,660,590
2	Less: Deduction of tier 1 capital	2,990
3	Adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)	1,657,600
4	Replacement cost of various derivatives (net of eligible margin)	1,427
5	Potential risk exposure in various derivatives	2,385
6	Total collateral and pledges deducted from the balance sheet	0
7	Less: Assets receivable arising from provision of eligible margin	0
8	Less: Balance of derivative assets generated from transactions with central counterparties when providing clearing services to customers	0
9	Nominal principal of sold credit derivatives	0
10	Less: Balance of deductible sold credit derivative assets	0
11	Balance of derivatives assets	3,812
12	Balance of accounting assets of securities financing transactions	0
13	Less: Balance of deductible securities financing transaction assets	0
14	Counterparty credit risk exposure to securities financing transactions	1,454
15	Balance of securities financing transaction assets arising from securities financing transaction agency services	0
16	Balance of securities financing transaction assets	1,454
17	Balance of off-balance sheet items	338,184
18	Less: Balance of off-balance sheet items reduced due to credit conversion	47,602
19	Balance of adjusted off-balance sheet items	290,582
20	Net tier 1 capital	106,434
21	Balance of adjusted on- and off-balance sheet assets	1,953,448
22	Leverage ratio	5.45%

Note: Some of the data in the above table may slightly differ from the relevant contents of the financial report and the calculation results of the formulas in the table due to rounding.

Organizational Structure Chart

As of the Reporting Date, the principal organizational and management structure of the Bank are as follows:

