中国农业银行

AGRICULTURAL BANK OF CHINA

耕耘美丽中国

build a beautiful China

Agricultural Bank of China Limited

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

Stock Code: 1288

2023 INTERIM REPORT

Contents

Definitions

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

1.	ABC/Agricultural Bank of China/ the Bank/the Group/We	Agricultural Bank of China Limited, or Agricultural Bank of China Limited and its subsidiaries
2.	ABC-CA	ABC-CA Fund Management Co., Ltd.
3.	ABC Financial Leasing	ABC Financial Leasing Co., Ltd.
4.	ABC International	ABC International Holdings Limited
5.	ABC Investment	ABC Financial Asset Investment Co., Ltd.
6.	ABC Life Insurance	ABC Life Insurance Co., Ltd.
7.	ABC Wealth Management	ABC Wealth Management Co., Ltd.
8.	A Share(s)	Ordinary shares listed domestically which are subscribed and traded in Renminbi
9.	CASs/PRC GAAP	The Accounting Standards for Enterprises promulgated on 15 February 2006 by the Ministry of Finance of the People's Republic of China and other related rules and regulations subsequently issued
10.	County Area Banking Division	An internal division with management mechanism adopted by us for specialized operation of financial services provided to Sannong and the County Areas, as required under our restructuring into a joint stock limited liability company, which focuses on the County Area Banking Business with independence in aspects such as governance mechanism, operational decision making, financial accounting as well as incentive and constraint mechanism to a certain extent
11.	CSRC	China Securities Regulatory Commission
12.	Global Systemically Important Banks	Banks recognized as key players in the financial market with global features as announced by the Financial Stability Board
13.	Green Finance	Economic activities designed to support environmental improvement, respond to climate change and efficient use of resources, that is, financial services provided for project investment and financing, project operation, risk management, etc. in the fields of environmental protection, energy saving, clean energy, green transportation, green building, etc.
14.	H Share(s)	Shares listed on the Stock Exchange of Hong Kong Limited and subscribed and traded in Hong Kong Dollars, the nominal value of which are denominated in Renminbi
15.	Hong Kong Listing Rules	*The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*
16.	Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited

17.	Huijin	Central Huijin Investment Ltd.
18.	MOF	Ministry of Finance of the People's Republic of China
19.	NAFR	National Administration of Financial Regulation, or the former China Banking and Insurance Regulatory Commission
20.	PBOC	The People's Bank of China
21.	Sannong	Agriculture, rural areas and rural people
22.	SSF	National Council for Social Security Fund of the People's Republic of China

Basic Corporate Information and Major Financial Indicators

Basic Corporate Information

Legal name in Chinese **Abbreviation**	中國農業銀行股份有限公司 中國農業銀行
Legal name in English **Abbreviation**	AGRICULTURAL BANK OF CHINA LIMITED AGRICULTURAL BANK OF CHINA (ABC)
Legal representative	GU Shu
Authorized representative	FU Wanjun HAN Guoqiang
Secretary to the Board of Directors and Company Secretary	HAN Guoqiang Address: No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC Tel: 86-10-85109619 (Investors Relations) Fax: 86-10-85126571 E-mail: ir@abchina.com
Selected media and websites for information disclosure	*China Securities Journal* (www.cs.com.cn) *Shanghai Securities News* (www.cnstock.com) *Securities Times* (www.stcn.com) *Securities Daily* (www.zqrb.cn)
Website of Shanghai Stock Exchange publishing the interim report (A Shares)	www.sse.com.cn
Website of Hong Kong Stock Exchange publishing the interim report (H Shares)	www.hkexnews.hk
Location where copies of the interim report are kept	Office of the Board of Directors of the Bank
Listing exchange of A Shares **Stock name** **Stock code** **Share registrar**	Shanghai Stock Exchange 農業銀行 601288 China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: No. 188 South Yanggao Road, Pudong New Area, Shanghai, PRC)
Listing exchange of H Shares **Stock name** **Stock code** **Share registrar**	The Stock Exchange of Hong Kong Limited ABC 1288 Computershare Hong Kong Investor Services Limited (Address: Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, PRC)

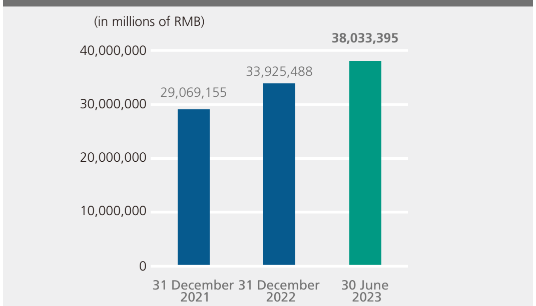
Trading exchange and platform of preference shares	The Integrated Business Platform of Shanghai Stock Exchange
Stock name (stock code)	農行優1 (360001), 農行優2 (360009)
Share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: No. 188 South Yanggao Road, Pudong New Area, Shanghai, PRC)
Legal advisor as to laws of Chinese mainland	King & Wood Mallesons
Address	17–18/F, East Tower, World Financial Centre 1, No. 1, Dongsanhuan Zhong Road, Chaoyang District, Beijing, PRC
Legal advisor as to laws of Hong Kong	Clifford Chance
Address	27/F, Jardine House, 1 Connaught Place, Central, Hong Kong, PRC
Domestic auditor	KPMG Huazhen LLP
Address	8/F, Office Tower E2, Oriental Plaza, 1 East Chang An Avenue, Dongcheng District, Beijing, PRC
Name of the undersigned accountants	SHI Jian, HUANG Aizhou
International auditor	KPMG
Address	8/F, Prince's Building, 10 Chater Road, Central, Hong Kong, PRC

Basic Corporate Information and Major Financial Indicators

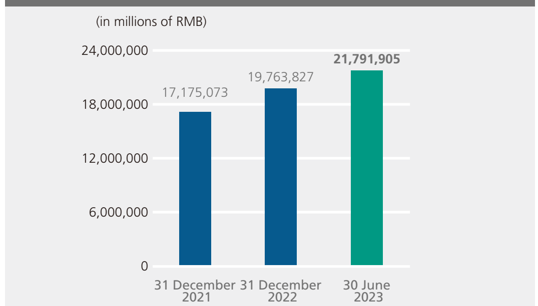
Financial Highlights

(Financial data and indicators recorded in this report are prepared in accordance with the International Financial Reporting Standards (the "**IFRSs**") and denominated in RMB, unless otherwise stated)

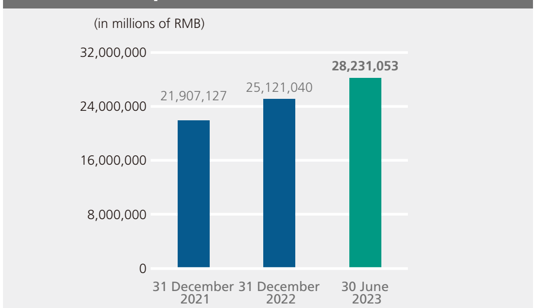
Total assets



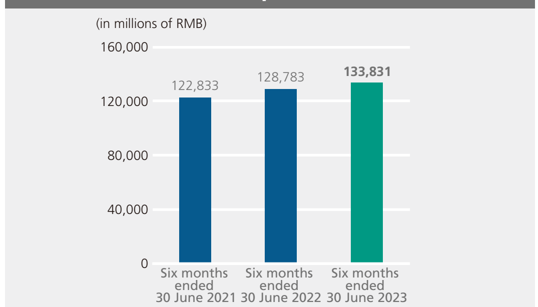
Total loans and advances to customers



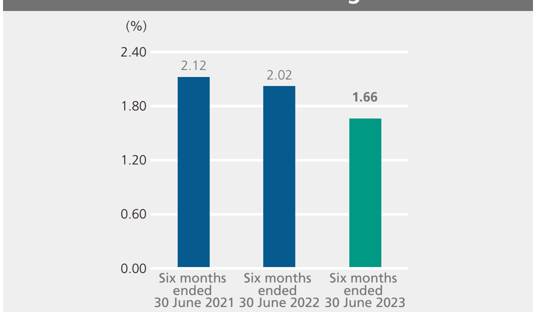
Deposits from customers



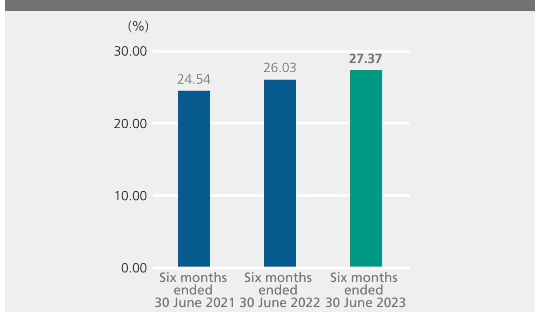
Net profit



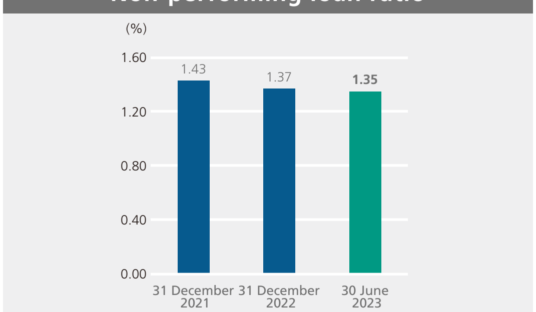
Net interest margin



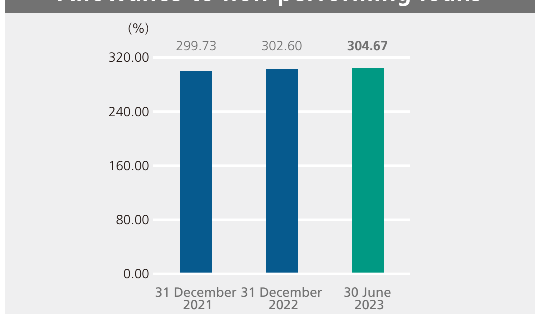
Cost-to-income ratio



Non-performing loan ratio



Allowance to non-performing loans



Major Financial Data

	30 June 2023	31 December 2022 Before adjustment	31 December 2022 After adjustment	31 December 2021
At the end of the reporting period (in millions of RMB)				
Total assets	**38,033,395**	33,927,533	33,925,488	29,069,155
Total loans and advances to customers	**21,791,905**	19,765,745	19,763,827	17,175,073
Including: Corporate loans	**12,554,153**	10,741,230	10,741,230	9,168,032
Discounted bills	**759,571**	1,007,548	1,007,548	424,329
Retail loans	**7,977,304**	7,545,282	7,545,282	7,117,212
Overseas and others	**450,992**	428,661	426,847	426,179
Allowance for impairment losses on loans	**876,840**	782,859	782,854	720,570
Loans and advances to customers, net	**20,915,065**	18,982,886	18,980,973	16,454,503
Financial investments	**10,068,194**	9,530,163	9,530,163	8,230,043
Cash and balances with central banks	**3,039,971**	2,549,130	2,549,130	2,321,406
Deposits and placements with and loans to banks and other financial institutions	**1,392,707**	1,131,215	1,131,215	665,444
Financial assets held under resale agreements	**1,885,228**	1,172,187	1,172,187	837,637
Total liabilities	**35,312,689**	31,253,082	31,251,728	26,647,796
Deposits from customers	**28,231,053**	25,121,040	25,121,040	21,907,127
Including: Corporate deposits	**10,517,138**	9,032,456	9,032,456	8,001,650
Retail deposits	**16,518,359**	14,977,766	14,977,766	12,970,450
Overseas and others	**798,634**	727,212	727,212	623,353
Deposits and placements from banks and other financial institutions	**3,376,829**	2,792,933	2,792,933	1,913,471
Financial assets sold under repurchase agreements	**56,178**	43,779	43,779	36,033
Debt securities issued	**2,001,076**	1,869,398	1,869,398	1,507,657
Equity attributable to equity holders of the Bank	**2,714,446**	2,668,412	2,668,063	2,414,605
Net capital[1]	**3,532,179**	3,416,001	3,416,349	3,057,867
Common Equity Tier 1 (CET1) capital, net[1]	**2,260,746**	2,215,395	2,215,612	2,042,352
Additional Tier 1 capital, net[1]	**440,009**	439,878	440,009	360,009
Tier 2 capital, net[1]	**831,424**	760,728	760,728	655,506
Risk-weighted assets[1]	**21,737,688**	19,862,505	19,862,505	17,849,566

	Six months ended 30 June 2023	Six months ended 30 June 2022 Before adjustment	Six months ended 30 June 2022 After adjustment	Six months ended 30 June 2021
Interim operating results (in millions of RMB)				
Operating income	**365,794**	387,659	363,195	366,254
Net interest income	**290,421**	300,219	300,177	283,357
Net fee and commission income	**50,731**	49,489	49,489	48,150
Operating expenses	**107,678**	125,971	101,730	116,691
Credit impairment losses	**102,352**	105,530	105,529	96,138
Total profit before tax	**155,969**	156,271	156,049	153,538
Net profit	**133,831**	128,950	128,783	122,833
Net profit attributable to equity holders of the Bank	**133,234**	128,945	128,752	122,278
Net cash flows generated from operating activities	**1,353,499**	908,785	908,785	161,165

Basic Corporate Information and Major Financial Indicators

Financial Indicators

	Six months ended 30 June 2023	Six months ended 30 June 2022		Six months ended 30 June 2021
		Before adjustment	After adjustment	
Profitability (%)				
Return on average total assets[2]	**0.74***	0.84*	0.84*	0.88*
Return on weighted average net assets[3]	**11.43***	11.94*	11.92*	12.40*
Net interest margin[4]	**1.66***	2.02*	2.02*	2.12*
Net interest spread[5]	**1.49***	1.86*	1.86*	1.96*
Return on risk-weighted assets[1,6]	**1.23***	1.37*	1.36*	1.38*
Net fee and commission income to operating income	**13.87**	12.77	13.63	13.15
Cost-to-income ratio[7]	**27.37**	24.54	26.03	24.54
Data per share (RMB Yuan)				
Basic earnings per share[3]	**0.37**	0.35	0.35	0.34
Diluted earnings per share[3]	**0.37**	0.35	0.35	0.34
Net cash flows per share generated from operating activities	**3.87**	2.60	2.60	0.46

	30 June 2023	31 December 2022		31 December 2021
		Before adjustment	After adjustment	
Asset quality (%)				
Non-performing loan ratio[8]	**1.35**	1.37	1.37	1.43
Allowance to non-performing loans[9]	**304.67**	302.60	302.60	299.73
Allowance to loan ratio[10]	**4.13**	4.16	4.16	4.30
Capital adequacy (%)				
Common Equity Tier 1 (CET1) capital adequacy ratio[1]	**10.40**	11.15	11.15	11.44
Tier 1 capital adequacy ratio[1]	**12.42**	13.37	13.37	13.46
Capital adequacy ratio[1]	**16.25**	17.20	17.20	17.13
Risk-weighted assets to total assets ratio[1]	**57.15**	58.54	58.55	61.40
Total equity to total assets ratio	**7.15**	7.88	7.88	8.33
Data per share (RMB Yuan)				
Net assets per ordinary share[11]	**6.50**	6.37	6.37	5.87

Notes:
1. *Figures were calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and other relevant regulations.*
2. *Calculated by dividing net profit by the average balances of total assets at the beginning and the end of the period.*
3. *Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Computation and Disclosure of Return on Net Assets and Earnings per Share (2010 Revision) issued by the CSRC and International Accounting Standard 33 — Earnings per share.*
4. *Calculated by dividing net interest income by the average balances of interest-earning assets.*
5. *Calculated as the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.*
6. *Calculated by dividing net profit by risk-weighted assets at the end of the period. The risk-weighted assets are calculated in accordance with the relevant regulations of the NAFR.*
7. *Calculated by dividing operating and administrative expenses by operating income in accordance with CASs, which is consistent with the corresponding figures as stated in the financial report of the Bank prepared in accordance with CASs.*

8. *Calculated by dividing the balance of non-performing loans (excluding accrued interest) by the balance of total loans and advances to customers (excluding accrued interest).*
9. *Calculated by dividing the balance of allowance for impairment losses on loans by the balance of non-performing loans (excluding accrued interest), among which, the balance of allowance for impairment losses on loans includes the allowance for impairment losses on bills and forfeiting recognized in other comprehensive income.*
10. *Calculated by dividing the balance of allowance for impairment losses on loans by the balance of total loans and advances to customers (excluding accrued interest), among which, the balance of allowance for impairment losses on loans includes the allowance for impairment losses on bills and forfeiting recognized in other comprehensive income.*
11. *Calculated by dividing equity attributable to ordinary equity holders of the Bank (excluding other equity instruments) at the end of the period by the total number of ordinary shares at the end of the period.*
12. *The International Accounting Standards Board issued the International Financial Reporting Standard 17 — Insurance Contracts in 2017. In line with the timeline requirements for the implementation of above-mentioned standard, the Bank has implemented the new accounting standard since 1 January 2023 and made adjustments to relevant information in the financial statements for the year of 2022 accordingly.*

* *Annualized figures.*

Discussion and Analysis

Situation and Prospects

In the first half of the year, China's economy continued to recover and showed an overall upturn. The gross domestic product (GDP) of China grew by 5.5% year on year, representing an increase of 1.0 percentage point as compared to the first quarter. The consumer prices remained basically stable, with the consumer price index (CPI) rising by 0.7% year on year. With a reasonably ample liquidity, the broad money (M2) amounted to RMB287.3 trillion, representing an increase of 11.3% year on year; the aggregate financing to the real economy grew at a stable pace with its structure continuously optimizing, and the aggregate financing to the real economy (flow) amounted to RMB21.5 trillion, representing a year-on-year acceleration of RMB0.5 trillion. The RMB exchange rate remained basically stable at a reasonable and balanced level.

Looking forward into the second half of the year, as China's economy has strong resilience and potential of development, its fundamentals of long-term sustainability will remain unchanged. The Chinese government will adhere to the general principle of pursuing progress while ensuring stability, continue to implement proactive fiscal policies and prudent monetary policies, with a more targeted and effective macro-control. In terms of fiscal policy, it will continue and optimize tax and fee reduction policies, lighten the burden on market entities, stimulate the vitality of market entities, optimize expenditure priorities and structure, support the self-reliance of science and technology at high levels, and reinforce and update the weak links in the industrial chains. In terms of monetary policy, it will maintain reasonably ample liquidity, and continue to increase support for small and micro enterprises, technological innovation, green development and other aspects.

We will serve the rural revitalization and the build-up of China's strength in agriculture with greater efforts, improve financial services for food security, increase the financial supply for rural households and provide strong support for the development of rural industries and building a beautiful and harmonious countryside that is desirable to live and work in. We will improve our financial services for the real economy, provide more support to manufacturing industry and technological innovation, and continuously consolidate the development foundation of inclusive finance. We will facilitate the green and low-carbon transformation of the economy and society, increase the granting of green credit, and promote ESG concept to deeply integrate into our business operations. We will make great efforts on customer base construction and services to enhance customer sense of gain and satisfaction. We will accelerate the implementation and application of key digital transformation projects, enhance the capabilities of online and offline integrated operations so as to empower the foundation-level branch outlets and the business. We will fully apply a holistic approach to national security, effectively prevent and defuse credit risk in key areas such as real estate, and strive to enhance our market risk management capabilities.

Financial Statement Analysis

Income Statement Analysis

In the first half of 2023, we achieved a net profit of RMB133,831 million, representing an increase of RMB5,048 million or 3.9%, as compared to the first half of the previous year.

Changes of Significant Income Statement Items

In millions of RMB, except for percentages

Item	Six months ended 30 June 2023	Six months ended 30 June 2022	Increase/ (decrease)	Growth rate (%)
Net interest income	**290,421**	300,177	(9,756)	-3.3
Net fee and commission income	**50,731**	49,489	1,242	2.5
Other non-interest income	**24,642**	13,529	11,113	82.1
Operating income	**365,794**	363,195	2,599	0.7
Less: Operating expenses	**107,678**	101,730	5,948	5.8
Credit impairment losses	**102,352**	105,529	(3,177)	-3.0
Impairment losses on other assets	**28**	17	11	64.7
Operating profit	**155,736**	155,919	(183)	-0.1
Share of results of associates and joint ventures	**233**	130	103	79.2
Profit before tax	**155,969**	156,049	(80)	-0.1
Less: Income tax expense	**22,138**	27,266	(5,128)	-18.8
Net profit	**133,831**	128,783	5,048	3.9
Attributable to: Equity holders of the Bank	**133,234**	128,752	4,482	3.5
Non-controlling interests	**597**	31	566	1,825.8

Net Interest Income

Net interest income was the largest component of our operating income, accounting for 79.4% of the operating income in the first half of 2023. Our net interest income was RMB290,421 million in the first half of 2023, representing a decrease of RMB9,756 million as compared to the first half of the previous year, among which, an increase of RMB38,276 million resulted from the increase in volume and a decrease of RMB48,032 million resulted from the changes in interest rates. In the first half of 2023, our net interest margin and net interest spread were 1.66% and 1.49%, representing decreases of 36 and 37 basis points as compared to the first half of the previous year, respectively. The year-on-year decreases in net interest margin and net interest spread were primarily due to (1) a decrease in average yield on interest-earning assets as a result of our support for the real economy and the continuous repricing of existing assets such as residential mortgage loans; and (2) an increase in average cost of the interest-bearing liabilities as a result of the market environment.

The table below presents the average balance, interest income/expense, and average yield/cost of interest-earning assets and interest-bearing liabilities.

In millions of RMB, except for percentages

Item	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Average balance	Interest income/ expense	Average yield/cost[7] (%)	Average balance	Interest income/ expense	Average yield/cost[7] (%)
Assets						
Loans and advances to customers	**20,938,357**	**401,431**	**3.87**	17,991,668	376,995	4.23
Debt securities investments[1]	**9,041,431**	**148,893**	**3.32**	7,907,455	133,313	3.40
Non-restructuring-related debt securities	**8,657,205**	**144,124**	**3.36**	7,523,225	128,078	3.43
Restructuring-related debt securities[2]	**384,226**	**4,769**	**2.50**	384,230	5,235	2.75
Balances with central banks	**2,459,558**	**19,205**	**1.57**	2,229,113	16,532	1.50
Amounts due from banks and other financial institutions[3]	**2,864,612**	**31,552**	**2.22**	1,780,026	15,891	1.80
Total interest-earning assets	**35,303,958**	**601,081**	**3.43**	29,908,262	542,731	3.66
Allowance for impairment losses[4]	**(861,033)**			(776,480)		
Non-interest-earning assets[4]	**1,629,347**			1,545,378		
Total assets	**36,072,272**			30,677,160		
Liabilities						
Deposits from customers	**26,108,588**	**228,559**	**1.77**	22,235,871	184,124	1.67
Amounts due to banks and other financial institutions[5]	**3,335,094**	**41,949**	**2.54**	2,550,782	26,166	2.07
Other interest-bearing liabilities[6]	**2,866,291**	**40,152**	**2.82**	2,375,840	32,264	2.74
Total interest-bearing liabilities	**32,309,973**	**310,660**	**1.94**	27,162,493	242,554	1.80
Non-interest-bearing liabilities[4]	**1,129,439**			1,098,261		
Total liabilities	**33,439,412**			28,260,754		
Net interest income		**290,421**			300,177	
Net interest spread			**1.49**			1.86
Net interest margin			**1.66**			2.02

Notes:
1. *Debt securities investments include debt securities investments at fair value through other comprehensive income and debt securities investments at amortized cost.*
2. *Restructuring-related debt securities include the receivable from the MOF and the special government bonds.*
3. *Amounts due from banks and other financial institutions primarily include deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.*
4. *The average balances of non-interest-earning assets, non-interest-bearing liabilities and allowance for impairment losses are the average of their respective balances at the beginning and the end of the period.*
5. *Amounts due to banks and other financial institutions primarily include deposits from banks and other financial institutions, placements from banks and other financial institutions as well as financial assets sold under repurchase agreements.*
6. *Other interest-bearing liabilities primarily include debt securities issued and borrowings from central banks.*
7. *Annualized figures.*

The table below presents the changes in net interest income due to changes in volume and interest rate.

In millions of RMB

Item	Increase/(decrease) due to		Net increase/ (decrease)
	Volume	Interest rate	
Assets			
Loans and advances to customers	56,494	(32,058)	24,436
Debt securities investments	18,674	(3,094)	15,580
Balances with central banks	1,799	874	2,673
Amounts due from banks and other financial institutions	11,946	3,715	15,661
Changes in interest income	88,913	(30,563)	58,350
Liabilities			
Deposits from customers	33,902	10,533	44,435
Amounts due to banks and other financial institutions	9,865	5,918	15,783
Other interest-bearing liabilities	6,870	1,018	7,888
Changes in interest expense	50,637	17,469	68,106
Changes in net interest income	**38,276**	**(48,032)**	**(9,756)**

Note: Changes caused by both volume and interest rate have been allocated to changes in volume.

Interest Income

We achieved interest income of RMB601,081 million in the first half of 2023, representing an increase of RMB58,350 million as compared to the first half of the previous year, which was primarily due to an increase of RMB5,395,696 million in the average balance of interest-earning assets.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers increased by RMB24,436 million, or 6.5%, to RMB401,431 million as compared to the first half of the previous year, which was primarily due to an increase in the average balance of loans and advances to customers.

The table below presents the average balances, interest income and average yield of loans and advances to customers by business type.

In millions of RMB, except for percentages

Item	Six months ended 30 June 2023 Average balance	Six months ended 30 June 2023 Interest income	Six months ended 30 June 2023 Average yield[1] (%)	Six months ended 30 June 2022 Average balance	Six months ended 30 June 2022 Interest income	Six months ended 30 June 2022 Average yield[1] (%)
Corporate loans	**11,927,106**	**216,892**	**3.67**	9,850,570	195,623	4.00
Short-term corporate loans	**3,413,727**	**56,938**	**3.36**	2,926,427	51,917	3.58
Medium- and long-term corporate loans	**8,513,379**	**159,954**	**3.79**	6,924,143	143,706	4.19
Discounted bills	**810,642**	**5,567**	**1.38**	457,737	4,006	1.76
Retail loans	**7,741,712**	**169,240**	**4.41**	7,307,193	172,895	4.77
Overseas and others	**458,897**	**9,732**	**4.28**	376,168	4,471	2.40
Total loans and advances to customers	**20,938,357**	**401,431**	**3.87**	17,991,668	376,995	4.23

Note: 1. Annualized figures.

Interest Income from Debt Securities Investments

Interest income from debt securities investments was the second largest component of interest income. In the first half of 2023, interest income from debt securities investments increased by RMB15,580 million to RMB148,893 million as compared to the first half of the previous year, which was primarily due to an increase in the scale of debt securities investments.

Interest Income from Balances with Central Banks

Interest income from balances with central banks increased by RMB2,673 million to RMB19,205 million as compared to the first half of the previous year, which was primarily due to an increase in the average balances with central banks.

Interest Income from Amounts Due from Banks and Other Financial Institutions

Interest income from amounts due from banks and other financial institutions increased by RMB15,661 million to RMB31,552 million as compared to the first half of the previous year, which was primarily due to an increase in the financial assets held under resale agreements and deposits with banks and other financial institutions.

Interest Expense

Interest expense increased by RMB68,106 million to RMB310,660 million as compared to the first half of the previous year, which was mainly due to an increase of RMB5,147,480 million in the average balance of interest-bearing liabilities.

Interest Expense on Deposits from Customers

Interest expense on deposits from customers increased by RMB44,435 million to RMB228,559 million as compared to the first half of the previous year, which was primarily due to an increase in the average balance of deposits from customers.

Analysis of Average Cost of Deposits by Product Type

In millions of RMB, except for percentages

Item	Six months ended 30 June 2023 Average balance	Interest expense	Average cost[1] (%)	Six months ended 30 June 2022 Average balance	Interest expense	Average cost[1] (%)
Corporate deposits						
Time	**4,682,349**	**63,828**	**2.75**	3,333,588	40,404	2.44
Demand	**5,688,291**	**32,436**	**1.15**	5,395,937	27,117	1.01
Sub-Total	**10,370,640**	**96,264**	**1.87**	8,729,525	67,521	1.56
Retail deposits						
Time	**9,444,994**	**124,360**	**2.66**	7,601,107	107,392	2.85
Demand	**6,292,954**	**7,935**	**0.25**	5,905,239	9,211	0.31
Sub-Total	**15,737,948**	**132,295**	**1.70**	13,506,346	116,603	1.74
Total deposits from customers	**26,108,588**	**228,559**	**1.77**	22,235,871	184,124	1.67

Note: 1. Annualized figures.

Interest Expense on Amounts Due to Banks and Other Financial Institutions

Interest expense on amounts due to banks and other financial institutions increased by RMB15,783 million to RMB41,949 million as compared to the first half of the previous year, primarily due to an increase in the deposits from banks and other financial institutions.

Interest Expense on Other Interest-bearing Liabilities

Interest expense on other interest-bearing liabilities increased by RMB7,888 million to RMB40,152 million as compared to the first half of the previous year, which was primarily due to an increase in the scale of interbank certificates of deposit.

Net Fee and Commission Income

In the first half of 2023, we generated net fee and commission income of RMB50,731 million, representing an increase of RMB1,242 million or 2.5% as compared to the first half of the previous year. In particular, consultancy and advisory fees increased by 13.1%, which was primarily due to an increase in the fee income from syndicated loans.

Composition of Net Fee and Commission Income

In millions of RMB, except for percentages

Item	Six months ended 30 June 2023	Six months ended 30 June 2022	Increase/ (decrease)	Growth rate (%)
Agency commissions	13,669	14,140	(471)	-3.3
Settlement and clearing fees	7,139	6,786	353	5.2
Bank card fees	8,285	8,416	(131)	-1.6
Consultancy and advisory fees	10,531	9,309	1,222	13.1
Electronic banking service fees	14,013	13,786	227	1.6
Custodian and other fiduciary service fees	2,361	2,323	38	1.6
Credit commitment fees	1,321	1,192	129	10.8
Others	302	275	27	9.8
Fee and commission income	57,621	56,227	1,394	2.5
Less: Fee and commission expenses	6,890	6,738	152	2.3
Net fee and commission income	50,731	49,489	1,242	2.5

Other Non-interest Income

In the first half of 2023, other non-interest income amounted to RMB24,642 million, representing an increase of RMB11,113 million, as compared to the first half of the previous year. In particular, net trading gain increased by RMB8,052 million, primarily due to an increase in net gain from derivative instruments. Net gain on financial investments increased by RMB7,526 million, primarily due to an increase in net gain from other debt instruments and equity instruments at fair value through profit or loss.

Composition of Other Non-interest Income

In millions of RMB

Item	Six months ended 30 June 2023	Six months ended 30 June 2022
Net trading gain	15,814	7,762
Net gain on financial investments	10,714	3,188
Net gain on derecognition of financial assets measured at amortized cost	235	101
Other operating (expense)/income	(2,121)	2,478
Total	24,642	13,529

Operating Expenses

In the first half of 2023, operating expenses increased by RMB5,948 million to RMB107,678 million as compared to the first half of the previous year; cost-to-income ratio increased by 1.34 percentage points to 27.37% as compared to the first half of the previous year.

Composition of Operating Expenses

In millions of RMB, except for percentages

Item	Six months ended 30 June 2023	Six months ended 30 June 2022	Increase/ (decrease)	Growth rate (%)
Staff costs	**65,576**	63,217	2,359	3.7
General operating and administrative expenses	**24,044**	21,350	2,694	12.6
Insurance benefits and claims	**2,811**	2,639	172	6.5
Depreciation and amortization	**10,479**	9,844	635	6.5
Tax and surcharges	**3,547**	3,399	148	4.4
Others	**1,221**	1,281	(60)	-4.7
Total	**107,678**	101,730	5,948	5.8

Credit Impairment Losses

In the first half of 2023, our credit impairment losses decreased by RMB3,177 million to RMB102,352 million. In particular, impairment losses on loans increased by RMB3,992 million to RMB96,768 million as compared to the first half of the previous year.

Income Tax Expense

In the first half of 2023, our income tax expense decreased by RMB5,128 million, or 18.8%, to RMB22,138 million as compared to the first half of the previous year. The effective tax rate was 14.19%, which was lower than the statutory tax rate. This was primarily because the interest income from the PRC treasury bonds and local government bonds held by the Bank was exempted from enterprise income tax by the relevant tax laws.

Segment Information

We assessed our performance and determined the allocation of resources based on the segment reports. Segment information has been presented in the same manner with that of internal management and reporting. At present, we manage our segments by business lines, geographical regions and the County Area Banking Business.

The table below presents our operating income by business segment during the periods indicated.

In millions of RMB, except for percentages

Item	**Six months ended 30 June 2023**		Six months ended 30 June 2022	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Corporate banking business	**151,118**	**41.3**	146,934	40.5
Retail banking business	**195,458**	**53.4**	179,581	49.4
Treasury operations	**7,543**	**2.1**	26,962	7.4
Other business	**11,675**	**3.2**	9,718	2.7
Total operating income	**365,794**	**100.0**	363,195	100.0

The table below presents our operating income by geographic segment during the periods indicated.

In millions of RMB, except for percentages

Item	Six months ended 30 June 2023		Six months ended 30 June 2022	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Head Office	**(26,001)**	**(7.1)**	3,832	1.1
Yangtze River Delta	**90,500**	**24.7**	82,798	22.8
Pearl River Delta	**62,872**	**17.2**	59,095	16.3
Bohai Rim	**57,785**	**15.8**	53,551	14.7
Central Region	**67,718**	**18.5**	61,269	16.9
Western Region	**86,091**	**23.5**	78,798	21.7
Northeastern Region	**13,705**	**3.7**	12,779	3.5
Overseas and others	**13,124**	**3.7**	11,073	3.0
Total operating income	**365,794**	**100.0**	363,195	100.0

The table below presents our operating income from the County Area Banking Business and Urban Area Banking Business during the periods indicated.

In millions of RMB, except for percentages

Item	Six months ended 30 June 2023		Six months ended 30 June 2022	
	Amount	**Percentage (%)**	Amount	Percentage (%)
County Area Banking Business	**179,334**	**49.0**	159,911	44.0
Urban Area Banking Business	**186,460**	**51.0**	203,284	56.0
Total operating income	**365,794**	**100.0**	363,195	100.0

Balance Sheet Analysis

Assets

At 30 June 2023, our total assets amounted to RMB38,033,395 million, representing an increase of RMB4,107,907 million, or 12.1%, as compared to the end of the previous year. In particular, net loans and advances to customers increased by RMB1,934,092 million, or 10.2%; financial investments increased by RMB538,031 million, or 5.6%; cash and balances with central banks increased by RMB490,841 million, or 19.3%; deposits and placements with and loans to banks and other financial institutions increased by RMB261,492 million, or 23.1%, which was primarily due to an increase in cooperative deposits with banks and other financial institutions; financial assets held under resale agreements increased by RMB713,041 million, or 60.8%, which was primarily due to an increase in debt securities held under resale agreements.

Key Items of Assets

In millions of RMB, except for percentages

Item	30 June 2023		31 December 2022	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Total loans and advances to customers	**21,791,905**	**–**	19,763,827	–
Less: Allowance for impairment losses on loans	**876,840**	**–**	782,854	–
Loans and advances to customers, net	**20,915,065**	**55.0**	18,980,973	55.9
Financial investments	**10,068,194**	**26.5**	9,530,163	28.1
Cash and balances with central banks	**3,039,971**	**8.0**	2,549,130	7.5
Deposits and placements with and loans to banks and other financial institutions	**1,392,707**	**3.7**	1,131,215	3.3
Financial assets held under resale agreements	**1,885,228**	**5.0**	1,172,187	3.5
Others	**732,230**	**1.8**	561,820	1.7
Total assets	**38,033,395**	**100.0**	33,925,488	100.0

Loans and Advances to Customers

At 30 June 2023, our total loans and advances to customers amounted to RMB21,791,905 million, representing an increase of RMB2,028,078 million, or 10.3%, as compared to the end of the previous year.

Distribution of Loans and Advances to Customers by Business Type

In millions of RMB, except for percentages

	30 June 2023		31 December 2022	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Loans granted by domestic branches	**21,291,028**	**97.9**	19,294,060	97.8
Corporate loans	**12,554,153**	**57.7**	10,741,230	54.4
Discounted bills	**759,571**	**3.5**	1,007,548	5.1
Retail loans	**7,977,304**	**36.7**	7,545,282	38.3
Overseas and others	**450,992**	**2.1**	426,847	2.2
Sub-Total	**21,742,020**	**100.0**	19,720,907	100.0
Accrued interest	**49,885**	**–**	42,920	–
Total	**21,791,905**	**–**	19,763,827	–

Distribution of Corporate Loans by Maturity

In millions of RMB, except for percentages

	30 June 2023		31 December 2022	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Short-term corporate loans	**3,521,473**	**28.1**	3,075,421	28.6
Medium- and long-term corporate loans	**9,032,680**	**71.9**	7,665,809	71.4
Total	**12,554,153**	**100.0**	10,741,230	100.0

Distribution of Corporate Loans by Industry

In millions of RMB, except for percentages

	30 June 2023		31 December 2022	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Manufacturing	**2,282,889**	**18.2**	1,800,124	16.7
Production and supply of electricity, heating, gas and water	**1,334,845**	**10.6**	1,136,482	10.6
Real estate[1]	**892,545**	**7.1**	839,621	7.8
Transportation, storage and postal services	**2,540,939**	**20.2**	2,326,448	21.7
Wholesale and retail	**764,217**	**6.1**	613,076	5.7
Water, environment and public utilities management	**1,088,343**	**8.7**	872,432	8.1
Construction	**513,261**	**4.1**	345,311	3.2
Mining	**251,239**	**2.0**	200,035	1.9
Leasing and commercial services	**2,062,025**	**16.4**	1,750,511	16.3
Finance	**238,232**	**1.9**	363,008	3.4
Information transmission, software and IT services	**98,386**	**0.8**	72,560	0.7
Others[2]	**487,232**	**3.9**	421,622	3.9
Total	**12,554,153**	**100.0**	10,741,230	100.0

Notes: 1. Classification of the loans in the above table is based on the industries in which the borrowers operate. Real estate loans include real estate development loans granted to enterprises mainly engaged in the real estate industry, mortgage loans for operating properties and other non-real estate loans granted to enterprises in the real estate industry. At the end of June 2023, the balance of real estate loans to corporate customers amounted to RMB513,845 million, representing an increase of RMB46,806 million as compared to the end of the previous year.

2. Others mainly include agriculture, forestry, animal husbandry, fishery, public health, and social work.

At 30 June 2023, the top five major industries for our corporate loans include: (1) transportation, storage and postal services; (2) manufacturing; (3) leasing and commercial services; (4) production and supply of electricity, heating, gas and water; and (5) water, environment and public utilities management. Aggregate loan balance of the top five major industries accounted for 74.1% of our total corporate loans, representing an increase of 0.7 percentage point as compared to the end of the previous year.

Distribution of Retail Loans by Product Type

In millions of RMB, except for percentages

Item	30 June 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Residential mortgage loans	5,317,120	66.6	5,346,603	70.9
Personal consumption loans	261,460	3.3	193,746	2.6
Loans to private business	697,695	8.7	576,696	7.6
Credit card balances	659,183	8.3	647,651	8.6
Loans to rural households	1,041,651	13.1	780,362	10.3
Others	195	–	224	–
Total	7,977,304	100.0	7,545,282	100.0

At 30 June 2023, retail loans increased by RMB432,022 million or 5.7% as compared to the end of the previous year. In particular, personal consumption loans increased by 34.9% as compared to the end of the previous year, primarily because we actively explored new consumption scenarios, which improved accessibility and convenience of our consumer finance; loans to private business increased by 21.0% as compared to the end of the previous year, primarily due to the continuous increase in inclusive loans; loans to rural households increased by 33.5% as compared to the end of the previous year, primarily due to the relatively rapid increase in Huinong E-loan.

Distribution of Loans and Advances to Customers by Geographic Region

In millions of RMB, except for percentages

Item	30 June 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	426,043	2.0	607,244	3.1
Yangtze River Delta	5,353,244	24.5	4,730,796	24.0
Pearl River Delta	3,607,941	16.6	3,234,190	16.4
Bohai Rim	3,039,983	14.0	2,746,965	13.9
Central Region	3,484,646	16.0	3,092,798	15.7
Northeastern Region	686,927	3.2	634,482	3.2
Western Region	4,692,244	21.6	4,247,585	21.5
Overseas and others	450,992	2.1	426,847	2.2
Sub-Total	21,742,020	100.0	19,720,907	100.0
Accrued interest	49,885	–	42,920	–
Total	21,791,905	–	19,763,827	–

Financial Investments

At 30 June 2023, our financial investments amounted to RMB10,068,194 million, representing an increase of RMB538,031 million or 5.6% as compared to the end of the previous year. In particular, investments in non-restructuring-related debt securities increased by RMB530,013 million, as compared to the end of the previous year.

Distribution of Financial Investments by Product Type

In millions of RMB, except for percentages

Item	30 June 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Non-restructuring-related debt securities	9,310,069	93.9	8,780,056	93.6
Restructuring-related debt securities	384,222	3.9	384,223	4.1
Equity instruments	125,602	1.3	122,393	1.3
Others	92,331	0.9	92,009	1.0
Sub-Total	9,912,224	100.0	9,378,681	100.0
Accrued interest	155,970	–	151,482	–
Total	10,068,194	–	9,530,163	–

Distribution of Non-restructuring-related Debt Securities Investments by Issuer

In millions of RMB, except for percentages

Item	30 June 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	6,130,787	65.9	5,622,143	64.0
Bonds issued by policy banks	1,926,756	20.7	1,868,323	21.3
Bonds issued by banks and other financial institutions	813,157	8.7	793,174	9.0
Bonds issued by entities in public sectors	234,772	2.5	241,508	2.8
Corporate bonds	204,597	2.2	254,908	2.9
Total	9,310,069	100.0	8,780,056	100.0

Distribution of Non-restructuring-related Debt Securities Investments by Remaining Maturity

In millions of RMB, except for percentages

Remaining Maturity	30 June 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Overdue	17	–	17	–
Less than 3 months	536,729	5.8	326,850	3.7
3–12 months	796,878	8.6	990,908	11.3
1–5 years	2,857,370	30.7	2,920,434	33.3
Over 5 years	5,119,075	54.9	4,541,847	51.7
Total	9,310,069	100.0	8,780,056	100.0

Distribution of Non-restructuring-related Debt Securities Investments by Currency

In millions of RMB, except for percentages

Item	30 June 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
RMB	8,833,329	94.9	8,340,248	94.9
USD	385,667	4.1	347,389	4.0
Other foreign currencies	91,073	1.0	92,419	1.1
Total	9,310,069	100.0	8,780,056	100.0

Distribution of Financial Investments by Business Models and Characteristics of Contractual Cash Flows

In millions of RMB, except for percentages

	30 June 2023		31 December 2022	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Financial assets at fair value through profit or loss	**540,613**	**5.5**	522,057	5.6
Debt investments at amortized cost	**7,643,277**	**77.1**	7,170,257	76.4
Other instrument debt instruments and other equity investments at fair value through other comprehensive income	**1,728,334**	**17.4**	1,686,367	18.0
Sub-Total	**9,912,224**	**100.0**	9,378,681	100.0
Accrued interest	**155,970**	**–**	151,482	–
Total	**10,068,194**	**–**	9,530,163	–

Investment in Financial Bonds

Financial bonds refer to securities issued by policy banks, banks and other financial institutions, the principals and interests of which are to be repaid pursuant to a pre-determined schedule. At 30 June 2023, the balance of financial bonds held by the Bank was RMB2,739,913 million, including bonds of RMB1,926,756 million issued by policy banks and bonds of RMB813,157 million issued by banks and other financial institutions.

The table below presents the top ten financial bonds held by the Bank in terms of face value at 30 June 2023.

In millions of RMB, except for percentages

Bond	Face value	Annual interest rate	Maturity date	Allowance[1]
2022 policy bank bond	70,528	3.18%	2032/03/11	–
2021 policy bank bond	50,952	3.38%	2031/07/16	–
2020 policy bank bond	49,979	3.74%	2030/11/16	–
2020 policy bank bond	48,416	3.79%	2030/10/26	–
2022 policy bank bond	46,773	3.06%	2032/06/06	–
2021 policy bank bond	46,695	3.30%	2031/11/05	–
2021 policy bank bond	41,680	3.52%	2031/05/24	–
2022 policy bank bond	41,049	2.90%	2032/08/19	–
2021 policy bank bond	40,960	3.22%	2026/05/14	–
2023 policy bank bond	37,760	3.10%	2033/02/13	–

Note: 1. Allowance in this table refers to allowance for impairment losses in stage II and stage III, not including allowance for impairment losses in stage I.

Liabilities

At 30 June 2023, our total liabilities amounted to RMB35,312,689 million, representing an increase of RMB4,060,961 million, or 13.0%, as compared to the end of the previous year. In particular, deposits from customers increased by RMB3,110,013 million, or 12.4%. The deposits and placements from banks and other financial institutions increased by RMB583,896 million, or 20.9%, mainly due to an increase in deposits from banks and other financial institutions. The financial assets sold under repurchase agreements increased by RMB12,399 million or 28.3%, mainly due to an increase in debt securities sold under repurchase agreements. The debt securities issued increased by RMB131,678 million, or 7.0%.

Key Items of Liabilities

In millions of RMB, except for percentages

Item	30 June 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Deposits from customers	**28,231,053**	**79.9**	25,121,040	80.4
Deposits and placements from banks and other financial institutions	**3,376,829**	**9.6**	2,792,933	8.9
Financial assets sold under repurchase agreements	**56,178**	**0.2**	43,779	0.1
Debt securities issued	**2,001,076**	**5.7**	1,869,398	6.0
Other liabilities	**1,647,553**	**4.6**	1,424,578	4.6
Total liabilities	**35,312,689**	**100.0**	31,251,728	100.0

Deposits from Customers

At 30 June 2023, the balance of deposits from customers of the Bank amounted to RMB28,231,053 million, representing an increase of RMB3,110,013 million, or 12.4%, as compared to the end of the previous year. In terms of customer structure, the proportion of retail deposits decreased by 1.3 percentage points to 59.3%. In terms of maturity structure, the proportion of demand deposits decreased by 3.8 percentage points to 44.7%.

Distribution of Deposits from Customers by Business Type

In millions of RMB, except for percentages

Item	30 June 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic deposits	**27,700,111**	**99.5**	24,602,463	99.5
Corporate deposits	**10,517,138**	**37.8**	9,032,456	36.5
Time	**4,617,882**	**16.6**	3,572,373	14.4
Demand	**5,899,256**	**21.2**	5,460,083	22.1
Retail deposits	**16,518,359**	**59.3**	14,977,766	60.6
Time	**9,969,677**	**35.8**	8,470,655	34.2
Demand	**6,548,682**	**23.5**	6,507,111	26.4
Other deposits[1]	**664,614**	**2.4**	592,241	2.4
Overseas and others	**134,020**	**0.5**	134,971	0.5
Sub-Total	**27,834,131**	**100.0**	24,737,434	100.0
Accrued interest	**396,922**	**–**	383,606	–
Total	**28,231,053**	**–**	25,121,040	–

Note: 1. Including margin deposits, remittance payables and outward remittance.

Distribution of Deposits from Customers by Remaining Maturity

In millions of RMB, except for percentages

Item	30 June 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand	14,666,966	52.6	13,385,031	54.1
Less than 3 months	2,002,169	7.2	2,161,199	8.7
3–12 months	4,531,037	16.3	3,804,033	15.4
1–5 years	6,618,828	23.8	5,378,056	21.7
Over 5 years	15,131	0.1	9,115	0.1
Sub-Total	27,834,131	100.0	24,737,434	100.0
Accrued interest	396,922	–	383,606	–
Total	28,231,053	–	25,121,040	–

Distribution of Deposits from Customers by Geographic Region

In millions of RMB, except for percentages

Item	30 June 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	52,167	0.2	63,008	0.3
Yangtze River Delta	6,895,420	24.7	6,042,492	24.4
Pearl River Delta	4,265,949	15.3	3,554,960	14.4
Bohai Rim	4,792,612	17.2	4,316,180	17.4
Central Region	4,696,984	16.9	4,144,186	16.8
Northeastern Region	1,328,481	4.8	1,231,680	5.0
Western Region	5,668,498	20.4	5,249,957	21.2
Overseas and others	134,020	0.5	134,971	0.5
Sub-Total	27,834,131	100.0	24,737,434	100.0
Accrued interest	396,922	–	383,606	–
Total	28,231,053	–	25,121,040	–

Shareholders' Equity

At 30 June 2023, our shareholders' equity amounted to RMB2,720,706 million, representing an increase of RMB46,946 million, as compared to the end of the previous year. Net assets per ordinary share were RMB6.50, representing an increase of RMB0.13 as compared to the end of the previous year.

Composition of Shareholders' Equity

In millions of RMB, except for percentages

Item	30 June 2023		31 December 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Ordinary shares	349,983	12.9	349,983	13.1
Other equity instruments	440,000	16.2	440,000	16.5
Capital reserve	173,426	6.4	173,426	6.5
Other comprehensive income	31,466	1.2	35,887	1.4
Surplus reserve	247,144	9.1	246,764	9.2
General reserve	456,450	16.8	388,600	14.5
Retained earnings	1,015,977	37.2	1,033,403	38.6
Non-controlling interests	6,260	0.2	5,697	0.2
Total	2,720,706	100.0	2,673,760	100.0

Off-balance Sheet Items

Off-balance sheet items primarily include derivative financial instruments, contingent liabilities and commitments. The Bank enters into derivative transactions related to exchange rates, interest rates and precious metals for the purposes of trading, assets and liabilities management and business on behalf of customers. The Bank's contingent liabilities and commitments include credit commitments, capital expenditure commitments, bond underwriting and redemption commitments, mortgaged and pledged assets, legal proceedings and other contingencies. Credit commitments are the major components of off-balance sheet items and comprise loan commitments, bank acceptances, letters of guarantee and guarantees, letters of credit and credit card commitments.

Composition of Credit Commitments

In millions of RMB, except for percentages

	30 June 2023		31 December 2022	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Loan commitments	**333,996**	**13.6**	415,641	17.2
Bank acceptances	**733,629**	**29.8**	702,237	29.1
Letters of guarantee and guarantees	**344,730**	**14.0**	329,420	13.7
Letters of credit	**210,519**	**8.5**	167,876	7.0
Credit card commitments	**840,631**	**34.1**	797,219	33.0
Total	**2,463,505**	**100.0**	2,412,393	100.0

Other Financial Information

Changes in Accounting Policies

The International Accounting Standards Board issued the *International Financial Reporting Standard 17 — Insurance Contracts* in 2017. In line with the requirements of this standard, the Bank has implemented this new accounting standard since 1 January 2023.

For details on the changes in major accounting policies during the reporting period, please refer to the "Note 3.3 Changes in principal accounting policies to the Condensed Consolidated Interim Financial Statements".

Differences between the Consolidated Financial Statements Prepared under IFRSs and those Prepared under CASs

There were no differences in the net profit or shareholders' equity between the Consolidated Interim Financial Statements of the Bank prepared under IFRSs and the corresponding figures prepared in accordance with CASs.

Other Financial Indicators

		Regulatory Standard	30 June 2023	31 December 2022	31 December 2021
Liquidity ratio[1] (%)	RMB	≥25	**69.45**	64.21	62.01
	Foreign currency	≥25	**172.93**	235.12	138.94
Percentage of loans to the largest single customer[2] (%)		≤10	**2.22**	2.59	2.44
Percentage of loans to the top ten customers[3] (%)			**12.53**	13.54	11.67
Loan migration ratio[4] (%)	Normal		**1.82**	1.30	1.10
	Special mention		**32.64**	25.77	20.23
	Substandard		**47.25**	46.35	57.43
	Doubtful		**13.51**	6.03	13.66

Notes:
1. *Calculated by dividing current assets by current liabilities in accordance with the relevant regulations of the NAFR.*
2. *Calculated by dividing total loans to the largest single customer (excluding accrued interest) by net capital.*
3. *Calculated by dividing total loans to the top ten customers (excluding accrued interest) by net capital.*
4. *The data at 30 June 2023 was annualized.*

Business Review

Corporate Banking

During the reporting period, we continuously made more efforts to serve the real economy, provided great support for the national strategies of regional development, fostered new growth drivers of digital transformation, and improved our comprehensive financial service capability and customer satisfaction, so as to promote the high-quality development of our corporate banking business. At the end of June 2023, the balance of domestic corporate deposits amounted to RMB10,517,138 million, representing an increase of RMB1,484,682 million as compared to the end of the previous year. The balance of domestic corporate loans and discounted bills amounted to RMB13,313,724 million, representing an increase of RMB1,564,946 million as compared to the end of the previous year. The loans granted to projects in our major marketing project pool amounted to RMB455.4 billion. At the end of June 2023, we had 10,190.8 thousand corporate banking customers[1], among which 494.4 thousand customers had outstanding loan balances, representing an increase of 82.9 thousand customers as compared to the end of the previous year.

- We implemented the national strategy of building a manufacturing power. Focusing on the key sectors such as advanced manufacturing, transformation and upgrade of traditional industries, manufacturing industry in County Areas and consumer goods industry, we promoted innovation in financial service models and products and increased credit supply to actively support the high-end, intelligent and green development of manufacturing industry. At the end of June 2023, the balance of loans granted to the manufacturing industry (based on the distribution of loans) increased by RMB612.0 billion as compared to the end of the previous year. Among them, the medium- and long-term loans granted to the manufacturing industry increased by RMB348.9 billion or 45% as compared to the end of the previous year, while the loans granted to high-tech manufacturing industries such as electronics and communication equipment, computer, pharmaceutical and aerospace equipment increased by 39% as compared to the end of the previous year.

- We served national strategies of regional development. We took advantages of our omni-channel, full range of products and multiple licenses to comprehensively serve national strategies of regional development, such as Coordinated Development of the Beijing-Tianjin-Hebei Region, Integrated Development of the Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area and Chengdu-Chongqing Economic Circle, with an increase of over RMB1.19 trillion in relative corporate loans in the first half of 2023.

- We stepped up the financial services for science and technology startups. We established 19 financial service centers for science and technology startups in regional innovation hub, focusing on new customer groups, new structures, new ecosystems, new policies, new products, new venture capital, and new guarantees, to accelerate the development of a "Seven New" financial service system for science and technology startups. We provided total-factor, full-cycle and full-ecology high-quality financial services for specialized and sophisticated "little giant" enterprises that produce new and unique products, and established in-depth cooperative relationships with nearly 70% of specialized and sophisticated "little giant" enterprises that produce new and unique products. At the end of June 2023, the balance of loans to strategic emerging industries exceeded RMB1.8 trillion, representing a growth of over 40%.

- We supported the development of private enterprises. We took measures such as optimizing the credit process, increasing loan supply, innovating service models, and strengthening performance assessment to actively meet the financial needs of private enterprises. At the end of June 2023, the balance of loans granted to private enterprises was RMB3.5 trillion.

1 *Corporate banking customers refer to the corporate banking customers having deposits or settlements in the Bank during the reporting period.*

- We promoted digital transformation. We continuously promoted the construction of corporate customers marketing management system. We iteratively updated a series of digital marketing management tools focusing on targeted chain marketing, business opportunity management, value enhancement of key corporate customer groups, and data empowerment for foundational- level branches. We accelerated the layout of scenes in government, transportation, tourism, pension and consumption finance, and continued to enrich the application of online credit, transaction banking and other products.

Transaction Banking

We continued to improve the transaction banking system based on accounts and payment settlement. With the focus on key areas, industries and customers, we strengthened product innovation, accelerated online penetration, deepened differentiated integrated marketing, and increased traffic through scenes, to facilitate the high-quality development of transaction banking business.

- Making full use of scientific and technological innovation, we actively expanded service channels for opening corporate accounts and optimized the account opening process and system functions with electronic processing of account opening information, automation management of risk control rules and intelligent verification of external data, so as to continuously enhance the level of account services. At the end of June 2023, the Bank had 12,527.8 thousand corporate RMB-denominated settlement accounts[1], with the corporate RMB-denominated settlement transaction volume of RMB487.23 trillion in the first half of 2023.

- We accelerated the development of the integrated bill service system "Xingyun Piaojutong", strengthened the cash management brand construction of "Xing Yun" and innovatively introduced the cross-bank cash management platform "Smart Finance and Fund" to deliver financial resource ecosystem service that is easily accessible to customers with one click and integration of cross-bank services. At the end of June 2023, the Bank had 3,954.5 thousand active transaction banking customers.

Institutional Banking

Adhering to the customers-centered principle, we continuously improved the customer service efficiency to promote the high-quality development of institutional banking. At the end of June 2023, we had 654.8 thousand institutional banking customers.

- In terms of financial services provided to the governments, our coverage rate of cooperation with provincial-level service platforms for government affairs reached 100%. The "Smart County", a smart service platform for county government affairs, was launched in 356 counties of 30 provinces (autonomous regions and municipalities) with functions and applications further enriched.

- In terms of fiscal and social security, the specialized project for serving the integration of national fiscal budget management covered 31 provinces (autonomous regions and municipalities).

- In terms of financial services with respect to people's livelihood, the number of customers with electronic certificates for medical insurance through our mobile banking exceeded 65 million. We cooperated with over 32 thousand schools on our Smart Campus, and with over six thousand hospitals on our Smart Hospital.

- In terms of services to financial institutions, the contracted customers for third-party depository services amounted to 70.55 million at the end of June 2023, representing an increase of 6.00 million as compared to the end of the previous year.

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1 *Corporate RMB-denominated settlement accounts refer to all of accounts during the reporting period.*

Investment Banking

Persisting in serving the real economy, we accelerated product innovation and continued to improve the "financing + financing intelligence" service solutions to meet the diversified financing needs of customers. In the first half of 2023, the income from our investment banking business was RMB9,375 million.

- We actively served the diversified financing needs of customers. We launched a special program for business development and value improvement of syndicated loans business to fully support the financial needs in key sectors such as manufacturing, technological innovation, rural revitalization, and green development, with the balance of syndicated loans exceeding RMB2.5 trillion. Focusing on key service scenarios of M&A loans, we actively catered to the M&A financial needs such as state-owned enterprise reforms and industrial upgrades, with the balance of M&A loans exceeding RMB200.0 billion.

- We promoted business innovation continuously. Together with the China Central Depository & Clearing Co., Ltd., we jointly launched the first customized rural revitalization bond index for banks, "ChinaBond — ABC Rural Revitalization Bond Index", so as to channel more social funds to the key areas and weak links of rural revitalization. We have developed and launched the Investment Banking Intelligent Advisory Service System (ABC SISON) to efficiently serve customers in diverse business scenes such as information consulting, financial analysis, investment and financing decision making, and risk management.

Retail Banking

Adhering to the customers-centered principle, we continued to promote the development strategy of "One Main Body with Two Wings" (namely, with customer construction as the main body, promoting "broad wealth management" and digital transformation as the two wings), improved customer service, and strengthened support for "broad wealth management" and digital transformation. We focused on major national strategic deployments and weak links in society, strengthened retail finance supply, served rural revitalization, and met the financial needs of new urban residents and individual pension. As of the end of June 2023, the total number of our retail banking customers reached 862 million, maintaining the first in banking industry, and the asset under management (AUM) of our retail banking customers reached RMB19.6 trillion.

- We upheld the "customers-oriented" principle and refined customer services. We deepened the grading for customer services, enriched star-level rights and activities, and optimized the star-level zone of mobile banking to improve customer experience. We implemented customer-grouped operations, customized exclusive financial solutions, built characteristic product systems, improved various online scenarios to meet customers' differentiated needs. We implemented internal layered customers management and used "technology + manual" means to provide customers with timely and considerate comprehensive services.

- We accelerated opening and upgrading to improve "broad wealth management" capabilities. We expanded the scope of cooperation with high-quality wealth management institutions, strengthened product selection, increased deployment of equity and pension products, and synchronized improvement of independent innovation capabilities and enriched product categories. We deepened asset allocation services, increased application of "smart wealth" asset allocation tools, and provided customers with accompanying services throughout the investment process, including pre-investment, during-investment and post-investment phases. We accelerated the construction of investment and research capabilities to improve the level of identifying opportunities and risks of major asset classes, so as to provide customers with more secure wealth protection.

- We attached great importance to data empowerment and promoted digital and intelligent transformation of customer operations. We strengthened capabilities of data using, enhanced data analysis and data management, expanded the application scope of precise identification projects for retail customer operations, and effectively tapped into customers' potential financial needs. We promoted the application of new channels and tools such as "smart outbound calls" and WeCom to strengthen connectivity of all kinds of online and offline systems and provided integrated and collaborative service models to build digital and intelligent finance which is more convenient and understands customer better.

- We expanded financial supply and improved quality and efficiency of livelihood financial services. We shifted the focus of our service to underserved demographics and assigned 18 thousand vanguard teams to villages for providing villagers with door-to-door integrated services, including account, deposit, loan and wealth management. We strengthened nationwide promotion of Delivery Driver Card and Micro and Small Businesses Card, improved products and services of "Zhufu Card" designed for rural migrant workers, to help new urban residents enjoy quality life. We supported the construction of the third pillar pension system, improved the basic support of retail pension accounts and built a rich and diversified pension product system to further meet customers' pension investment needs.

Retail Loans

- Focusing on domestic demand expansion and consumption promotion and serving real economy, we continued to increase the granting of retail loans. As of the end of June 2023, the balance of retail loans increased by RMB432,022 million as compared to the end of the previous year, taking a leading position in the banking industry.

- Implementing differentiated housing loan policies, we accelerated the granting of retail residential mortgage loans, and effectively supported people's demand for buying their first home or improving their housing situation to promote the steady and healthy development and virtuous cycle of the real estate industry.

- We actively explored new consumption scenes, improved accessibility and convenience of consumer finance, and increased the granting of consumption loans to meet residents' demands for consumer finance in areas such as house renovation, electronics, vehicles and cultural tourism. We granted consumption loans of RMB228.7 billion in total in the first half of 2023, representing a year-on-year increase of RMB91.5 billion.

- We continually increased credit support for inclusive loan customers in key areas such as wholesale and retail, accommodation and catering, resident services, cargo transportation and logistics. We granted loans to private business exceeding RMB490.0 billion in total in the first half of 2023.

Retail Deposits

- We continually improved customer services, optimized business process, enriched product supply to meet customers' diversified wealth management needs and achieved sustained and steady growth in retail deposits. As of the end of June 2023, the balance of domestic retail deposits reached RMB16,518,359 million, representing an increase of RMB1,540,593 million as compared to the end of the previous year, maintaining a leading position in the industry.

Bank Card Business

- We launched a new debit card design featuring the artistic concepts of the Chinese cultural IP "Only Green" to integrate our philosophy of financial services for the people, giving a new interpretation and presentation of the card design. We collaborated with China UnionPay on a promotion of debit cards by carrying out the activity themed "Green Dancing, Weekend Pleasure" to increase product recognition and account activity. As of the end of June 2023, we had 1,078 million existing debit cards, and 20,828.5 thousand debit cards were newly issued in the first half of the year.

- We launched co-branded cards for FIFA Women's World Cup, Ele.me Food Delivery, Doraemon and other key products. We continuously carried out brand marketing activities like "Everyday Cashback", "Prime Membership Day", rolled out multiple consumption rewards in popular consumption scenes, such as travel, leisure, food and gas, and carried out online payment marketing cooperation with various mainstream e-commerce, life and travel and other types of platform. We held activities such as "8th ABC Automobile Festival", "4th ABC House Renovation Festival", and launched more than 100 "Automobiles Promotion to the Countryside" activities in County Areas to drive commodity consumption. In the first half of 2023, the transaction volume of credit cards amounted to over RMB1 trillion.

Private Banking Business

- We deeply pushed forward the "On-the-Wing Initiative" for private banking business, built 70 private banking centers at Head Office Level and nearly 500 wealth management centers, successfully held competition on asset allocation skills of wealth consultants, and cultivated private banking professional talents teams featuring private bankers and top wealth consultants to continuously improve our professional services capabilities for private banking customers. We practiced the concept of long-term and steady asset allocation and continuously enriched new wealth management products such as low volatility and stable returns, ESG themes, and Huinong. We launched a "Hundred Cities Interacted" family trust marketing campaign. The scale of family trust business amounted to nearly RMB80.0 billion, representing a net increase of RMB32.0 billion as compared to the end of the previous year.

- As of the end of June 2023, the number of our private banking customers reached 227 thousand and the balance of assets under management amounted to RMB2.48 trillion, representing an increase of 27 thousand customers and RMB0.28 trillion, respectively, as compared to the end of the previous year.

Treasury Operations

Treasury operations of the Bank include money market activities and investment portfolio management. We adhered to serving the high-quality development of real economy and supported the green and low-carbon development. We flexibly adjusted investment strategies and strengthened flow operations on the basis of ensuring the security of bank-wide liquidity. Our investment return on assets remained at a relatively high level among the peers.

Money Market Activities

- We strengthened the research on monetary policies and forecasts of market liquidity, comprehensively used various financing instruments such as placement and lending, repurchases, certificates of deposit and deposits to smoothen liquidity fluctuations and reasonably allocated maturing funds to improve the efficiency of fund utilization on the basis of ensuring the security of our liquidity.

- In the first half of 2023, the volume of RMB-denominated financing transactions amounted to RMB132.8 trillion, including RMB132.6 trillion in lending and RMB0.2 trillion in borrowing.

Investment Portfolio Management

At 30 June 2023, our financial investments amounted to RMB10,068,194 million, representing an increase of RMB538,031 million or 5.6% as compared to the end of the previous year.

Trading Book Activities

- We maintained the leading position among peers in respect of the bond market-making business in the inter-bank market. We actively provided market-making quotations for green bonds to facilitate green and low-carbon development. We focused on serving the opening-up of the bond market, with our market-making transaction volume of the Bond Connect continuously growing.

- We continuously improved the management capability of bond trading portfolio. In the first half of 2023, the overall yields of domestic bond market decreased. We flexibly adjusted the structure of positions considering the market trend, strictly controlled the risk exposures of the portfolio, and appropriately used derivatives to manage the portfolio market risks.

Banking Book Activities

- We maintained our investment in government bonds and optimized the investment structure of credit bonds. Implementing the new development philosophy, we supported the infrastructure construction in transportation, energy, power and other sectors, served green industries and green project development, and supported the financing needs for key areas such as strategic emerging industries.

- We optimized investment strategies in a volatile interest rate environment, and rationalized the investment pace considering both the trends in the bond market and the needs of portfolio management. We coordinated assets returns and risk control to enhance the quality and effectiveness of investment operations.

Asset Management

Wealth Management

At the end of June 2023, the balance of the Group's wealth management products reached RMB1,556,364 million, of which RMB135,705 million was generated from the Bank and RMB1,420,659 million was generated from ABC Wealth Management.

Wealth Management Products of the Bank

During the reporting period, all of the existing wealth management products of the Bank were non-principal guaranteed wealth management products and publicly offered wealth management products. As of the end of June 2023, the balance of our wealth management products amounted to RMB135,705 million, representing a decrease of RMB21,729 million as compared to the end of the previous year.

The table below presents the issuance, maturity and existence of wealth management products of the Bank

In 100 million of RMB, except for tranches

	31 December 2022		Issuance		Maturity		**30 June 2023**	
Item	Tranche	Amount	Tranche	Amount	Tranche	Amount	**Tranche**	**Amount**
Non-principal guaranteed wealth management	9	1,574.34	–	2,972.88	–	3,210.92	**9**	**1,357.05**

Note: *The amount of maturity includes redemption and maturity amount of wealth management products during the reporting period; net worth wealth management products were measured at net assets.*

The table below presents the balances of direct and indirect investment assets under the Bank's wealth management business

In 100 million of RMB, except for percentages

	30 June 2023	
Item	**Amount**	**Percentage (%)**
Cash, deposits and interbank certificates of deposit	**268.84**	**19.0**
Placements with and loans to banks and other financial institutions and financial assets held under resale agreements	**20.00**	**1.4**
Debt securities	**541.94**	**38.2**
Non-standardized debt assets	**419.77**	**29.6**
Other assets	**167.31**	**11.8**
Total	**1,417.86**	**100.0**

Wealth Management Products of ABC Wealth Management

At the end of June 2023, the balance of the wealth management products of ABC Wealth Management amounted to RMB1,420,659 million. These were all net worth wealth management products, among which publicly offered wealth management products accounted for 97.9% while privately offered wealth management products accounted for 2.1%.

Custody Service

- We achieved custodianship for the first batch of personal pension wealth management products in the domestic market, implemented multiple projects of individual enterprise annuity plan and won several bids for industry investment fund custodianship projects from central enterprises and provincial governments.

- We were awarded the China's Best Insurance Custodian Bank from The Asset magazine, the Custodian Innovation Demonstration Institution from China Fund News, the Outstanding Asset Custodian Institution from China Central Depository & Clearing Co., Ltd. for 11 consecutive years, and the Best Sub-custodian Bank, the only bank in China, by Global Finance for the fifth time.

- At the end of June 2023, our assets under custody amounted to RMB14,755,925 million, representing an increase of 6.0% as compared to the end of the previous year.

Pension

- To proactively serve the national strategy of rigorously coping with aging population and contribute to the development of a multi-layered and multi-pillar social pension insurance system, we continuously carried out the overall layout of pension financial services. We further enriched our annuity product and achieved steady growth in the number of annuity customers and business scale.

- At the end of June 2023, our pension funds under entrusted management amounted to RMB232,633 million, representing an increase of 14.1% as compared to the end of the previous year.

Precious Metals

- In the first half of 2023, we traded 1,710.6 tons of gold and 9,189.5 tons of silver for our own account as well as on behalf of customers and maintained the leading position in the industry in terms of transaction volume.

- We steadily developed the precious metal leasing and lending businesses and continuously strengthened the support for entity customers of the precious metal industry chain. We served commodities production enterprises to ensure their stable operation, actively met the sales and stocking needs of jewelry retailers, and greatly supported the high-quality development of green mine enterprises.

Treasury Transactions on Behalf of Customers

- We actively promoted the concept of exchange rate risk neutrality and provided enterprises with forward, swap and option products to help them with exchange rate risk management. In the first half of 2023, the transaction volume of foreign exchange sales and settlements on behalf of customers as well as foreign exchange trading amounted to USD234.53 billion.

- The counter bond (Zhaishibao) business developed steadily. In the first half of 2023, the amount of counter distribution of bonds exceeded RMB20.0 billion, supporting the financing needs of local construction, rural revitalization, and ecological civilization construction and other areas, while providing financial products that combined safety, liquidity and profitability to investors.

Agency Insurance Business

- We enriched the system of agency insurance products, continued to improve our service capability, and effectively met the diversified insurance needs of customers, resulting in a rapid growth in agency insurance business. Agency insurance premiums, commission income and year-on-year increase in income were all in a leading position in the industry; agency regular insurance premiums amounted to RMB34.77 billion, representing a year-on-year increase of 85.2%.

Agency Distribution of Fund Products

- We further deepened the cooperation with the leading fund companies, selected quality fund products and expanded the number of the held products and pension fund Y shares products to continuously enrich the fund product line. We promoted the construction of the investment research system to enhance the level of professional services. We strengthened whole process management of products and provided accompanying services to customers. In the first half of 2023, the number of funds distributed by the Bank amounted to 3,947, with sales volume amounting to RMB116,288 million.

Agency Sales of PRC Government Bonds

- In the first half of 2023, we, as an agent, distributed 8 tranches of PRC government savings bonds with the actual sales amount of RMB14,743 million, including 4 tranches of PRC government savings bonds (in certificate form) of RMB6,452 million and 4 tranches of PRC government savings bonds (in electronic form) of RMB8,291 million.

Internet Finance

With a focus on digital transformation and customer centricity, the Bank continued to expand its online traffic and steadily improve its omni-channel operation capabilities between online and offline channels.

Smart Mobile Banking

We launched the 8.1 Version of Mobile Banking. With the goal of strengthening the service capability of the platform, we focused on the operation of users and created a distinctive mobile banking service. As of the end of June 2023, we had 194 million of monthly active users (MAU) of mobile banking, maintaining the first in the industry in terms of existing users and new users.

- We improved the service capabilities of the platform. We upgraded barrier-free service, pension zone, asset-liability view, deposit, customer service interaction and other functions. We reconstructed limit management and interbank cash flow management, and innovated desktop widgets, flip-screen exit and other convenient services. We set up special urban zones with full coverage of 359 major cities in China and promoted instrumentalized applications of mobile banking, such as smart customer identification and cardless application.

- We extended the boundary of rural services. We enriched the Huinong featured scenario services of the "Rural Version" mobile banking, set up Huinong special zone, and provided collective financial and information services related to agriculture, including Huinong loan, agriculture-related technology class, and Huinong policies. As of the end of June 2023, we had over 30.00 million MAU of the "Rural Version" mobile banking.

- We enhanced the level of refined operation. We promoted the concept of "using data", strengthened the hierarchical services of mobile banking, and accompanied the growth of users with products and rights. We refined group-based operation, gathering users with the same attributes or demands, customizing exclusive financial service solutions to meet users' differentiated financial demands.

Online Corporate Banking

- We launched the 4.1 version of mobile corporate banking. We optimized the corporate users' journey, upgraded and optimized the high-frequency transaction functions such as registration, transfer and inquiry, reshaped the transaction process for the mobile-side transfer, extended the time span of the inquiry, and realized easy access to and full coverage of common functions.

- We upgraded the "Salary Manager" service. We fully explored services in corporate payroll scenarios, improved one-stop digital solution for multiple scenarios such as payroll, welfare and reimbursements, and continuously optimized payroll management functions such as electronic payslips and mixed payroll payment to consistently enhance the user experience.

Smart Scene-based Finance

- We deeply explored high-frequency transactions. In terms of campuses, we optimized functional experience such as grade and class management, student information management, and refund management. In terms of canteens, we optimized our smart canteen application with new features like pricing, payment, meal allowance distribution and viewing kitchens. In terms of government affairs, we added integrated government affairs services for the Yangtze River Delta in the e-government dedicated zone of Mobile Banking and upgraded social security and medical insurance services. In terms of travel, we optimized car owner service mini programs and expanded travel services.

- We improved the service capabilities of open banking. We strengthened the management and security control of our open banking platform, refined the open banking system, defined output interface standards, optimized business processes, and implemented strict information protection and security management and control measures. We enriched our external interface types and functions, expanded personal pension services, and piloted services for international trade, group finance, and custody, etc.

Digital RMB Projects

- We strengthened our application in various scenarios and product innovation. We intensified the application of digital RMB in high-frequency scenarios, aiming to increase the adoption frequency of digital wallet applications. Through collaboration with government platforms, we promoted the use of digital RMB in non-tax payments and housing provident fund contributions, etc. We worked with key industry clients to explore personalized solutions using digital wallets, such as intra-group financial management and precise loan repayment management for upstream and downstream borrowers.

- We optimized the role of digital RMB in Sannong. We actively promoted the application of digital RMB in Sannong, and explored the application functions of granting of agricultural loans, targeted use of agricultural funds, and the utilization of points awarded from rural governances. We upgraded the Huinongtong service stations to support digital RMB acceptance, and created demonstration villages of digital RMB to contribute to the development of digital rural construction.

Cross-border Financial Services

We actively served the high-standard opening up of China, made our contributions to the Regional Comprehensive Economic Partnership (RCEP) and the Belt and Road Initiative with high-quality cross-border financial services, and supported RMB internationalization, the establishment of pilot free trade zone and Hainan Free Trade Port. In the first half of 2023, the volume of international settlement by domestic branches reached USD967.25 billion and the volume of international trade financing (including financing with domestic letters of credit) reached USD81.2 billion. As of the end of June 2023, the total assets of our overseas branches and subsidiaries reached USD170.6 billion, with net profit for the first half of 2023 amounted to USD0.39 billion.

- We provided precise and powerful services for the real economy in foreign trade. We served trade and investment facilitation and added six new pilot branches for facilitating foreign exchange receipts and payments for trade. In the first half of 2023, we handled the trade facilitation business of USD62,127 million, a year-on-year increase of 92.3%. We supported the development of new business modalities with product innovation and digital transformation, and directly connected with the government's market procurement platform systems in several regions. We handled a total of USD10,752 million of international settlement business related to new business modalities, such as new offshore international trade, overseas warehouses, market procurement trade, integrated foreign trade services, and bonded maintenance in the first half of 2023. We launched the innovative service for financing application through "single window" at customs, effectively enhancing the comprehensive online financing service level for foreign trade enterprises. We also further promoted the risk sharing mechanism among micro, small and medium-sized enterprises, export credit insurance companies, local governments and ABC, and increased financing support for micro and small foreign trade enterprises, with a year-on-year increase of 55% in export credit insurance financing business.

- We enhanced the quality and efficiency of cross-border financial services in key regions. We actively served cross-border trade and investment in the RCEP regions, and the volume of international settlement business by domestic institutions within the RCEP region reached USD117,824 million in the first half of 2023. We supported the enterprises' financial demands of "going global", and provided settlement services of USD106.9 billion and trade financing of USD8.66 billion for trades with countries along the Belt and Road. We promoted the development of separate accounting business for free trade (FT) business, with international settlement volume of USD52,295 million under FT account in the first half of 2023, representing a year-on-year increase of 13.5%.

- We actively developed customers of foreign institutions. We organized marketing activities such as the marketing promotion conference for foreign institutions customers themed "sharing open opportunities and wining a better future", and implemented cooperation projects such as bond issuance and underwriting, Bond Connect counterparties, QFII principal custodian bank, CIBM direct investment and CIPS indirect participation.

- We developed cross-border RMB business in an orderly manner. The volume of cross-border RMB settlement reached RMB1.57 trillion in the first half of 2023, of which the volume of RMB settlement for cross-border trade and direct investment reached RMB780,576 million, representing a year-on-year increase of 40.3%.

Overseas Subsidiary Banks

Agricultural Bank of China (Luxembourg) Limited

Agricultural Bank of China (Luxembourg) Limited is a wholly-owned subsidiary of the Bank incorporated in Luxembourg, with a registered capital of EUR20.00 million. Its scope of business includes wholesale banking business such as international settlement, corporate deposits, syndicated loans, bilateral loans, trade financing and foreign exchange trading. As of the end of June 2023, its total assets and net assets amounted to USD56 million and USD25 million, respectively.

Agricultural Bank of China (Moscow) Limited

Agricultural Bank of China (Moscow) Limited is a wholly-owned subsidiary of the Bank incorporated in Russia, with a registered capital of RUB7,556 million. Its scope of business includes wholesale banking business such as international settlement, corporate deposits, syndicated loans, bilateral loans, trade financing and foreign exchange trading. As of the end of June 2023, its total assets and net assets amounted to USD286 million and USD106 million, respectively. It recorded a net profit of USD4.73 million in the first half of 2023.

In addition, we own Agricultural Bank of China (UK) Limited in the United Kingdom, with a share capital of USD100 million, and we have been undertaking the procedures needed to dissolve Agricultural Bank of China (UK) Limited.

Integrated Operations

We have established an integrated operation platform covering fund management, securities and investment banking, financial leasing, life insurance, debt-to-equity swap and wealth management businesses. In the first half of 2023, our six subsidiaries of integrated operations focused on core businesses, delved into respective professional territory and operated prudently regarding the development strategy of the Group, and endeavored to promote the service capability, risk control capability and system construction level, which continually solidified the management and development foundation of integrated operations, and further enhanced the synergy within the Group.

ABC-CA Fund Management Co., Ltd.

ABC-CA Fund Management Co., Ltd. was established in March 2008 with a registered capital of RMB1.75 billion, 51.67% of which was held by the Bank. Its nature of businesses includes fund-raising, sales of fund and asset management and its major fund products include stock funds, index funds, mixed funds, bond funds, monetary funds and FOF funds. As of 30 June 2023, its total assets and net assets amounted to RMB4,899 million and RMB4,578 million, respectively. It recorded a net profit of RMB189 million for the first half of 2023.

The business operation of ABC-CA remained stable in general as it strengthened the investment and research as a driver, product orientation and value-added marketing, and enhanced its overall risk control capability. As of the end of June 2023, it managed assets of RMB245.7 billion, and had 75 publicly offered funds and 75 products under special accounts. ABC-CA and China Securities Index Co., Ltd. jointly compiled and developed the first rural revitalization equity index “CSI ABC Rural Revitalization Index” in China market to guide more social funds to the key areas and weak links of rural revitalization.

ABC International Holdings Limited

ABC International Holdings Limited was established in Hong Kong, China in November 2009 with a share capital of HKD4,113 million, 100% of which was held by the Bank. ABC International is eligible to engage in providing comprehensive and integrated financial services in Hong Kong, China, including sponsorship and underwriting for listing, issuance and underwriting of bonds, financial consultation, asset management, direct investment, institutional sales, securities brokerage and securities consultation, and is also eligible to engage in businesses in Chinese mainland, including private fund management, financial consultation and investment. As of 30 June 2023, its total assets and net assets amounted to HKD45,849 million and HKD10,195 million, respectively. It recorded a net profit of HKD309 million for the first half of 2023.

ABC International maintained its leading position among its comparable peers in terms of number of equity and bond underwriting projects, helped many customers in strategic emerging industries in Chinese mainland, such as new economy, new energy and biomedical industries, to list in Hong Kong. It participated in many large-scale bond issuance benchmark projects of central enterprises and financial institutions and assisted Chinese enterprises to issue GDRs in Switzerland. It won numerous awards in green bonds, stock issuance and ESG from *Asia Finance,* the *Asset* and *International Finance Review*.

ABC Financial Leasing Co., Ltd.

ABC Financial Leasing Co., Ltd. was established in September 2010 with a registered capital of RMB9.5 billion, 100% of which was held by the Bank. Its principal scope of business includes financial leasing, transfer and acceptance of financial leasing assets, fixed-income securities investment business, acceptance of leasing deposits from lessees, absorbing time deposit with a maturity of three months or above from non-bank shareholders, inter-bank lending, borrowing from financial institutions, overseas borrowings, selling and disposal of leased items, economic consultation, establishment of project companies in domestic bonded zones to carry out financial leasing business, provision of guarantee for external financing of controlled subsidiaries and project companies, and other businesses approved by the regulatory authorities. As of 30 June 2023, its total assets and net assets amounted to RMB90,533 million and RMB11,706 million, respectively. It recorded a net profit of RMB545 million for the first half of 2023.

ABC Financial Leasing strongly supported the construction of China’s strength in agriculture, green development and modernized industrial system, and deeply served key areas such as the County Areas and Sannong, aviation and shipping, new energy, scientific and technological innovation, and advanced manufacturing, with a view to realizing distinctive, specialized and differentiated development. As of the end of June 2023, the balance of agriculture-related leasing assets and green leasing assets amounted to RMB23,646 million and RMB60,051 million, accounting for 26.4% and 67.0%, respectively.

ABC Life Insurance Co., Ltd.

The registered capital of ABC Life Insurance Co., Ltd. was RMB2.95 billion, 51% of which was held by the Bank. Its principal scope of business includes various types of personal insurance such as life insurance, health insurance and accident insurance; reinsurance business for the above-mentioned businesses; businesses with the application of insurance funds as permitted by the laws and regulations of the PRC; and other businesses approved by the regulatory authorities. As of 30 June 2023, its total assets and net assets amounted to RMB159,718 million and RMB7,270 million, respectively. It recorded a net profit of RMB1,024 million for the first half of 2023.

ABC Life Insurance adopted diversified investment methods, such as stocks, equity, bonds and infrastructure investment plans, to serve rural revitalization and green and low-carbon development, increase support for the real economy, and actively play the role of insurance funds as an “enabler”. In the first half of 2023, the total premium income reached RMB18,764 million. Among them, the new regular premiums amounted to RMB7,036 million, with a year-on-year growth of 64.5%.

ABC Financial Asset Investment Co., Ltd.

The registered capital of ABC Financial Asset Investment Co., Ltd. was RMB20.0 billion, 100% of which was held by the Bank. Its principal scope of business includes acquiring the creditor's rights of the banks to the enterprises for the purpose of debt-to-equity swap, converting the creditor's rights into equity and managing the equity; restructuring, transferring and disposing of the creditor's rights that cannot be converted into equity; investing in equities of enterprises for the purpose of debt-to-equity swap, where the invested enterprise uses all the equity investment funds to repay the existing creditor's rights; raising funds from qualified investors according to law and regulations, issuing private asset management products to support debt-to-equity swaps; issuing financial bonds; raising funds through bond repurchase, inter-bank lending and placement, inter-bank borrowing; conducting necessary investment management for proprietary funds and raised funds, where the proprietary funds may be used for interbank deposit taking, interbank loan, purchase of national bonds or other fixed income securities and other businesses, and the use of raised funds shall conform to the purposes agreed upon in fund raising; financial advisory and consulting services related to the debt-to-equity swap business; other business approved by the regulatory authorities. As of 30 June 2023, its total assets and net assets amounted to RMB120,513 million and RMB29,907 million, respectively. It recorded a net profit of RMB1,961 million for the first half of 2023.

ABC Financial Asset Investment focused on the primary responsibilities and core business of debt- to-equity swap, worked on a sound equity investment risk prevention system, put emphasis on fields such as rural revitalization, green and low-carbon development, risk mitigation, scientific and technological innovation, and continued to drive operational transformation and high-quality development, with debt-to-equity swap investment of RMB4,297 million for its own account for the first half of 2023.

ABC Wealth Management Co., Ltd.

ABC Wealth Management Co., Ltd. was established in July 2019 with a registered capital of RMB12.0 billion, 100% of which was held by the Bank. Its principal scope of business includes public offering of wealth management products to the general public, investment and management of the properties entrusted by the investors; private placement of wealth management products to qualified investors, investment and management of the properties entrusted by the investors; wealth management advisory and consulting services; and other businesses approved by the regulatory authorities. As of 30 June 2023, its total assets and net assets amounted to RMB19,705 million and RMB19,476 million, respectively. It recorded a net profit of RMB871 million for the first half of 2023.

Upholding the concept of "Steadily Guarding Value, Professionally Driving Growth", ABC Wealth Management made great efforts to enhance its investment and research capabilities, continued to enrich the product layout and strengthened technological support for operation, so as to promote the stable and long-term development of the wealth management business. With continuously enhanced brand image, it won the Golden Dragon Award for Best Comprehensive Strength Banking Wealth Management Company of the Year by *Financial Times*, and Corporate Social Responsibility Award of the Year by *Shanghai Securities News*. The joint venture BNP Paribas ABC Wealth Management Co., Ltd. established by ABC Wealth Management and BNP Paribas Asset Management Holding S.A. was approved to open up.

Besides, we own China Agricultural Finance Co., Ltd. in Hong Kong, China, with a share capital of HKD589 million, 100% of which is held by the Bank.

FinTech

During the reporting period, we continued to deepen the application of frontier technologies related to FinTech, further promoted the implementation of our 14th Five-Year Plan in information technology, and continuously improved the scientific and technological support and empowerment level.

Focusing on FinTech Innovation

Actively responding to the accelerated evolution of technology transformation, we speeded up the transformation into a new-generation technology system, built a new digital infrastructure and an IT architecture base which were future-oriented, and deepened the application of FinTech to empower the high-quality development of business operations.

- Regarding the application of Big Data technology, we continued to promote our model construction, launched wide table to empower 15 topics, such as wealth management, insurance and credit cards, and completed the real-time wide table prototype construction. We completed the big data relocation project, further solidifying our foundation of data capabilities.

- Regarding the application of cloud computing technology, we continued to advance development of cloud-native capabilities, with the proportion of PaaS-based applications reaching 81.7%.

- Regarding the application of AI technology, we leveraged our independently developed AI innovation capacity system to actively explore the application of large-scale AI models.

- Regarding the application of distributed architecture, the credit card distributed core system completed data migration and business flow switching for more than 100 million customers. The distributed core system comprehensively entered into a new phase of large-scale application.

- Regarding the application of block chain technology, we successfully launched the blockchain cloud service platform (BaaS), with the functions of automated deployment and unified user authentication.

- Regarding the application of cyber security technology, we completed the construction and promotion of the Security Development Lifecycle (SDL) management platform, enabling rigid constraints on security requirements throughout the life cycle of application research and development and the implementation of application security requirements can be visualised, tracked and controlled.

- Regarding the application of network technology, our "end-to-end IPv6+ innovation application project" achieved an "A" rating (excellent) in the midterm evaluation of the IPv6 technology innovation and fusion application pilots of the Office of the Central Cyberspace Affairs Commission.

- Regarding the application of Internet of Things, we continuously promoted the integration of online and offline data, the bank-wide platform of Internet of Things has initially gained the capability to provide services for our internal applications.

- Regarding the application of robotic process automation, we promoted the enterprise-level platform, which was applied in 234 business scenarios in credit card, finance and accounting, and operation, etc. in the first half of 2023.

Improving the Level of Guarantee of Our Business Continuity

We continuously promoted the development of a disaster recovery system at a high standard, and enhanced our ability to ensure business continuity. We expanded the take-over scope of practice exercises recovery business and improved the coverage of emergency drills.

- Regular practical emergency drills were carried out. We completed the first multi-system "local + remote" joint disaster recovery switching drill. We organized remote disaster recovery drills for 37 tier-1 branches, effectively verifying the ability of branches to ensure business continuity under extreme circumstances.
- We deepened the application of the integrated production, operation and maintenance platform, realizing online management of the full life cycle of information system business continuity plans and drills. The configuration linkage rate of emergency scenario for important systems/ modules of the Head Office reached 100%.
- The transaction volume of production and operation grew rapidly. The average daily transactions and the daily transaction peak volume processed by the core system on business days reached 1,485 million and 1,899 million, respectively, and the daily transaction peak volume through mobile banking reached 1,202 million, all hitting record high.

Human Resources Management and Institution Management

Human Resources Management

During the reporting period, the Bank further promoted the optimization of the Bank's organization based on "Two Positionings" and "Three Major Strategies".

- We established Inner Mongolia branch of data center and further improved the organizational system of remote disaster recovery for production and operation across the Bank to effectively ensure secure and stable business operations.
- We established digital business operation center (Hefei) and accelerated the construction of a large enterprise-level operational backend to enhance the operational efficiency and intensification operation level of the backend across the Bank.
- We enhanced the construction of supportive organizational systems for consumers' interests protection, set up consumers' interests protection institutions in each tier-1 branch, and improved the institutional mechanism of consumer rights protection.
- We strengthened the team building of overseas institutions to adapt to the emerging trends and changes in overseas business development.

Information on Employees

As of the end of June 2023, we had a total of 444,932 in-service employees. Among them, 755 employees were employed by our overseas branches, subsidiary banks and representative offices, and 8,319 employees were employed by the subsidiaries with integrated operations and rural banks.

Distribution of Employees by Regions

	30 June 2023	
	Number of Employees	Percentage (%)
Head Office	13,535	3.0
Yangtze River Delta	62,091	13.9
Pearl River Delta	49,441	11.1
Bohai Rim	63,084	14.2
Central Region	90,745	20.4
Northeastern Region	40,735	9.2
Western Region	116,227	26.1
Overseas Branches, Subsidiary Banks and Representative Offices	755	0.2
Subsidiaries with Integrated Operations and Rural Banks	8,319	1.9
Total	**444,932**	**100.0**

Information on Institutions

As of the end of June 2023, we had 22,838 domestic branch outlets, including the Head Office, Business Department of the Head Office, four specialized institutions managed by the Head Office, four training institutes, 37 tier-1 branches, 408 tier-2 branches, 3,320 tier-1 sub-branches, 19,017 foundation-level branch outlets and 46 other establishments. We had a total of 13 overseas branches and four overseas representative offices, including branches in Chinese Hong Kong, Singapore, Seoul, New York, Dubai International Financial Centre (DIFC), Dubai, Tokyo, Frankfurt, Sydney, Luxemburg, London, Chinese Macao and Hanoi, and representative offices in Vancouver, Chinese Taipei, Sao Paulo and Dushanbe. Besides, we had 16 major controlled subsidiaries, including subsidiaries with integrated operations, overseas subsidiary banks and rural banks. For details please refer to "Business Review — Integrated Operations", "Business Review — Cross-border Financial Services" and "County Area Banking Business — Rural Banks" under "Discussion and Analysis".

Number of Domestic Branch Outlets by Regions

	30 June 2023	
	Number of Domestic Branch Outlets	Percentage (%)
Head Office[1]	10	–
Yangtze River Delta	3,005	13.2
Pearl River Delta	2,372	10.4
Bohai Rim	3,292	14.4
Central Region	5,167	22.6
Northeastern Region	2,191	9.6
Western Region	6,801	29.8
Total	**22,838**	**100.0**

Note: 1. Organizations of the Head Office include the Head Office, Business Department of the Head Office, Private Banking Department, Credit Card Center, Bills Business Department, Capital Operation Center, Beijing Advanced-Level Training Institute, Tianjin Financial Training Institute, Changchun Financial Training Institute and Wuhan Financial Training Institute.

County Area Banking Business

We provide customers in County Areas and rural areas with comprehensive financial services through all our operating institutions of the County Area Banking Division. We refer to such business as the County Area Banking Business or Sannong Banking Business. During the reporting period, we conscientiously implemented the central government's decisions and deployments on "Sannong", focused on our strategic goal of building a leading bank serving the rural revitalization, kept improving the operation system and mechanism of the County Area Banking Division and the capability and standard of financial services to rural revitalization.

Management Mechanism

- We weighted policies and resources more heavily toward the County Areas. We prioritized ensuring the scale of credit in County Areas, and promoted branches to increase the credit supply related to agricultural loans in County Areas. We improved the rating policy for key customers in Sannong, allocated economic capital in County Areas separately, and optimized the policies of authorization of interest rates for loans in key areas of rural revitalization and preferential pricing for internal fund transfers.

- We deepened the human resources reform in County Areas. We enhanced supplementing staff to institutions in County Areas with allocating more than 50% of vacancies in the annual recruitment plan for domestic branches in County Areas. We built a pool of leading talents for rural revitalization, and deeply implemented the "Double Hundred" cadres and talents pairing assistance plan featuring collaboration between east and west branches and the project to cultivate young talents at the county level. We enhanced salary protection for grassroots employees, continued to allocate more salary resources to the frontline employees of rural revitalization, and further increased the allocation of subsidies for employees in townships.

- We improved the Sannong credit policy system. We formulated credit policy guidelines on Sannong for 2023, focused on key areas of rural revitalization and key clients related to agriculture, and increased policy support. We refined credit policies of agriculture-related industries, released special credit policies for key industry sectors such as high-standard farmland construction, major national projects of water network, intelligent animal husbandry, and fertilizer manufacturing.

County Area Corporate Banking Business

During the reporting period, we developed special financial service solutions for key areas such as construction of a beautiful and harmonious countryside that is desirable to live and work in, continuously strengthened the supply of high-quality financial services, and comprehensively promoted our County Area Corporate Banking Business up to a new level.

- We continuously increased credit supply. At the end of June 2023, the balance of loans to corporate customers in County Areas (excluding discounted bills) amounted to RMB4,708.1 billion, representing an increase of RMB743.6 billion as compared to the end of the previous year.

- We accelerated to facilitate the green development and the transformation and upgrading of the manufacturing industry in County Areas. Under the guidance of the "14th Five-Year Plan" for green development of agriculture, we actively supported key projects for green development of agriculture and rural areas, and the construction of rural renewable energy projects, and vigorously promoted featured products such as the Reserve Forest Loan, Carbon Sink Forestry Loan and Ecological Protection Loan. Serving the transformation and upgrading of the manufacturing industry in County Areas, we actively supported leading agricultural industrialization enterprises and agriculture-related characteristic industrial clusters, and continuously improved the level of comprehensive financial services.

- We actively carried out the innovation of featured products and service models for corporate customers in County Areas. We developed special financial service solutions for key areas such as the construction of a beautiful and harmonious countryside that is desirable to live and work in, leading enterprises in agricultural industrialization, and the manufacturing of agricultural machinery and equipment, and made every effort to create three major product systems, namely, Ensuring Supply Loan for Enhancing Grain, Industry Loan for Enhancing Agriculture, and Construction Loan for Enhancing Village.

County Area Retail Banking Business

During the reporting period, keeping close to the financial needs of customers in County Areas, we continuously strengthened the innovation of products, channels and models. Our service capability of County Area Retail Banking Business improved steadily. At the end of June 2023, the balance of retail loans in County Areas amounted to RMB3,265.9 billion, representing an increase of RMB307.4 billion as compared to the end of the previous year.

- We increased loans to rural households. We strived to provide financial services during periods such as spring ploughing preparation and summer harvesting and sowing, enhanced credit support for multiple industries and business models such as planting, breeding, processing and trading, and continuously expanded the coverage and availability of loans to rural households. We actively promoted the "Fumin Loan", which is purely based on credit and revolving, with low interest rate, to support more households in areas lifted out of poverty to develop production and increase their incomes. Fumin Loan is now available in 832 counties lifted out of poverty, some old revolutionary zones, Xinjiang, Tibet, Ningxia and so on. At the end of June 2023, the balance of loans to rural households amounted to RMB1,041.7 billion, representing an increase of RMB261.3 billion as compared to the end of the previous year.

- We strengthened technological empowerment to enhance the convenience of loans to rural households. We continuously optimized the business process and system of granting loans to rural households and improved the efficiency of loan processing to provide rural households with more convenient, faster and more efficient credit services. We actively promoted "Huinong Internet loan", an internet loan product for rural households, which has already covered a wide range of scenarios such as grain, animal husbandry, cotton planting, flower trading, and agriculture-related subsidies.

- We continued to improve the basic financial services in rural areas. We continuously enriched the functions of "Huinongtong" service stations, optimized their layout, and enhanced the service capability of the "Jinsui Huinongtong Project", with the coverage rate of Huinongtong service stations in townships reaching 94.8%. We actively held the outreach competition "Rural Revitalization: Hundreds of Teams Strive to be the First" in County Areas. We organized 85.5 thousand members of 18 thousand service vanguards to go to villages and households to provide financial services. We innovated the featured scenarios of rural revitalization channel of the mobile banking, and enhanced the promotion of the "Rural Version" mobile banking. At the end of June 2023, we had over 30.00 million monthly active users (MAU) of the "Rural Version" mobile banking.

Financial Services for Rural Revitalization

During the reporting period, we earnestly implemented the central government's decisions and plans on Sannong, insisted on making rural revitalization and common prosperity services a top priority of our work, and increased operating resources to County Areas and rural areas, so as to continuously enhance the quality and efficiency of financial services for rural revitalization.

- We carried forward the services for the consolidation and expansion of the achievements in poverty alleviation smoothly. We implemented the program of financial services for the consolidation and expansion of the achievements in poverty alleviation, with priority given to three key areas, namely 160 key counties receiving assistance for rural revitalization, 832 counties lifted out of poverty and centralized resettlement sites for relocation, and continuously increased efforts in financial services. At the end of June 2023, the balance of loans in 832 counties lifted out of poverty was RMB1.92 trillion, representing an increase of 13.6% as compared to the end of the previous year; the balance of loans to key national counties receiving assistance in pursuing rural revitalization was RMB364.6 billion, representing an increase of 15.8% as compared to the end of the previous year.

- We continued to strengthen financial services in key fields in rural revitalization. We deeply implemented the work plan for rural revitalization during the 14th Five-Year Plan period, increased support for key areas of rural revitalization, and performed specialized financial service campaigns for food security, the industries which will enrich the people in rural areas, the construction of a beautiful and harmonious countryside, low-carbon development in agriculture and rural areas, urban-rural integration in County Areas and so on. At the end of June 2023, the balance of loans in the key areas of grain[1], rural industries and rural construction were RMB272.4 billion, RMB1.81 trillion and RMB1.84 trillion, respectively.

- We achieved great achievements in Sannong product innovation. We released the advice on Sannong financial products innovation for 2023 to specify the focus of innovation for the Sannong products and the policy for authorization of product innovation. We launched innovative products such as credit business for tourist homestays, pledge loans for new plant varieties, and loans for rural revitalization talents to continuously improve the product system for serving rural revitalization.

- We intensified efforts in the construction of digital village project. We carried out the construction of digital rural cloud platform, actively pushed forward the iteration and optimization of the functions of the scenarios such as the management platform of "rural collective capitals, resources and assets", smart animal husbandry, ABC e-Customer Referral and rural governance, and stepped up our efforts to promote the services for featured agriculture-related scenarios. As of the end of June 2023, 1,754 counties (districts) were contracted to the management platform for "rural collective capitals, resources and assets", and 1,537 counties (districts) launched this platform.

Rural Banks

ABC Hubei Hanchuan Rural Bank Limited Liability Company

ABC Hubei Hanchuan Rural Bank Limited Liability Company was established in August 2008 in Hanchuan, Hubei Province, with a registered capital of RMB31.00 million, 50% of which was held by the Bank. As of 30 June 2023, the total assets and net assets of ABC Hubei Hanchuan Rural Bank Limited Liability Company amounted to RMB0.42 billion and RMB66 million, respectively. It recorded a net profit of RMB302.9 thousand in the first half of 2023.

ABC Hexigten Rural Bank Limited Liability Company

ABC Hexigten Rural Bank Limited Liability Company was established in August 2008 in Hexigten Banner, Chifeng City, Inner Mongolia Autonomous Region, with a registered capital of RMB19.60 million, 51.02% of which was held by the Bank. As of 30 June 2023, the total assets and net assets of ABC Hexigten Rural Bank Limited Liability Company amounted to RMB256 million and RMB46 million, respectively. It recorded a net profit of RMB1,360.3 thousand in the first half of 2023.

ABC Ansai Rural Bank Limited Liability Company

ABC Ansai Rural Bank Limited Liability Company was established in March 2010 in Ansai District, Yan'an City, Shaanxi Province, with a registered capital of RMB40.00 million, 51% of which was held by the Bank. As of 30 June 2023, the total assets and net assets of ABC Ansai Rural Bank Limited Liability Company amounted to RMB513 million and RMB58 million, respectively. It recorded a net profit of RMB279.4 thousand in the first half of 2023.

ABC Jixi Rural Bank Limited Liability Company

ABC Jixi Rural Bank Limited Liability Company was established in May 2010 in Jixi County, Xuancheng City, Anhui Province, with a registered capital of RMB29.40 million, 51.02% of which was held by the Bank. As of 30 June 2023, the total assets and net assets of ABC Jixi Rural Bank Limited Liability Company amounted to RMB411 million and RMB43 million, respectively. It recorded a net profit of RMB59.3 thousand in the first half of 2023.

1 *The relevant data was adjusted in accordance with the provisions of the Notice of National Administration of Financial Regulation for Effectively Carrying out the Key Work of Comprehensively Promoting Rural Revitalization in 2023 by the Banking and Insurance Industries.*

ABC Zhejiang Yongkang Rural Bank Limited Liability Company

ABC Zhejiang Yongkang Rural Bank Limited Liability Company was established in April 2012 in Yongkang City, Jinhua City, Zhejiang Province, with a registered capital of RMB0.21 billion, 51% of which was held by the Bank. As of 30 June 2023, the total assets and net assets of ABC Zhejiang Yongkang Rural Bank Limited Liability Company amounted to RMB754 million and RMB281 million, respectively. It recorded a net profit of RMB4,485.0 thousand in the first half of 2023.

ABC Xiamen Tong'an Rural Bank Limited Liability Company

ABC Xiamen Tong'an Rural Bank Limited Liability Company was established in May 2012 in Tong'an District, Xiamen City, Fujian Province, with a registered capital of RMB0.15 billion, 51% of which was held by the Bank. As of 30 June 2023, the total assets and net assets of ABC Xiamen Tong'an Rural Bank Limited Liability Company amounted to RMB1,001 million and RMB192 million, respectively. It recorded a net profit of RMB885 thousand in the first half of 2023.

Financial Position

Major Items of Assets and Liabilities of the County Area Banking Business

In millions of RMB, except for percentages

Item	30 June 2023 Amount	30 June 2023 Percentage (%)	31 December 2022 Amount	31 December 2022 Percentage (%)
Total loans and advances to customers	**8,347,518**	**–**	7,328,336	–
Allowance for impairment losses on loans	**(367,881)**	**–**	(324,962)	–
Loans and advances to customers, net	**7,979,637**	**60.0**	7,003,374	58.3
Intra-bank balance[1]	**4,182,438**	**31.4**	3,916,097	32.6
Other assets	**1,145,281**	**8.6**	1,084,438	9.1
Total assets	**13,307,356**	**100.0**	12,003,909	100.0
Deposits from customers	**11,992,622**	**97.1**	10,797,714	97.3
Other liabilities	**352,322**	**2.9**	295,986	2.7
Total liabilities	**12,344,944**	**100.0**	11,093,700	100.0

Note: 1. Intra-bank balance refers to funds provided by the County Area Banking Business to other business segments within the Bank through internal funds transfers.

Major Income Statement Items of the County Area Banking Business

In millions of RMB, except for percentages

	Six months ended 30 June 2023	Six months ended 30 June 2022	Increase/ (decrease)	Growth rate (%)
External interest income	**156,321**	143,534	12,787	8.9
Less: External interest expense	**95,345**	79,620	15,725	19.8
Interest income from intra-bank balance[1]	**95,344**	75,654	19,690	26.0
Net interest income	**156,320**	139,568	16,752	12.0
Net fee and commission income	**20,863**	19,375	1,488	7.7
Other non-interest income	**2,151**	968	1,183	122.2
Operating income	**179,334**	159,911	19,423	12.1
Less: Operating expenses	**48,719**	45,736	2,983	6.5
Credit impairment losses	**42,282**	38,459	3,823	9.9
Impairment losses on other assets	**7**	2	5	250.0
Total profit before tax	**88,326**	75,714	12,612	16.7

Note: 1. Interest income from intra-bank balance represents the interest income earned on funds provided by the County Area Banking Business to other business segments within the Bank through internal funds transfer pricing, the interest rate of which is determined based on the market interest rate.

Major Financial Indicators of the County Area Banking Business

Unit: %

Item	Six months ended 30 June 2023	Six months ended 30 June 2022
Average yield of loans	**3.99***	4.38*
Average cost of deposits	**1.65***	1.62*
Net fee and commission income to operating income	**11.63**	12.12
Cost-to-income ratio	**26.45**	27.87

Item	30 June 2023	31 December 2022
Loan-to-deposit ratio	**69.61**	67.87
Non-performing loan ratio	**1.27**	1.27
Allowance to non-performing loans	**355.15**	364.99
Allowance to loan ratio	**4.53**	4.65

* *Annualized figures.*

Risk Management

In the first half of 2023, faced with complex and grim internal and external situations, the Bank continuously improved the comprehensive risk management system, balanced development and safety, and strictly adhered to the risk compliance bottom line. We updated the Group's risk appetite and comprehensive risk management strategies, established an early warning mechanism for appetite indicators and enhanced the proactive risk management. We enhanced the credit risk management in key areas, and strengthened the disposal of non-performing loans, maintaining the stability of our asset quality. We solidly promoted the construction of the market risk management and control platform and strengthened market risk penetration monitoring and forward-looking prevention and control so that financial market business operated smoothly. We strengthened the prevention and control of operational risk and built a strong compliance foundation for prevention and control of cases of violations continuously.

Credit Risk

In the first half of 2023, we implemented the national macro-control policies, improved the credit risk management system, strengthened the risk prevention and control in key areas, and diversified the channels for collection and disposal of non-performing loans, thus maintaining our assets quality stable.

Risk Management of Corporate Banking Business

We refined the credit policy system. We formulated comprehensive policies such as the annual credit policy guideline, Sannong and inclusive finance credit policy guidelines. We further enhanced the coverage and granularity of industry policies, strengthened research in the areas, such as intelligent manufacturing, digital economy, strategic emerging industries, and the upgrading and transformation of traditional industries. We introduced differentiated regional credit policies to promote sophisticated management of credit business. We continuously provided financial services for the supply-side structural reform of industries with "high energy consumption and high pollution" and overcapacity, with improved level of differentiated and refined management.

We strengthened credit risk management in key areas. Adhering to the principle that "housing is for living in and not for speculation", we implemented the requirements of real estate financial policies and satisfied the reasonable financing needs of the real estate market. We launched a bank-wide real estate customer risk screening and project risk inspection, and strengthened the whole process management of real estate business. We actively implemented the regulatory policy of "ensuring that overdue housing projects were completed and delivered" and cooperated with local governments in providing financial services for "ensuring that overdue housing projects were completed and delivered" to advance the stable and sound development of the real estate market. We strengthened risk prevention and control in credit business related to local governments, strictly conducted business in accordance with regulatory requirements, enhanced management of the usage of new loans in conformity with their purpose, continuously strengthened risk monitoring and screening, and actively cooperated with local governments to resolve existing business risks by comprehensively adopting measures such as extension, restructuring and substitution to prevent the occurrence of regional and systemic financial risks. Depending on the digital risk control platform, we developed and optimized the Group's customer credit risk identification model and early warning model, organized on-site risk verification, and implemented risk disposal, and actively and steadily promoted the risk mitigation of customers with large exposure. We continuously reinforced the unified credit granting management of small and micro enterprises and their owners, and improved the model for identifying high-risk customers of small and micro enterprises, and a regular identification and disposal mechanism.

We strengthened the disposal of non-performing loans. We adhered to independent collection, increased cash recovery efforts for non-performing loans, solidly promoted the write-off of bad debts, actively performed restructuring of non-performing loans, strengthened the disposal of projects in large-amount and improved the disposal management mechanism to continuously improve disposal effectiveness.

Risk Management of Retail Banking Business

We continuously optimized business processes, enriched monitoring models, broadened the disposal channels, provided proper financial relief, and further enhanced the quality of retail loans assets and the level of refinement of retail loan risk management. We consolidated the structure of the centralized operation center for retail loans, improved the retail loan policy system to ensure the efficient operation of the business. We optimized risk early warning models, intensified risk clues disposal and improved risk identification accuracy. We broadened and optimized the disposal channels for non-performing loans, launched collection and write-off in an orderly manner, and promoted the risk resolution for non-performing loans in a diversified manner. We actively provided financial relief support with better humanistic care. During the reporting period, both non-performing loans and non-performing loan ratio of residential mortgage loans decreased, with the quality of retail loans maintaining stable.

Risk Management of Credit Card Business

Adhering to a prudent risk appetite, we promoted the iterative updates of the credit card smart risk control system. At the pre-loan stage, we strengthened customer classification, identification and differentiated management to further improve the customer structure and solidify the foundation of customers with high-quality. At the loan-processing stage, we strengthened the comprehensive risk monitoring and early identification of risks to further manage and control the exposures of risk and reduce risk exposure. At the post-disbursement stage, we strengthened asset quality management, further enhanced the effectiveness of collection and disposal, and increased the efficiency of write-offs and asset securitization, with the quality of credit card assets leading the industry continuously.

Risk Management of Treasury Business

We refined the risk management procedures, measures and operation rules for treasury business, optimized the whole-process risk management mechanism, and refined the pre-, in-progress and post-investment management of credit bonds. We constantly monitored the risk profiles of credit customers and counterparties in relation to our existing treasury business, and dynamically adjusted the measures to address risks. We promoted the construction of the phase III of the global platform project, improved the Group-level integration of investment and research of treasury business, and optimized the mechanism of monitoring, reporting and information sharing.

Loan Risk Classification

We formulated the loan risk classification management procedures in accordance with the *Guidelines on Risk-Based Loan Classification* issued by the NAFR. During the reporting period, we carried out the loan risk classification management in accordance with the above-mentioned procedures. We assessed the possibility of repayment of loans when due and classified the loans by comprehensively taking into account of factors including the borrower's repayment ability, repayment record, repayment willingness, profitability of the loan project, and the reliability of secondary repayment sources. We adopted two classification management procedures for loans, being the five-category classification system and the 12-category classification system. Corporate loans were mainly managed with the 12-category classification system. We conducted comprehensive evaluations on customer default risk and debt transaction risk to objectively reflect the risk level of loans. The evaluations were made with more details in formulating the annual classification policies at the beginning of every year to specify the classification standards and management requirements of loans to key corporate customers, thus improving the foreseeability and sensitivity of risk identification. Retail loans were managed with the five-category classification system which automatically classified risks mainly based on the overdue period of principal or interest of loans and the types of collaterals to strengthen the objectivity of risk assessment. Large retail loans to private businesses were classified manually on a quarterly basis to enhance risk sensitivity. In addition, the classification was timely adjusted based on the risk signals collected in the credit management to reflect loan quality objectively.

We formulated the risk classification management procedures in accordance with the Rules on *Risk Classification of Financial Assets of Commercial Banks*, and carried out the new risk classification procedures regarding new businesses incurred since 1 July 2023.

Credit Risk Analysis

Distribution of Loans by Collaterals

In millions of RMB, except for percentages

Item	30 June 2023 Amount	30 June 2023 Percentage (%)	31 December 2022 Amount	31 December 2022 Percentage (%)
Loans secured by mortgages	**8,505,984**	**39.1**	8,299,082	42.1
Loans secured by pledges	**2,475,311**	**11.4**	2,268,833	11.5
Guaranteed loans	**2,794,204**	**12.9**	2,290,351	11.6
Unsecured loans	**7,966,521**	**36.6**	6,862,641	34.8
Sub-Total	**21,742,020**	**100.0**	19,720,907	100.0
Accrued interest	**49,885**	**–**	42,920	–
Total	**21,791,905**	**–**	19,763,827	–

Distribution of Overdue Loans by Overdue Period

In millions of RMB, except for percentages

Item	30 June 2023 Amount	30 June 2023 Percentage of total loans (%)	31 December 2022 Amount	31 December 2022 Percentage of total loans (%)
Overdue for less than 90 days (including 90 days)	**87,744**	**0.40**	103,332	0.52
Overdue for 91 days to 360 days (including 360 days)	**72,333**	**0.33**	54,504	0.28
Overdue for 361 days to 3 years (including 3 years)	**44,694**	**0.21**	42,584	0.22
Overdue for over 3 years	**9,987**	**0.05**	12,419	0.06
Total	**214,758**	**0.99**	212,839	1.08

Loan Concentration

In millions of RMB, except for percentages

Top ten single borrowers	Industry	Amount	Percentage of total loans (%)
Borrower A	Transportation, storage and postal services	78,346	0.36
Borrower B	Transportation, storage and postal services	52,215	0.24
Borrower C	Production and supply of electricity, heating, gas and water	48,500	0.22
Borrower D	Transportation, storage and postal services	48,205	0.22
Borrower E	Production and supply of electricity, heating, gas and water	46,594	0.21
Borrower F	Transportation, storage and postal services	40,708	0.19
Borrower G	Transportation, storage and postal services	38,096	0.18
Borrower H	Transportation, storage and postal services	32,444	0.15
Borrower I	Transportation, storage and postal services	29,704	0.14
Borrower J	Transportation, storage and postal services	27,940	0.13
Total		**442,752**	**2.04**

As of 30 June 2023, we fulfilled the regulatory requirements as total loans to our largest single borrower represented 2.22% of our net capital and total loans to our top ten single borrowers represented 12.53% of our net capital.

Large Exposures

During the reporting period, pursuant to the *Administrative Measures for Large Exposures of Commercial Banks* and other relevant regulatory requirements, we continuously improved the organizational structure and system for large exposures management, consolidated the data basis, optimized the measurement process, upgraded system functions, carried out the measurement, monitoring and system optimization of large exposures in an orderly manner, strictly implemented all the regulatory indicators, submitted regulatory statements and management reports on schedule, and continuously improved our capability to measure and manage large exposures.

Distribution of Loans by Five-category Classification

In millions of RMB, except for percentages

	30 June 2023		31 December 2022	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Normal	**21,134,474**	**97.21**	19,162,046	97.17
Special mention	**313,159**	**1.44**	287,799	1.46
Non-performing loans	**294,387**	**1.35**	271,062	1.37
Substandard	**142,998**	**0.66**	122,688	0.62
Doubtful	**126,898**	**0.58**	131,072	0.66
Loss	**24,491**	**0.11**	17,302	0.09
Sub-Total	**21,742,020**	**100.00**	19,720,907	100.00
Accrued interest	**49,885**	**–**	42,920	–
Total	**21,791,905**	**–**	19,763,827	–

As of 30 June 2023, the balance of our non-performing loans was RMB294,387 million, representing an increase of RMB23,325 million as compared to the end of the previous year; and the non-performing loan ratio decreased by 0.02 percentage point to 1.35% as compared to the end of the previous year. The balance of special mention loans was RMB313,159 million, representing an increase of RMB25,360 million as compared to the end of the previous year; and special mention loans accounted for 1.44% of the total loans, representing a decrease of 0.02 percentage point as compared to the end of the previous year.

In the first half of 2023, in line with the general guideline of "maintaining overall stability, ensuring coordination, implementing category-based policies and defusing risks through targeted efforts", we focused on key areas, strengthened precise identification, prevented and mitigated risks, improved the digital risk management and control capacity, cemented the foundation of credit management, strengthened the disposal of non-performing loans, sticked to the credit risk limitation firmly and endeavored to maintain credit assets quality basically stable.

Distribution of Non-Performing Loans by Business Type

In millions of RMB, except for percentages

Item	30 June 2023			31 December 2022		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Corporate loans	**233,511**	**79.3**	**1.86**	215,078	79.4	2.00
Short-term corporate loans	**77,719**	**26.4**	**2.21**	80,187	29.6	2.61
Medium- and long-term corporate loans	**155,792**	**52.9**	**1.72**	134,891	49.8	1.76
Discounted bills	**–**	**–**	**–**	–	–	–
Retail loans	**52,881**	**18.0**	**0.66**	49,048	18.0	0.65
Residential mortgage loans	**26,711**	**9.1**	**0.50**	27,258	10.0	0.51
Credit card balances	**10,542**	**3.6**	**1.60**	7,948	2.9	1.23
Personal consumption loans	**2,592**	**0.9**	**0.99**	2,428	0.9	1.25
Loans to private business	**3,957**	**1.3**	**0.57**	3,769	1.4	0.65
Loans to rural households	**9,058**	**3.1**	**0.87**	7,624	2.8	0.98
Others	**21**	**–**	**10.77**	21	–	9.38
Overseas and others	**7,995**	**2.7**	**1.77**	6,936	2.6	1.62
Total	**294,387**	**100.0**	**1.35**	271,062	100.0	1.37

Distribution of Corporate Non-Performing Loans by Industry

In millions of RMB, except for percentages

Item	30 June 2023			31 December 2022		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Manufacturing	**50,688**	**21.7**	**2.22**	46,618	21.7	2.59
Production and supply of electricity, heating, gas and water	**9,294**	**4.0**	**0.70**	8,190	3.8	0.72
Real estate	**51,686**	**22.0**	**5.79**	46,039	21.4	5.48
Transportation, storage and postal services	**15,580**	**6.7**	**0.61**	18,299	8.5	0.79
Wholesale and retail	**19,042**	**8.2**	**2.49**	18,709	8.7	3.05
Water, environment and public utilities management	**16,270**	**7.0**	**1.49**	9,332	4.3	1.07
Construction	**9,197**	**3.9**	**1.79**	8,387	3.9	2.43
Mining	**10,861**	**4.7**	**4.32**	13,568	6.3	6.78
Leasing and commercial services	**35,388**	**15.2**	**1.72**	31,588	14.7	1.80
Finance	**295**	**0.1**	**0.12**	299	0.1	0.08
Information transmission, software and IT services	**3,320**	**1.4**	**3.37**	3,785	1.8	5.22
Others	**11,890**	**5.1**	**2.44**	10,264	4.8	2.43
Total	**233,511**	**100.0**	**1.86**	215,078	100.0	2.00

Distribution of Non-Performing Loans by Geographic Region

In millions of RMB, except for percentages

Item	30 June 2023			31 December 2022		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Head Office	**1,200**	**0.4**	**0.28**	1,200	0.4	0.20
Yangtze River Delta	**35,923**	**12.2**	**0.67**	30,913	11.4	0.65
Pearl River Delta	**38,031**	**12.9**	**1.05**	34,503	12.7	1.07
Bohai Rim	**59,529**	**20.2**	**1.96**	56,958	21.0	2.07
Central Region	**48,485**	**16.5**	**1.39**	47,178	17.4	1.53
Northeastern Region	**15,374**	**5.2**	**2.24**	14,214	5.2	2.24
Western Region	**87,850**	**29.9**	**1.87**	79,160	29.3	1.86
Overseas and others	**7,995**	**2.7**	**1.77**	6,936	2.6	1.62
Total	**294,387**	**100.0**	**1.35**	271,062	100.0	1.37

Changes in the Allowance for Impairment Losses on Loans

In millions of RMB

Item	Six months ended 30 June 2023			
	Stage I	Stage II	Stage III	Total
	12 months expected credit losses	Lifetime expected credit losses		
1 January 2023	**575,164**	**80,844**	**164,220**	**820,228**
Transfer[1]				
Stage I to stage II	**(12,681)**	**12,681**	**–**	**–**
Stage II to stage III	**–**	**(26,393)**	**26,393**	**–**
Stage II to stage I	**18,302**	**(18,302)**	**–**	**–**
Stage III to stage II	**–**	**7,936**	**(7,936)**	**–**
Originated or purchased financial assets	**167,784**	**–**	**–**	**167,784**
Remeasurement	**(36,878)**	**41,272**	**33,211**	**37,605**
Repayment and transfer-out of normal loans and special mention loans	**(72,836)**	**(10,658)**	**–**	**(83,494)**
Repayment and transfer-out of non-performing loans	**–**	**–**	**(20,985)**	**(20,985)**
Write-offs	**–**	**–**	**(24,224)**	**(24,224)**
30 June 2023	**638,855**	**87,380**	**170,679**	**896,914**

Notes: 1. For details of the three-stage impairment model, please refer to "Note 21 Loans and advances to customers to the Condensed Consolidated Interim Financial Statements".

2. The table includes the allowance for impairment losses on loans measured at fair value through other comprehensive income.

Market Risk

In the first half of 2023, we formulated the risk management strategies for financial market business, optimized the market risk management requirements and entry standards for trading and investment business of the Bank, and reasonably adjusted the market risk management limits. We solidly promoted the establishment of the market risk management and control platform, improved the intelligence level of the market risk management system, optimized market risk measurement models and systems, and further improved the function of market risk capital requirement measurement. We conducted stress tests for market-related business and proactively prevented extreme market changes from affecting our financial market business.

Our market risk exposure limits are classified into directive limits and indicative limits. We classified all of the on- and off-balance sheet assets and liabilities into either the trading book or the banking book. The trading book includes the financial instruments and commodities positions held for trading or hedging against the risk of other items in the trading book. Any other positions are classified into the banking book.

Market Risk Management for Trading Book

We managed the market risk of the trading book through various approaches such as Value at Risk (VaR), exposure limit management, sensitivity analysis, duration analysis, exposure analysis and stress testing. We adopted a historical simulation method with a confidence interval of 99% based on a holding period for one day and historical data for 250 days to measure the VaR for the trading book of the Head Office and domestic and overseas branches of the Bank.

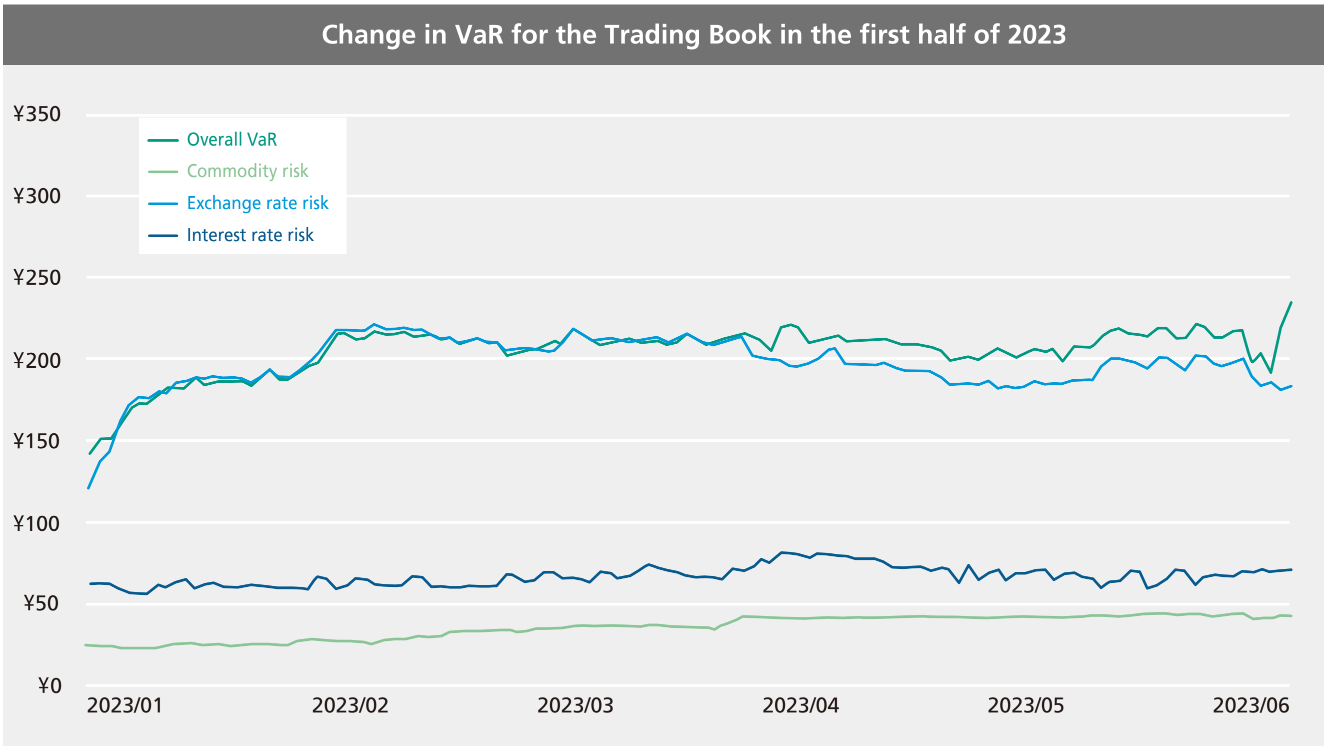
VaR Analysis for the Trading Book

In millions of RMB

	Six months ended 30 June 2023				Six months ended 30 June 2022			
Item	At the end of the period	Average	Maximum	Minimum	At the end of the period	Average	Maximum	Minimum
Interest rate risk	66	64	78	54	39	40	61	29
Exchange rate risk[1]	178	194	219	120	24	62	179	11
Commodity risk	37	32	39	21	27	39	60	27
Overall VaR	229	201	229	142	62	86	174	55

Note: 1. According to the Capital Rules for Commercial Banks (Provisional), VaR relating to gold was reflected in exchange rate risk.

In millions of RMB



During the reporting period, the average scale of bond portfolio increased slightly as compared to the same period of the previous year, and the VaR of interest rate risk was higher than that of the same period of the previous year; the average exposure of gold portfolio increased significantly and the VaR of exchange rate risk was higher than that of the same period of the previous year; the average net exposure of silver portfolio was lower than that of the same period of the previous year and the average VaR of commodity risk decreased slightly.

Market Risk Management for Banking Book

The Bank managed market risk of the banking book through comprehensive use of technical measures such as exposure limit management, stress testing, scenario analysis and gap analysis.

Interest Rate Risk Management

During the reporting period, we paid close attention to the domestic and international macroeconomic situation and the trend of market interest rates, implemented the prudential risk management strategy for the interest rate risk of the banking book, and strengthened the deployment of the term structure and duration management of assets and liabilities to keep interest rate risk exposure at a reasonable level. We improved the internal and external pricing mechanism and the level of volume and price coordination to promote the high-quality and sustainable development of the business. We coordinated domestic and overseas asset and liability management strategies, strengthened monitoring, evaluating and tools building of overseas institutions' interest rate risk, guided overseas institutions to reasonably control the degree of asset and liability mismatch, and strove to improve the proactivity and foresight of risk management. We constantly optimized the interest rate risk management systems and models, and refined the interest rate risk management. During the reporting period, all the interest rate risk indicators of the Bank were controlled within the scope of regulatory requirements and management objectives, and our interest rate risk of the banking book remained overall controllable, as shown by the stress test results.

Interest Rate Risk Analysis

As of 30 June 2023, the accumulative negative gap with interest rate sensitivity due within one year of the Bank amounted to RMB179,120 million, representing a decrease of RMB435,186 million in absolute terms as compared to the end of the previous year.

Interest Rate Risk Gap

In millions of RMB

	Within 1 month	1–3 months	3–12 months	Sub-Total of 1 year and below	1–5 years	Over 5 years	Non-interest earning
30 June 2023	**(8,428,541)**	**1,429,882**	**6,819,539**	**(179,120)**	**(2,914,690)**	**5,472,575**	**211,152**
31 December 2022	(7,916,861)	1,130,785	6,171,770	(614,306)	(1,855,309)	4,896,869	99,569

Note: Please refer to "Note 47.3 Market Risk to the Financial Risk Management to the Condensed Consolidated Interim Financial Statements" for more details.

Interest Rate Sensitivity Analysis

In millions of RMB

	30 June 2023		31 December 2022	
Movements in interest rate	**Movements in net interest income**	**Movements in other comprehensive income**	Movements in net interest income	Movements in other comprehensive income
Increased by 100 basis points	**(43,285)**	**(62,752)**	(43,303)	(59,146)
Decreased by 100 basis points	**43,285**	**62,752**	43,303	59,146

The interest rate sensitivity analysis above indicates the movements within the next 12 months in net interest income and other comprehensive income under various interest rate conditions, assuming that there is a parallel shift in the interest rate of all maturities and without taking into account any risk management measures probably adopted by the management to reduce interest rate risk.

Based on the composition of the assets and liabilities on 30 June 2023, if the interest rates instantaneously increase (or decrease) by 100 basis points, the net interest income and other comprehensive income of the Bank would decrease (or increase) by RMB43,285 million and RMB62,752 million, respectively.

Exchange Rate Risk Management

In the first half of 2023, the Bank regularly performed the foreign exchange risk exposure monitoring, exchange rate sensitivity analysis and stress testing, and continuously refined the exchange rate risk measurement. We also flexibly adjusted the trading exchange rate risk exposure, and maintained the stable exposure in the non-trading exchange rate risk. Exchange rate risk exposure of the Bank was controlled within a reasonable range.

The Bank's exchange rate risk is mainly the exposure risk arising from the exchange rate of USD against RMB. In the first half of 2023, the mid-point rate of RMB against USD depreciated accumulatively by 2,612 basis points or 3.6%. As of 30 June 2023, the net foreign exchange exposure of on- and off-balance sheet financial assets/liabilities of the Bank was USD8,224 million.

Foreign Exchange Exposure

In millions of RMB (USD)

	30 June 2023		31 December 2022	
	RMB	**USD equivalent**	RMB	USD equivalent
Net foreign exchange exposure of on-balance sheet financial assets/liabilities	**40,966**	**5,669**	58,843	8,449
Net foreign exchange exposure of off-balance sheet financial assets/liabilities	**18,462**	**2,555**	4,306	618

Note: *Please refer to "Note 47.3 Market Risk to the Financial Risk Management to the Condensed Consolidated Interim Financial Statements" for more details.*

Exchange Rate Sensitivity Analysis

In millions of RMB

Currency	**Increase/decrease in exchange rate of foreign currency against RMB**	**Impact on profit before tax** **30 June 2023**	31 December 2022
USD	+5%	**31**	77
	-5%	**(31)**	(77)
HKD	+5%	**2,007**	1,469
	-5%	**(2,007)**	(1,469)

The non-RMB denominated assets and liabilities of the Bank were primarily denominated in USD and HKD. Based on the exchange rate exposure at the end of the reporting period, the profit before tax of the Bank will increase (or decrease) by RMB31 million if USD appreciates (or depreciates) by 5% against RMB.

Liquidity Risk

Liquidity Risk Management Governance Structure

The liquidity risk management governance structure of the Bank consists of a decision-making system, an execution system and a supervision system, among which, the decision-making system comprises the Board of Directors and its Risk Management and Consumers' Interests Protection Committee and the senior management; the execution system includes our liquidity management departments, asset and liability business management departments and information and technology departments; and the supervision system comprises the Board of Supervisors, the Audit Office, the Internal Control and Compliance Supervision Department and the Legal Affairs Department. The aforesaid systems perform their respective decision-making, execution and supervision functions based on the division of responsibility.

Liquidity Risk Management Strategy and Policy

We adhered to a prudent liquidity management strategy. We formulated our liquidity risk management policy pursuant to the regulatory requirements, external macroeconomic environment and our business development. We effectively maintained balance among liquidity, security and profitability, on condition of the guaranteed security of liquidity.

Liquidity Risk Management Objectives

The objectives of our liquidity risk management were to effectively identify, measure, monitor and report liquidity risk by establishing a scientific and refined liquidity risk management system, to promptly fulfill the liquidity needs of assets, liabilities and off-balance sheet businesses and perform the external payment obligations under normal business environment or under operational pressure, and to effectively balance both capital efficiency and security of liquidity while preventing the overall liquidity risk of the Group.

Liquidity Risk Management Method

We paid close attention to changes in external economic and financial situations, monetary policies and market liquidity, continued to monitor our bank-wide liquidity condition so as to anticipate the change trends. We strengthened the asset-liability matching management to mitigate risks related to mismatch of maturity. We secured the sources of core deposits and facilitated the use of proactive liabilities instruments to keep our financing channels smooth in the market. We improved the liquidity management mechanism through strengthening the monitoring, early warning, and overall allocation of liquidity position. With a moderate reserve level, we satisfied various payment demands. In addition, we optimized and refined the functions of the liquidity management system to improve our electronic management.

Stress Testing Situation

Based on the market condition and operation practice, we set liquidity risk stress testing scenarios fully considering various risk factors which may affect the liquidity. We conducted stress testing quarterly. According to the testing results, under the prescribed stress scenarios, we have passed all the shortest survival period tests as required by regulatory authorities.

Main Factors Affecting Liquidity Risk

In the first half of 2023, the internal and external situations in liquidity management faced by the Bank were complicated. The monetary policies in major developed economies were tightened, and volatility in international financial market increased. Domestic economic performance was generally on the upswing, but the foundation for constant economic recovery was not yet solid. The volatility of our liabilities increased, and the growth of long-term assets brought certain pressure on the maturity mismatch management and structural optimization of assets and liabilities, making it more difficult to balance liquidity, security and profitability.

Liquidity Risk Analysis

During the reporting period, we managed cash flows brought by maturing fund properly and the overall liquidity was sufficient, secured and under control. As of the end of June 2023, we fulfilled the regulatory requirements with liquidity ratios for RMB and foreign currency of 69.45% and 172.93%, respectively. The average of the liquidity coverage ratio over the second quarter in 2023 increased by 2 percentage points to 126.5% as compared to the previous quarter. As of the end of June 2023, the net stable funding ratio was 128.8%, decreasing by 1.1 percentage points as compared to the previous quarter with available stable funding of a weighted value of RMB26,206.9 billion and the required stable funding of a weighted value of RMB20,351.2 billion.

Liquidity Gap Analysis

The table below presents the Bank's net position of liquidity as at the dates indicated.

In millions of RMB

	Past due	On demand	Within 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
30 June 2023	**31,871**	**(15,889,810)**	**2,022,336**	**(641,337)**	**(663,855)**	**463,054**	**14,667,200**	**2,600,458**	**2,589,917**
31 December 2022	28,091	(14,851,039)	1,055,697	(851,028)	158,761	1,119,113	13,429,147	2,438,081	2,526,823

Note: Please refer to "Note 47.2 Liquidity Risk to the Financial Risk Management to the Condensed Consolidated Interim Financial Statements" for more details.

For details of liquidity coverage ratio and net stable funding ratio of the Bank, please refer to "Appendix II Liquidity Coverage Ratio Information" and "Appendix III Net Stable Funding Ratio Information", respectively.

Operational Risk

In the first half of 2023, as a response to the changes in internal and external conditions, we prudently determined operational risk appetite and adjusted specific management strategies. We continued to promote the upgrading of the operational risk management system and continuously optimized the operational risk management tools. We comprehensively assessed the operational risk situations and strengthened the reporting and analysis of operational risk events. We enhanced the management of sub-category risks, with a focus on managing IT risks, model risks, and business continuity. We improved the comprehensive prevention and control system for cases of violation, delved into case reviews and deconstructions, and persistently prevented and controlled risk of case violations in key areas. We steadily advanced legal risk and outsourcing risk management. We intensified assessments of operational risk management, carried out evaluations and confirmations of operational risk events, and promoted management improvements and accountability.

Legal Risk

In the first half of 2023, we continued to deepen the construction of Agricultural Bank of China under the rule of law to further promote law-based governance. We strengthened legal support for financial services for areas such as major infrastructure financing projects, inclusive small and micro businesses, rural revitalization, Green Finance, and "ensuring that overdue housing projects were completed and delivered to guarantee people's basic living needs and stability", strengthened the legal protection of intellectual property rights, and continued to deepen the legal efforts for personal information protection, to ensure that business operations were carried out in accordance with the law. We made best efforts to "bring all legal actions so long as they meet the threshold for standing", drove the establishment of the diversified dispute resolution mechanism, and gave full play to the role of law in collection. We prudently dissolved legal risk of major and sensitive cases and continuously promoted the resolution of long-pending cases to safeguard the lawful rights and interests of the Bank. We improved the legal risk management mechanism and realized closed-loop legal risk management. While strengthening legal risk management in comprehensive and international operations, we improved our ability of legal risk management for the Group. We deeply worked on popularizing law and law-based governance, enhanced the awareness and ability to operate in accordance with law, drove the digital transformation of legal affairs, and improved the intelligence level of legal risk management.

Reputational Risk

In the first half of 2023, we gave priority to prevention, pushed forward the prevention and control ports, improved the reputational risk pre-assessment mechanism, organized special screening of reputational risk, carried out multi-level and multi-form professional training so as to strive to improve the Group's reputational risk prevention and control level. We monitored and addressed the public sentiment at important time points and of key events, and effectively enhanced the quality and efficiency of reputational risk management.

Country Risk

We managed country risk through tools and approaches such as country risk rating, limit control, exposure monitoring, provision for asset impairment and stress testing. In the first half of 2023, in response to changes in the external situation, we reasonably adjusted the country risk limits, strengthened country risk monitoring, and made sufficient provisions for country risk impairment by taking into account the impact of country risk on asset quality.

Risk Consolidated

In the first half of 2023, we continued to improve the system and mechanism for the risk consolidation management of the Group, and strengthened risk monitoring of subsidiaries to enhance risk management and control capabilities in all aspects. We guided our subsidiaries to revise their respective risk appetite statements and risk management policies for 2023, optimize their indicators for managing risk appetite and risk limits, and identify business strategies and risk management and control priorities. We strengthened risk penetration monitoring for market operations of subsidiaries, expanded the risk monitoring scope for subsidiaries, made more efforts on high-frequency risk monitoring so as to effectively improve the quality and efficiency of risk penetration monitoring.

Capital Management

During the reporting period, we implemented our capital plan for 2022–2024 in accordance with the requirements of the *Administrative Measures for the Capital of Commercial Banks (Provisional)*, fulfilled the restriction and guidance functions of capital on business, continuously enhanced the capacity of internal and external capital replenishment and improved our long-term mechanism of capital management, so that a reasonable and steady level of capital adequacy was maintained and the capacity of serving the real economy was continuously enhanced.

We continued to enhance the construction of internal capital adequacy assessment process (ICAAP), completed the internal capital adequacy assessment for 2023, continuously optimized the ICAAP working mechanism, and strengthened the foundation for capital and risk management. As one of the Global Systemically Important Banks and Domestic Systemically Important Banks, the Bank gradually optimized retest mechanism for the recovery and disposal plan in accordance with regulatory requirements, constantly improved capabilities of risk early warning and crisis management, reduced risk spillover in the crises and strengthened the foundation for financial stability. We strengthened planning and studying to satisfy Total Loss Absorption Capacity (TLAC) requirements, laid a solid foundation for compliance and enhanced our risk resistance capability.

We implemented advanced approaches of capital management and adopted advanced approaches of capital measurement and other approaches in the parallel implementation period to calculate capital adequacy ratio according to the requirements of the NAFR.

Management of Capital Financing

During the reporting period, we improved the capital replenishment system. To replenish capital, we proactively expanded external sources as well as through retained profit. We enhanced the capital strength, optimized the capital structure and reasonably controlled the capital cost.

In March 2023, we issued RMB70 billion of Tier 2 capital bonds in the National Interbank Bond Market of China, and the proceeds were used to replenish our Tier 2 capital.

In April 2023, we redeemed all of the 10-year Tier 2 capital bonds of RMB40 billion issued in April 2018.

In August 2023, we issued RMB40 billion of undated capital bonds in the National Interbank Bond Market of China, and the proceeds were used to replenish our additional Tier 1 capital.

Please refer to our relevant announcements published on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk) for details on the aforesaid bond issuance.

Management of Economic Capital

During the reporting period, we constrained total capital, optimized asset structure and controlled the growth of risk-weighted assets in order to achieve capital-intensive development. We continued to improve the economic capital allocation mechanism, highlighted business strategic objective transmission, continuously improved the refined management of economic capital and increased economic capital allocation in key areas, such as rural revitalization, inclusive finance, manufacturing, private enterprises, green credit, and food security. We strengthened the process management and control of economic capital, improved the efficiency of monitoring economic capital and improved the timeliness and effectiveness of capital management policy transmission.

Capital Adequacy Ratio and Leverage Ratio

For details of our capital adequacy ratio and leverage ratio, please refer to "Appendix I Capital Adequacy Ratio Information" and "Appendix IV Leverage Ratio Information", respectively.

Information on Environmental, Social and Governance

Green Finance

We identified Green Finance as one of our three major strategies. In the first half of 2023, the Bank, following the deployment of peak carbon emissions and carbon neutrality, strengthened the top-level design of Green Finance, organized and held the meeting of Green Finance/Peak Carbon Emissions and Carbon Neutrality Working Committee, issued the key points of Green Finance/peak carbon emissions and carbon neutrality for 2023, and solidly promoted the implementation of the Green Finance strategy. We accelerated the green transformation of investment and financing, optimized the Green Finance policy system, strengthened ESG risk management, and promoted the innovation of green financial products. As a result, the Green Finance business continued a relatively rapid growth, and the brand image of a green bank was further enhanced.

Green Credit

- We increased the supply of green credit. We focused on goals such as low-carbon transformation of energy, industrial restructuring, pollution prevention and control, ecological protection and climate change response. Our financial support was continuously increased in six areas related to clean energy, green upgrading of infrastructure, energy conservation and environmental protection, clean production, ecological environment and green services. As of the end of June 2023, the balance of our green credit was RMB3.62 trillion, representing an increase of 34.4% as compared to the end of the previous year.

- We strengthened policy guidance. We included green and low-carbon requirements in the annual credit policy guideline, Sannong credit policy guideline and inclusive finance credit policy guideline to actively guide the investment in green areas. We promoted the deep integration of green development concept into our industry-specific credit policies, and revised industry-specific credit policies for fertilizers, livestock, pesticides, pharmaceuticals, textiles, etc., facilitating the green transformation and upgrading of traditional industries.

- We issued the *Advice on Sannong Financial Products Innovation for 2023*, gave priority to establishing innovation bases for Sannong products in the national agricultural green development pilot areas, key ecological protection and high-quality development areas and innovated right pledges like forest carbon sink right.

- We actively applied the structural monetary policy tools of PBOC, such as the carbon emission reduction facility, improved the workflow and optimized the policy mechanism to serve the development of green and low-carbon enterprises. As of the end of June 2023, we granted accumulatively over RMB137.4 billion of carbon emission reduction loans, contributing to an annual carbon emission reduction of 32.79 million tons of carbon dioxide equivalent.

Green Investment and Financing

- We continuously increased our investment in green bonds. As of the end of June 2023, the green bonds invested for our own account reached RMB131.17 billion[1], representing an increase of 7.8% as compared to the end of the previous year.

- ABC-CA actively promoted the green transformation and established the ESG review mechanism for core stocks before investment. It continuously improved the product layout and constantly increased investment in green products. As of the end of June 2023, the proportion of green investment in equity investment increased by 4.5 percentage points as compared to the end of the previous year.

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1 *Including the balance of the invested green bonds in non-financial institutions (according to the NAFR) for own account and the balance of the invested green bonds in financial institutions for own account.*

- ABC Financial Leasing, adhering to the business concept of "green leasing", focused on investment in the areas related to clean energy, energy conservation and environmental protection and green transportation, actively innovated the business models, improved the green leasing product system to provide diversified financial leasing services to customers engaged in green industries. As of the end of June 2023, the balance of green leasing assets was RMB60,051 million, representing an increase of 8.9% as compared to the end of the previous year, and the green leasing assets accounted for 67.0% of its total leasing assets, representing an increase of 1.6 percentage points as compared to the end of the previous year.

- ABC Life Insurance participated directly or indirectly in green investment through diversified investment vehicles such as stocks, funds, bonds and infrastructure equity investment plans. In the first half of 2023, new green-related investments amounted to RMB272 million.

- ABC Investment identified green and low-carbon as key areas, and proactively built a brand for green debt-to-equity swap investment. As of the end of June 2023, the balance of green investment for its own account was RMB34.83 billion, representing an increase of 3.8% as compared to the end of the previous year. The green investment generated during the reporting period for its own account was RMB2.64 billion, targeting fields such as construction of new energy power generation facilities, logistics green storage, and treatment and disposal of waste gas.

- ABC Wealth Management steadily promoted the issuance of green wealth management products, constantly intensified the concept of green investment, and continuously increased investment in green bonds. As of the end of June 2023, there were 62 existing ESG-themed products, with the scale amounted to RMB47,806 million.

Green Investment Banking

- We integrated the green concept into all categories of products and services of our investment banking business and were committed to building a leading bank in green investment banking.

- In the first half of 2023, we provided nearly RMB170 billion to enterprises by way of green syndicated loans, green M&A loans, and green bonds, and the funds were invested into areas such as environmental governance, clean energy and transportation.

- We led the underwriting of the first asset-backed debt financing instrument project in carbon neutrality, carbon assets, rural revitalization and old revolutionary base areas, and led the preparation of the first sustainability-linked green syndicated loan for specialized and sophisticated "little giant" enterprises that produce new and unique products in the market.

ESG Risk Management

- We improved the ESG risk management procedures. We issued the ESG risk management measures for the credit business, integrated ESG risk management requirements throughout the business process, specified the identification, assessment, management and control standards, and continued to strengthen the "One-Vote for Veto" management of ESG risks.

- We enhanced the pre- and post-investment management for green bond. Before investing in green bonds, we focused on the green attributes, economic and environmental benefits, fund monitoring and information disclosure of investment projects. We also paid attention to the ESG risk management of issuers. After investing, we continuously tracked and analyzed the environmental benefits of investment targets for improving the quality and efficiency of post-investment management.

- We strengthened quantitative analysis of climate risks. We conducted macro scenario-based stress tests for climate risks, examined the impact of carbon emission prices, energy consumption and other factors on asset quality and capital adequacy levels, and assessed the capability to cope with transition risks.

- We enhanced climate risk management of overseas institutions. We pushed forward overseas branches and subsidiaries such as Hong Kong branch, Singapore branch and New York branch to incorporate climate risk appetite into their risk appetite and management policies to strengthen climate risk management and control.

Promote Our Own Green and Low-carbon Development

- We carried forward the green transformation of branch outlets. We issued the *Guidelines for the Construction of Green Branch Outlets (Provisional)* to promote the construction of green branch outlets.

- We promoted green office practices. We upgraded and optimized the functions of official document system, further promoted paperless offices and encouraged remote inspections and online meetings to enhance the quality and efficiency of the digital and green transformation of operations.

- We encouraged green travel. We updated official vehicle plan of the Head Office to increase the proportion of new energy vehicles. We organized and held over 80 green travel events involving over 90 thousand participating employees.

- We cultivated green culture. We incorporated the Green Finance branding into the *Three-year Brand Renewal Plan (2023–2025)* to guide all branch outlets and employees to adopt green and low-carbon models of production and lifestyles.

Improve the Image of Green Bank

- We attended the Strategic Working Group Meeting of the Global Investors for Sustainable Development (GISD) Alliance of the United Nations and had in-depth communication with international financial institutions on issues such as green and sustainable finance.

- We were awarded the Advanced Institution of Green Bank Evaluation by the China Banking Association; received the platinum award at the ESG Enterprise Awards by *The Asset* of Hong Kong, being the only domestic listed bank to achieve the highest level award; ranked 12th on the China ESG Listed Companies Pioneer 100 list from the China Media Group, ranking first among listed banks; ranked first in the banking industry in the *Southern Weekly* Chinese Corporate Social Responsibility List (2022) and received awards such as the Special Contributions to Chinese Corporate Social Responsibility in 20 Years, ESG Competitiveness Company of the Year, Outstanding Responsibility Company of the Year, and Exemplary Responsibility Company of the Year from the *Southern Weekly*.

During the reporting period, the Bank was not subject to any administrative punishments due to environmental issues.

Human Capital Development

Cultivation and Development of Human Resources

During the reporting period, we strove to cultivate a pool of competent and professional employees, and actively implemented the strategy of leveraging talent to empower the Bank's operations.

- We strengthened talent recruitment and the development of professional talent teams. We actively responded to the national requirement of stabilizing employment by appropriately increasing the recruitment of fresh graduates from universities. We enhanced the construction of talent team in key areas such as rural revitalization, inclusive finance, Green Finance, digital operations, and risk and compliance management, and recruited and allocated more customer managers in an orderly manner. We regularly organized the selection and recruitment of professional talents and further kept talent development channels unimpeded to continuously stimulate the potential of talents in innovation and creation.

- We enhanced the leadership building of the management team. We made a well-coordinated promotion of the Young Talent Project and the "Hundred, Thousand and Ten Thousand" project for outstanding young cadres, optimized the leadership team structure and strengthened echelon construction. We organized training programs such as the "Double Hundred" Cadre Special Training featuring collaboration between east and west branches, Youth Talent Excellence Leadership Training, Young and Middle-aged Cadre Training and Executive Management Training (EMT) to enhance the cultivation and training of outstanding young cadres, aiming to improve their professional qualities and duty performance capabilities.

- We enhanced staff training. We focused on specialized training on subjects like rural revitalization, Green Finance and digital operations, along with training for key talents such as customer managers. In the first half of the year, training was carried out for about 437 thousand employees from various levels and fields throughout the Bank. We promoted the digital and intelligent transformation of training and the systematic construction of training resources, built "smart classrooms" and "smart studios", optimized and upgraded the "ABC E-Learning" (an online learning platform), established a mobile electronic library so as to ensure the supply of high-quality training resources to front-line employees and online platforms.

Caring for Employees

- We continuously proceeded with the "Five Actions" (employee health action, employee growth action, home construction action, employee burden reduction action, employee heartwarming action) of caring for employees in foundation-level institutions. We promoted the construction of Home of Employees facilities by providing and improving facilities in 15 new branch outlets and 1,028 existing branch outlets; set up 2,241 new independent functional areas such as small canteens and small reading rooms, and established 169 new comprehensive functional areas.

- We cared for the physical and mental health of our employees. The coverage of critical illness insurance policies was further expanded, which effectively reduced the economic burden of employees with critical illnesses. Courses on the psychological care platform accumulated nearly 3.20 million views. The online training courses "Yueshu School" for female employees accumulated more than 2.15 million views.

- We provided targeted support and expressed condolences to employees in difficulty. In the first half of 2023, we gave support and offered condolences to 94 thousand person-time in total including advanced model employees, front-line employees of branch outlets, and dispatched and exchanged employees.

- We carried out in-depth investigation and survey to listen to voices from the grassroots. Methods such as on-site inspections, special interviews, and questionnaires were adopted to conduct investigation and survey on employees' care and concerns and 82 thousand valid questionnaires were collected.

Consumers' Interests Protection

In the first half of the year, we continued to improve the full-process management and control mechanism, innovated management methods and improved the refinement and management efficiency of consumers' interests protection, strove to build a pattern of "the bank-wide management of consumers' interests protection, and the bank-wide responsibility for consumers' interests protection", so as to promote high-quality development of consumers' interests protection.

- We solidly promoted the internal implementation of the *Measures for the Administration of Consumers' Interests Protection of Banking and Insurance Institutions*. We improved the work mechanisms, strengthened product and service management, continuously carried out personal information protection, offered multi-level trainings in accordance with the new regulatory regulations to enhance the awareness of all levels of the Bank on consumers' interest protection and their duty performance capabilities.

- We intensified review of products and services for consumers' interests protection. We made consumers' interests protection review for the products and services provided to consumers in order to promptly identify and eliminate potential risks that could harm consumers' interests. We promptly formulated and updated the key points of consumers' interests protection review, unified the review standard, and enhanced the professionalism of review opinions based on changes in laws, regulations and regulatory requirements as well as our accumulated experience in review.

- We promoted rectification of common issues reflected in customer complaints. For common issues frequently complained about or reflected by customers in recent years, we put forward improvement measures in terms of systems, processes, mechanisms and so on to optimize and enhance customer experience.

- We continuously strengthened training for employees on consumers' interests protection. We formulated the financial knowledge publicity and training plan for 2023, and continuously improved employees' awareness of consumers' interests protection and ability to serve customers of the employees through special training, line training, induction training for new employees, and special lectures, etc.

- We deeply promoted the propaganda and popularization of financial knowledge. Focusing on the key areas of consumer concern and the challenging issues that need to be solved, we carried out activities in a multi-channel, multi-level, multi-form and targeted way, such as "3·15" consumers' interests protection education and publicity week, popularizing financial knowledge to protect "wallets" and popularizing financial knowledge for ten thousands of miles. In the first half of 2023, we carried out a total of 59 thousand education and publicity activities, reaching 0.51 billion consumers.

- We firmly promoted the personal information protection. Focusing on contract modification, procedure revision, data security management, system transformation, operational process optimization, credit management, etc., we continued to promote the internal implementation of the *Personal Information Protection Law* across the Bank, and established a pre-event impact assessment mechanism for personal information protection. We carried out graded publicity and training on the *Personal Information Protection Law* and personal information protection risk screening, in order to continuously improve vast employees' compliance awareness and capabilities of personal information protection.

Privacy and Data Security

Privacy Policy

- The Bank's privacy policy adheres to the following principles: the principle of legality, legitimacy, necessity, and integrity, the principle of consistency with rights and responsibilities, the principle of clarity of purpose, the principle of opt-in, the principle of data minimization and necessity, the principle of ensuring security, the principle of subject participation, and the principle of openness and transparency.

- The Bank implements the *Privacy Policy (for Individuals)* and the *Privacy Policy (for Corporates)* (published on the Bank's official website). The privacy policy lists the personal information required to be processed by the core business functions of our main service channels, sets out the rules for our processing and protection of customers' personal information (such as the purpose, method, scope of processing, and protection measures), and presents the rights of customers in the processing of personal information and the way to exercise the relevant rights and so on. Our rules for handling personal information may also be presented to customers through product or service agreements, power of attorney and other means to obtain authorization or consent from customers according to laws. The above documents, together with the privacy policy, constitute the entire privacy policy for the Bank's products and services for customers.

- The Bank continued to update the privacy policy to constantly enrich and improve the ways and procedures for customers to exercise their legitimate rights.

Data Security and Cyber Security Management

- We strengthened the foundation of data security management. We revised the *Data Security Management Measures of Agricultural Bank of China (Provisional)* to improve regulations such as data security management principles, governance structure, grading and classification, management requirements, risk assessment, and related mechanisms. We promoted the data classification and grading, expanded the data security grading system, organized the identification of core data, important data, and sensitive data, and compiled data lists and catalogs.

- We strengthened sensitive data protection in key areas. We upgraded the terminal data leakage prevention system, carried out centralized rectification activities for sensitive data of corporate customers so as to continuously improve the customer information protection. We intensified security management and control for scenarios such as data used outside of the Bank, and further standardized the management and control mechanisms and processes for data entrusted processing, joint processing, and provision to external parties. We standardized data export management, completed the identification of data export business scenarios, steadily promoted regulatory reports and assessment reporting of data export.

- We improved cyber security protection system. We organized and carried out attack and defense drills to improve the practical ability of cyber security. We strengthened the governance of vulnerabilities, realizing zero-vulnerability in the Bank's service domain and channel domain for ten consecutive quarters. We advanced the development of cloud security protection system, and deployed cloud security tools to fully cover the Head Office's Internet area, development and testing area, and distributed core parallel verification environment.

Accessibility of Finance Services

Inclusive Finance

During the reporting period, we focused on enhancing the quality and efficiency of inclusive financial services, supporting the development and growth of small and micro enterprises, self-employed individuals and rural households, and contributed to stabilizing market entities, employment and entrepreneurship, and economic growth. As of the end of June 2023, the balance of our inclusive loans[1] reached RMB3,322,246 million, representing an increase of RMB756,130 million or 29.5% as compared to the end of the previous year. The balance of our inclusive loans to small and micro enterprises[2] reached RMB2,304,724 million, representing an increase of RMB535,730 million or 30.3% as compared to the end of the previous year; the number of customers with outstanding loan balance was 3,273.6 thousand, representing an increase of 745.0 thousand as compared to the end of the previous year; the annualized interest rate of newly granted loans in the first half of the year was 3.73%, representing a decrease of 17 BPs as compared to the previous year.

- We improved the integration of online and offline service channels. We comprehensively upgraded the digital customer service platform for inclusive finance — "inclusive E station" to realize one-stop, full-process, anytime handling for account opening, limit measurement, loan application and other services. We fully utilized the advantages of extensive coverage offline channels that widely exist in both urban and rural areas, strengthened the inclusive financial service capabilities of over 22 thousand branch outlets.

- We offered innovative online and offline credit products. Focusing on the differentiated financing needs of inclusive customer groups, we accurately subdivided customer financing scenarios, and created a series of "ABC E-Loan" products that cover the full scenarios, such as credit, mortgage (pledge) and supply chain and offline featured products such as "Simplified Loan" and "Technological Innovation Loan".

- We improved the long-term mechanisms to maintain the courage, willingness, ability and expertise in loan granting. We improved differentiated credit policy system, implemented special assessment and evaluation for inclusive finance, provided special resource guarantees for inclusive loans, specified policy for liability exemption on due diligence so as to consolidate the foundation for the development of inclusive financial business.

- We established an intelligent risk control system for inclusive finance. We continuously improved capabilities in risk monitoring, early warning and disposal based on big data, accurately prevented and resolved risks with respect to loans to small and micro enterprises, controlling the non-performing rate of inclusive loans within the tolerance range.

1 *Inclusive loans include the small and micro enterprise loans, operating loans for self-employed individuals and small and micro business owners, production and operation loans to rural households, consumer loans for registered poor people, startup guaranteed loans, and government-subsidized student loans, with the single-customer credit amount of less than RMB10 million.*

2 *Inclusive loans to small and micro enterprises include the loans to small and micro enterprise, small and micro business owners and self-employed individuals with the single-customer credit amount of not more than RMB10 million.*

Distribution Channels

Offline Channels

- We served the rural revitalization strategy. We maintained the stability of the total number of branch outlets, continuously optimized the layout of branch outlets by relocating the branch outlets to areas covering new districts of urban, urban-rural fringe and suburban, and key townships to continuously improve the coverage of channels in County Areas.

- We carried forward the marketing transformation of branch outlets. We increased the marketing force, implemented precise marketing, and strengthened marketing support for branch outlets, so as to motivate marketing activities of branch outlets. We improved the evaluation mechanism for branch outlets to promote the competition for improving ranking.

- We strengthened the service capability of branch outlets. We advanced the project "Caring Services", keeping smiling, civilized and professional services. We continuously deepened the building of "Caring and Considerate Services" brand by creating a dedicated service area for outdoor workers. We carried out the activity of "providing financial services to the countryside" to extend the service reach to County Areas and Sannong. In the first half of 2023, the Bank conducted activities of "providing financial services to the countryside" over 86 thousand times accumulatively, and provided over 140 thousand times door-to-door services for special groups such as elderly customers with mobility inconvenience.

Online Channels

- Mobile Banking. As of the end of June 2023, the Bank had 486 million registered individual customers of mobile banking, representing an increase of 26 million as compared to the end of the previous year; and 6.13 million registered corporate customers of mobile banking, representing an increase of 0.86 million as compared to the end of the previous year.

- Online Banking. As of the end of June 2023, the Bank had 467 million registered individual customers of online banking, representing an increase of 23 million as compared to the end of the previous year; and 11.43 million corporate customers of online financial services platforms, representing an increase of 0.76 million as compared to the end of the previous year.

- Self-service Banking. We completed the construction and promotion of a unified platform for intelligent terminals, optimized equipment business functions and service processes; upgraded the function of super counters, reducing the average service time by 20%. As of the end of June 2023, the Bank had existing 55.5 thousand super counters, 54.9 thousand cash-type self-service devices and 3.5 thousand self-service terminals.

Remote Channels

- In the first half of 2023, the Bank reached a total of 158 million person-time customers through all-media customer service (including voice, text, video, and new media). Among them, the manual services through inbound voice were provided for 34.74 million person-time, with a customer service call connection rate of 96.95% and a customer satisfaction rate of 99.83%.

- We consolidated and improved the customer service experience. We identified the pain points in the customer experience, and promoted service process optimization and employee service improvements. We launched service scenarios in voice customer service channels, such as debit card number inquiries and SMS-based supplementary payments to steadily expand the scope of customer service.

- We promoted orderly service empowerment and output. We promoted the capability upgrading in intelligent outbound calls, provided service support for the unified marketing at the intelligent outbound call platform and continued to improve the effectiveness and capability of customer contact. We piloted the "Sample Room" of knowledge special zone, and created a featured platform for managing knowledge throughout its lifecycle to facilitate front-line staff's access to knowledge.

- We accelerated the intelligentization. We established an artificial intelligence innovation laboratory to research the application scenarios of large-scale modeling technology, with focus on areas such as knowledge retrieval, answer recommendations. We introduced customer tags at the all-voice portal and offered differentiated voice prompts based on regional differences and other functions to enhance the differentiated service capabilities of intelligent robots.

Corporate Behavior

Internal Control

We optimized internal control environment. We adhered to follow policy compliance guidance, resolutely implemented the major principles and policies of the central government, and continuously strengthened capability building for regulatory compliance. We organized and held the "Year of Compliance Benchmark Construction" campaign to consolidate and enhance the results of the "Compliance Education Year" campaign, and comprehensively promoted that employees "don't dare to, are unable to and have no desire to" commit acts of noncompliance.

We enhanced risk assessment capabilities. We insisted on assessing various types of risks related to new businesses, new products, and new systems; regularly assessed various risks faced by the Bank; and constantly optimized risk prevention and control measures. We also deeply carried out legal and compliance reviews and reviews of consumers' interests protection to actively support the implementation of strategies across the Bank.

We implemented control actions efficiently. With priority given to preventive control, we organized post-evaluation of systems, and devised annual plans for the formulation, revision and abolition of rules to improve the quality and efficiency of system management across the Bank. We adhered to risk-oriented and classified management, pushed forward refined and differentiated authorization management, and strengthened dynamic adjustment of authorizations. We improved the comprehensive prevention and control system for cases of violations, promoted the construction of the "smart case prevention" platform, and focused on preventing and controlling case risks in key areas.

We maintained unimpeded information communications. We continuously promoted the construction of the digital compliance platform, strengthened system connectivity, and promoted data sharing. We steadily carried out data governance, strengthened sensitive data management and personal information protection to consolidate the foundation of our digital transformation.

We improved internal supervision and assessment processes. We diligently carried out special evaluations of internal control, and steadily optimized the scoring framework for internal control evaluation and the anticipated indicator evaluation system. We improved the coordination mechanism for inspection and supervision. We enhanced the problem rectification management mechanism and carried out special governance for regulatory penalties.

Anti-money Laundering and Sanctions Risk Management

We improved the top-level governance structure for sanctions risk management, and established a leading group for sanctions risk prevention and control under senior management to strengthen centralized and unified leadership over major sanction risk issues throughout the Bank. We completed the centralized handling of early warnings for all cross-border transactions of 31 domestic tier-1 branches, and initiated preparations for the centralized handling of early warnings for the remaining six tier-1 branches.

We prudently implemented the optimization project for the risk rating model related to customer money laundering, comprehensively optimized the rating model framework and indicator system, and integrated corporate customer ratings and due diligence processes. We systematically advanced the construction of the due diligence platform for retail customers to enhance precise management and control capabilities for customer risks.

We launched the core function of the "Magic Cube", a new generation transaction monitoring model management tool, and created a reusable component-based model framework, initially achieved the autonomous configuration and rapid iteration of anti-money laundering models. We continuously optimized the transaction monitoring system, and further improved the model's accurate recognition capabilities.

We coordinated the implementation of money laundering risk assessments, optimized the establishment of the money laundering risk self-assessment framework, set up the money laundering risk assessment system, and promoted the application of money laundering risk self-assessment results.

Anti-corruption and Anti-bribery

We continuously promoted coordination between on-site supervision and audit supervision, internal control supervision and due diligence supervision. We strengthened our financial anti-corruption efforts, with a focus on key minority and critical areas, and maintained a high-pressure and deterrent posture at all times. We paid close attention to key points in time, key links, and key personnel in order to effectively implement the precise accountability and liability exemption with due diligence.

We promoted the "Year of Compliance Benchmark Construction" campaign deeply, insisted incentives coexisting with punishments and encouragement coexisting with impetus, properly cultivated the concepts of honors, shames and values across the Bank, and created a good atmosphere of "pride in compliance, shame for violations". We organized an online exhibition of violation cases in order to promote a clean financial culture and educate cadres and employees, from which our cadres and employees could reflect on lessons contained therein, better understand the discipline and facilitate the improvement of their behavior.

We improved the functionality and management model of the "Three Lines and One Grid" system and enhanced abilities to manage employees' unusual behavior.

Please refer to the "Corporate Governance Report" for information on the Bank's corporate governance.

Corporate Governance Report

Operation of Corporate Governance

During the reporting period, we continued to promote the modernization of corporate governance system and governance capacities in strict compliance with the laws, regulations and regulatory requirements including the *Company Law of the People's Republic of China,* the *Securities Law of the People's Republic of China* and the *Law of the People's Republic of China on Commercial Banks*. We improved the system construction, optimized the governance structure and made adjustments to the composition of the Board of Directors and its special committees thereunder to consistently improve the effectiveness of our corporate governance.

During the reporting period, we fully complied with all the principles and code provisions of the *Corporate Governance Code* set out in Appendix 14 to the Hong Kong Listing Rules and most of the recommended best practices thereof.

Shareholders' General Meeting

Item	Details
One Annual General Meeting	On 29 June 2023, considered eight proposals including the 2022 work report of the Board of Directors and listened to three reports including the 2022 work report of independent directors of the Bank at the 2022 Annual General Meeting.

The above shareholders' general meeting was convened or held in strict compliance with the relevant laws, regulations and listing rules of Chinese mainland and Hong Kong SAR. The Directors, Supervisors and senior management of the Bank attended the meeting and discussed with shareholders about matters they concerned. We published the poll results announcement and legal opinion on the above shareholders' general meeting in a timely manner in accordance with regulatory requirements. Such poll results announcement was published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 29 June 2023 and on the website of the Shanghai Stock Exchange (www.sse.com.cn) as well as on the media designated by the Bank for information disclosure on 30 June 2023.

Meetings of the Board of Directors

Item	Details
Number of regular meetings held	2
Number of extraordinary meetings held	1
Total number of meetings held	3
Date of the meetings	23 February, 30 March, and 28 April 2023
Particulars of considering proposals or listening to reports	Considered 32 proposals including periodic reports, profit distribution plan, and work report on the Green Finance/peak carbon emissions and carbon neutrality, and listened to 14 reports including the implementation of the "14th Five-Year Plan" and evaluation report on strategic risk for 2022, the report on related party transactions management for 2022.

Meetings of the Board of Supervisors

Item	Details
Number of regular meetings held	2
Number of extraordinary meetings held	1
Total number of meetings held	3
Date of the meetings	17 February, 30 March, and 28 April 2023
Particulars of considering proposals or listening to reports	Considered 13 proposals including the 2022 annual report and its abstract, and listened to 15 reports including the 2022 audit work report.

Internal Audit

During the reporting period, we adopted a risk-oriented approach to conduct risk management audits with a focus on key areas such as serving "Sannong", inclusive finance, credit business, and internal control and case prevention. We carried out special audits in areas such as real estate loans, reduction and exemption of non-performing loans, write-off of bad debts, assets and liabilities, financial market business, IT management, foreign exchange business, and implemented audit on economic responsibilities of senior management members. We continued to conduct off-site monitoring and re-supervised the rectification of problems found in the internal audit. We improved organizational method of projects and deepened the digital transformation of internal audit. We reinforced training for audit skills to effectively improve the implementation of strategic decisions, improvement of basics of management and steady development of various businesses of the Bank. The Bank has attached great importance to and actively made use of various audit findings and audit recommendations to continuously improve risk management, internal control and corporate governance.

Directors, Supervisors and Senior Management

Directors, Supervisors and Senior Management of the Bank

As at the date of the publication of the interim results announcement of the Bank, the compositions of the Board of Directors, Board of Supervisors and senior management of the Bank were as follows:

The Board of Directors of the Bank consisted of 15 Directors, including four Executive Directors, namely Mr. GU Shu, Mr. FU Wanjun, Mr. ZHANG Xuguang and Mr. LIN Li; six Non-executive Directors, namely Mr. LIAO Luming, Mr. LI Wei, Ms. ZHOU Ji, Mr. LIU Xiaopeng, Mr. XIAO Xiang and Mr. ZHANG Qi; and five Independent Non-executive Directors, namely Mr. HUANG Zhenzhong, Ms. LEUNG KO May Yee, Margaret, Mr. LIU Shouying, Mr. WU Liansheng and Mr. WANG Changyun.

The Board of Supervisors of the Bank consisted of six Supervisors, including one Supervisor Representing Shareholders, namely Ms. DENG Lijuan; two Supervisors Representing Employees, namely Mr. HUANG Tao and Mr. WANG Xuejun; and three External Supervisors, namely Ms. LIU Hongxia, Mr. XU Xianglin and Mr. WANG Xixin.

The senior management of the Bank consisted of eight members, namely Mr. FU Wanjun, Mr. ZHANG Xuguang, Mr. LIN Li, Mr. XU Han, Mr. LIU Jiawang, Mr. LIU Hong, Mr. HAN Guoqiang and Mr. WU Gang.

As at the end of the reporting period, none of the incumbent Directors, Supervisors or senior management of the Bank or who departed during the reporting period held or traded in any shares of the Bank, or held any share options of the Bank, or was granted restricted shares.

Departure of Directors, Supervisors and Senior Management

On 7 February 2023, Mr. WANG Jingdong resigned as the Chairman of the Board of Supervisors, a Supervisor Representing Shareholders, a member of the Due Diligence Supervision Committee and a member of the Finance and Internal Control Supervision Committee of the Board of Supervisors of the Bank due to age.

On 28 February 2023, Mr. LI Zhicheng resigned as the Chief Risk Officer of the Bank due to age.

On 21 March 2023, Mr. ZHANG Yi resigned as an Executive Vice President of the Bank due to work arrangements.

On 25 April 2023, Mr. WU Gang ceased to serve as a Supervisor Representing Employees and a member of the Due Diligence Supervision Committee of the Board of Supervisors of the Bank due to expiry of term.

Changes in Personal Information of Directors and Supervisors

Mr. WU Liansheng, an Independent Non-executive Director of the Bank, ceased to serve as an independent non-executive director of Rightway Holdings Co., Ltd. from May 2023.

Ms. DENG Lijuan, a Supervisor of the Bank, has served as the general manager of the Office of the Board of Directors of the Bank since June 2023, and ceased to serve as the general manager of the Office of the Board of Supervisors of the Bank.

Details of Ordinary Shares

Changes in Share Capital of Ordinary Shares

Details of Changes in Share Capital

Unit: Share

	31 December 2022		Increase/decrease during the reporting period (+, –)			30 June 2023	
	Number of Shares	Percentage[3] (%)	New Shares Issued	Others	Sub-Total	Number of Shares	Percentage[3] (%)
I. Shares held subject to restrictions on sales[1]	**19,959,672,543**	**5.70**	**–**	**–**	**–**	**19,959,672,543**	**5.70**
1. State-owned[2]	19,959,672,543	5.70	–	–	–	19,959,672,543	5.70
II. Shares held not subject to restrictions on sales	**330,023,361,330**	**94.30**	**–**	**–**	**–**	**330,023,361,330**	**94.30**
1. RMB-denominated ordinary shares	299,284,538,234	85.51	–	–	–	299,284,538,234	85.51
2. Foreign-invested shares listed overseas[2]	30,738,823,096	8.78	–	–	–	30,738,823,096	8.78
III. Total number of shares	**349,983,033,873**	**100.00**	**–**	**–**	**–**	**349,983,033,873**	**100.00**

Notes:

1. *"Shares held subject to restrictions on sales" refers to the shares held by shareholders who are subject to restrictions on sales in accordance with laws, regulations, rules, or commitments.*
2. *"State-owned" in this table refers to the shares held by Huijin and MOF. "Foreign-invested shares listed overseas" refers to the H Shares as defined in the No. 5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Report of Change in Shareholding (Revision 2022) of the CSRC.*
3. *Rounding errors may arise in the "Percentage" column of the table above as the figures are rounded to the nearest decimal number.*
4. *Information in the table above was based on the share registration recorded in Shanghai Branch of China Securities Depository and Clearing Corporation Limited and Computershare Hong Kong Investor Services Limited as at 30 June 2023.*

The trading date of shares held subject to restrictions on sales

Unit: Share

Date	Number of new shares for trading upon the expiry of the restrictions on sales	Balance of shares held subject to restrictions on sales	Balance of shares held not subject to restrictions on sales	Description
2 July 2023	19,959,672,543	–	349,983,033,873	Huijin, MOF

Note: According to the Private Placement Subscription Agreements, the A Shares subscribed for thereunder by Huijin and MOF under the private placement shall not be transferred within five years from the date of acquisition of equity. As of 3 July 2023, the commitments made by the above-mentioned subscribed shareholders have been duly fulfilled and the underlying shares held subject to restrictions on sales have become tradable in the market. For details, please refer to the relevant announcements published on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk).

The shareholdings of the shareholders subject to restrictions on sales and the terms of restrictions on sales

Unit: Share

No.	Shareholders subject to restrictions on sales	Number of shares held subject to restrictions on sales	Date of trading	Number of new shares for trading	Restrictions on sales
1	Huijin	10,082,342,569	2 July 2023	–	Five years from the date of acquisition of equity
2	MOF	9,877,329,974	2 July 2023	–	Five years from the date of acquisition of equity

Notes: 1. *Information in the table above was based on the share registration recorded in Shanghai Branch of China Securities Depository and Clearing Corporation Limited as of 30 June 2023.*

2. *According to the Private Placement Subscription Agreements, the A Shares subscribed for thereunder by Huijin and MOF under the private placement shall not be transferred within five years from the date of acquisition of equity. As of 3 July 2023, the commitments made by the above-mentioned subscribed shareholders have been duly fulfilled and the underlying shares held subject to restrictions on sales have become tradable in the market. For details, please refer to the relevant announcements published on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk).*

Details of Issuance and Listing of Securities

Issue of Securities

For issuance of securities of the Bank during the reporting period, please refer to "Note 33 Debt Securities Issued to the Condensed Consolidated Interim Financial Statements" for details.

Employee Shares

The Bank had no employee shares.

Particulars of Holders of Ordinary Shares

Number of Shareholders and Particulars of Shareholding

As at 30 June 2023, the Bank had a total of 457,705 shareholders, including 436,915 holders of A Shares and 20,790 holders of H Shares.

Particulars of shareholdings of the top 10 shareholders of the Bank
(the shareholdings of holders of H Shares are based on the number of shares as set out in the registers of members of the Bank maintained by its H Share registrar)

Total number of shareholders	**457,705** (as set out in the registers of holders of A Shares and H Shares as at 30 June 2023)

Particulars of shareholdings of the top 10 shareholders
(the information below is based on the registers of shareholders as at 30 June 2023)

Unit: Share

Name of shareholders	Nature of shareholders	Type of shares	Increase/decrease during the reporting period (+, –)	Shareholding percentage (%)	Total number of shares held	Number of shares held subject to restrictions on sales	Number of shares pledged, marked or locked-up
Huijin	State-owned	A Shares	–	40.03	140,087,446,351	10,082,342,569	None
MOF	State-owned	A Shares	–	35.29	123,515,185,240	9,877,329,974	None
HKSCC Nominees Limited	Overseas legal entity	H Shares	-3,604,247	8.72	30,527,511,236	–	Unknown
SSF	State-owned	A Shares	–	6.72	23,520,968,297	–	None
Hong Kong Securities Clearing Company Limited	Overseas legal entity	A Shares	+276,476,110	0.78	2,746,352,280	–	None
China National Tobacco Corporation	State-owned legal entity	A Shares	–	0.72	2,518,891,687	–	None
China Securities Finance Corporation Limited	State-owned legal entity	A Shares	–	0.53	1,842,751,177	–	None
Shanghai Haiyan Investment Management Company Limited	State-owned legal entity	A Shares	–	0.36	1,259,445,843	–	None
Central Huijin Asset Management Ltd.	State-owned legal entity	A Shares	–	0.36	1,255,434,700	–	None
Zhongwei Capital Holding Company Limited	State-owned legal entity	A Shares	–	0.22	755,667,506	–	None

Notes:

1. *The total number of shares held by HKSCC Nominees Limited represents the number of H Shares held by it in aggregate as a nominee on behalf of all institutional and individual investors registered with it as at 30 June 2023.*
2. *The number of shares held by Hong Kong Securities Clearing Company Limited represents the A Shares (northbound shares of Shanghai-Hong Kong Stock Connect) held by it as a nominee designated by and on behalf of investors from Hong Kong SAR and overseas.*
3. *Pursuant to the Notice on the Full Implementation of Transferring Part of State-owned Capital to Replenish Social Security Funds (Cai Zi [2019] No. 49) jointly issued by the MOF, Ministry of Human Resources and Social Security, State-owned Assets Supervision and Administration Commission of the State Council, State Taxation Administration, and the CSRC, the MOF transferred 13,723,909,471 shares to the state-owned capital transfer account of the SSF on one-off basis. In compliance with the Notice of the State Council on Printing and Distributing the Implementation Plan of Transferring Part of State-owned Capital to Replenish Social Security Funds (Guo Fa [2017] No. 49), the SSF shall be obligated to observe a lock-up period not less than three years from the date on which the shares are credited to the account.*
4. *Among the shareholders listed above, Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin, HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited, and China National Tobacco Corporation is the de facto controller of Shanghai Haiyan Investment Management Company Limited and Zhongwei Capital Holding Company Limited. Save as mentioned above, the Bank is not aware of any connections between the shareholders above, or whether they are parties acting in concert. The number of shares held by Huijin and Central Huijin Asset Management Ltd. amounted to 141,342,881,051 in aggregate, accounting for 40.39% of the total share capital of the Bank. The number of shares held by China National Tobacco Corporation, Shanghai Haiyan Investment Management Company Limited and Zhongwei Capital Holding Company Limited amounted to 4,534,005,036 in aggregate, accounting for 1.30% of the total share capital of the Bank.*
5. *Among the above shareholders, save as the transfer of voting rights of 9,797,058,826 A Shares held by the SSF to the MOF according to the share subscription agreement dated 21 April 2010 and the Approval on the Proposed Transfer of State-owned Shares of the Agricultural Bank of China issued by the MOF on 5 May 2010, the Bank is not aware of the existence of the consigned, accepted consignment of, or waived voting rights by other shareholders.*
6. *None of the top 10 shareholders were engaged in the business of securities margin trading or refinancing, among which HKSCC Nominees Limited held the H Shares as a nominee and it was not engaged in the business of securities margin trading or refinancing.*

Particulars of shareholding of the top 10 shareholders not subject to restrictions on sales
(the information below are based on the registers of shareholders as at 30 June 2023) *Unit: Share*

Name of shareholders	Number of shares held not subject to restrictions on sales	Type of shares
Huijin	130,005,103,782	A Shares
MOF	113,637,855,266	A Shares
HKSCC Nominees Limited	30,527,511,236	H Shares
SSF	23,520,968,297	A Shares
Hong Kong Securities Clearing Company Limited	2,746,352,280	A Shares
China National Tobacco Corporation	2,518,891,687	A Shares
China Securities Finance Corporation Limited	1,842,751,177	A Shares
Shanghai Haiyan Investment Management Company Limited	1,259,445,843	A Shares
Central Huijin Asset Management Ltd.	1,255,434,700	A Shares
Zhongwei Capital Holding Company Limited	755,667,506	A Shares

Notes:
1. *The total number of shares held by HKSCC Nominees Limited represents the number of H Shares held by it in aggregate as a nominee on behalf of all institutional and individual investors registered with it as at 30 June 2023.*
2. *The number of shares held by Hong Kong Securities Clearing Company Limited represents the A Shares (northbound shares of Shanghai-Hong Kong Stock Connect) held by it as a nominee designated by and on behalf of investors from Hong Kong, China and overseas.*
3. *Among the above shareholders, Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin. HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited, and China National Tobacco Corporation is the de facto controller of Shanghai Haiyan Investment Management Company Limited and Zhongwei Capital Holding Company Limited. Save as mentioned above, the Bank is not aware of any connections between the shareholders above or between such shareholders and the top 10 shareholders, or whether they are parties acting in concert.*
4. *Among the above shareholders, save as the transfer of voting rights of 9,797,058,826 A Shares held by the SSF to the MOF according to the share subscription agreement dated 21 April 2010 and the Approval on the Proposed Transfer of State-owned Shares of the Agricultural Bank of China issued by the MOF on 5 May 2010, the Bank is not aware of the existence of the consigned, accepted consignment of, or waived voting rights by other shareholders.*
5. *None of the top 10 shareholders not subject to restrictions on sales were engaged in the business of securities margin trading or refinancing, among which HKSCC Nominees Limited held the H Shares as a nominee and it was not engaged in the business of securities margin trading or refinancing.*

Particulars of Substantial Shareholders

Change in Substantial Shareholders and De Facto Controller

During the reporting period, the Bank's substantial shareholders and controlling shareholders remained unchanged. The Bank had no de facto controller.

Interests and Short Positions Held by Substantial Shareholders and Other Persons[1] *Unit: Share*

Name	Capacity	Interests and short positions	Nature	Percentage of issued class shares (%)	Percentage of total issued shares (%)
Huijin	Beneficial owner	140,087,446,351 (A Shares)	Long position	43.88	40.03
	Interest of controlled entity	1,255,434,700 (A Shares)	Long position	0.39	0.36
MOF	Beneficial owner/ nominee[2]	133,312,244,066 (A Shares)[3]	Long position	41.76	38.09
SSF	Beneficial owner	23,520,968,297 (A Shares)	Long position	7.37	6.72
Qatar Investment Authority	Interest of controlled entity	2,448,859,255 (H Shares)[4]	Long position	7.97	0.70
Qatar Holding LLC	Beneficial owner	2,408,696,255 (H Shares)[4]	Long position	7.84	0.69
BlackRock, Inc.	Interest of controlled entity	2,128,342,951 (H Shares)[5]	Long position	6.92	0.61
		51,842,000 (H Shares)	Short position	0.17	0.01
China Taiping Insurance Holdings Company Limited	Interest of controlled entity	1,545,179,000 (H Shares)[6]	Long position	5.03	0.44
China Taiping Insurance Group Ltd.	Interest of controlled entity	1,545,179,000 (H Shares)[6]	Long position	5.03	0.44
Taiping Life Insurance Co., Ltd.	Beneficial owner	1,545,179,000 (H Shares)[6]	Long position	5.03	0.44
Taiping Asset Management Co., Ltd.	Investment manager	1,543,690,000 (H Shares)	Long position	5.02	0.44
	Interest of controlled entity	1,489,000 (H Shares)[7]	Long position	0.00	0.00

Notes:

1. *As at 30 June 2023, the Bank received notifications from the above persons regarding their interests or short positions in the shares and underlying shares of the Bank. Such interests or short positions were recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong.*
2. *9,797,058,826 A Shares are held by the SSF, but the voting rights of these shares were transferred to the MOF according to the share subscription agreement dated 21 April 2010 and the Approval on the Proposed Transfer of State-owned Shares of the Agricultural Bank of China issued by the MOF on 5 May 2010.*
3. *According to the register of members of the Bank at 30 June 2023, the MOF held 123,515,185,240 A Shares of the Bank, representing 38.69% of the issued A Shares and 35.29% of the total issued shares of the Bank.*
4. *Qatar Investment Authority is deemed to be interested in 2,448,859,255 H Shares in aggregate, held by Qatar Holding LLC and QSMA1 LLC, both of which are wholly-owned subsidiaries of Qatar Investment Authority.*
5. *BlackRock, Inc. is deemed to be interested in 2,128,342,951 H Shares in aggregate, directly or indirectly held by BlackRock Investment Management, LLC and BlackRock Financial Management, Inc., both of which are the wholly-owned subsidiaries of BlackRock, Inc.*
6. *China Taiping Insurance Group Ltd. and its non-wholly owned subsidiary, China Taiping Insurance Holdings Company Limited, are deemed to be interested in 1,545,179,000 H Shares directly held by Taiping Life Insurance Co., Ltd., which is the controlled entity of China Taiping Insurance Group Ltd. and China Taiping Insurance Holdings Company Limited.*
7. *Taiping Asset Management Co., Ltd. is deemed to be interested in 1,489,000 H Shares directly held by Taiping Fund Management Co., Ltd., which is the controlled entity of Taiping Asset Management Co., Ltd., and such number of shares represented approximately 0.0048% of the issued class shares.*

Details of Preference Shares

Issuance and Listing of Preference Shares

During the reporting period, the Bank did not issue or list any preference shares.

Number of Holders of Preference Shares[1] and Particulars of Shareholdings

As at 30 June 2023, the Bank had a total of 37 holders of the preference shares “農行優1”.

Particulars of Shareholding of the Top 10 Holders of Preference Shares “農行優1” (Stock Code: 360001)
(the information below is based on the registers of shareholders as at 30 June 2023) *Unit: Share*

Name of shareholders[1]	Nature of Shareholders[2]	Type of shares	Increase/decrease during the reporting period[3] (+, –)	Total number of shares held	Shareholding percentage[4] (%)	Number of shares pledged or locked-up
China Merchants Fund Management Co., Ltd.	Others	Domestic preference shares	–	49,000,000	12.25	None
Bank of Communications Schroder Fund Management Co., Ltd.	Others	Domestic preference shares	-30,400,000	36,600,000	9.15	None
Sun Life Everbright Asset Management Co., Ltd.	Others	Domestic preference shares	+7,816,000	32,926,000	8.23	None
Ping An Life Insurance Company of China, Ltd.	Others	Domestic preference shares	–	30,000,000	7.50	None
PICC Life Insurance Company Limited	Others	Domestic preference shares	–	30,000,000	7.50	None
CITIC-Prudential Life Insurance Co., Ltd.	Others	Domestic preference shares	–	29,760,000	7.44	None
New China Life Insurance Company Ltd.	Others	Domestic preference shares	+25,000,000	25,000,000	6.25	None
Shanghai Everbright Securities Asset Management Co., Ltd.	Others	Domestic preference shares	–	20,000,000	5.00	None
BNB Wealth Management Co., Ltd.	Others	Domestic preference shares	-6,816,000	18,074,000	4.52	None
China Merchants Securities Asset Management Co., Ltd.	Others	Domestic preference shares	–	16,800,000	4.20	None

Notes:

1. *Huijin is the controlling shareholder of New China Life Insurance Company Ltd. China Merchants Fund Management Co., Ltd. and China Merchants Securities Asset Management Co., Ltd. are parties acting in concert. Save as mentioned above, the Bank is not aware of any connections between the above holders of preference shares, and between the above holders of preference shares and the top 10 holders of ordinary shares, or whether they are parties acting in concert.*
2. *As stipulated in the No. 3 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of Interim Report (Revision 2021), “Particulars of holders of preference shares should indicate the entities which hold shares on behalf of the states and foreign shareholders”. Except for the entities which hold shares on behalf of the states and foreign shareholders, the nature of other holders of preference shares is categorized as “others”.*
3. *“Increase/decrease during the reporting period” refers to the change of shareholding due to secondary market transactions.*
4. *“Shareholding percentage” refers to the percentage of “農行優1” held by the holders of preference shares to the total number of “農行優1” (i.e. 400 million shares).*

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1 *The number of the holders of preference shares was calculated by the number of qualified investors that hold the preference shares. When calculating the number of qualified investors, an asset management institution that purchases or transfers the preference shares through two or more products under its control will be counted as one.*

As at 30 June 2023, the Bank had a total of 34 holders of the preference shares “農行優2”.

Particulars of Shareholding of the Top 10 Holders of Preference Shares “農行優2” (Stock Code: 360009)
(the information below is based on the registers of shareholders as at 30 June 2023) *Unit: Share*

Name of shareholders[1]	Nature of Shareholders[2]	Type of shares	Increase/ decrease during the reporting period[3] (+, –)	Total number of shares held	Shareholding percentage[4] (%)	Number of shares pledged or locked-up
China Life Insurance Company Limited	Others	Domestic preference shares	–	50,000,000	12.50	None
China National Tobacco Corporation	Others	Domestic preference shares	–	50,000,000	12.50	None
New China Life Insurance Company Ltd.	Others	Domestic preference shares	+24,000,000	29,000,000	7.25	None
China National Tobacco Corporation Jiangsu Province Company (Jiangsu Tobacco Company)	Others	Domestic preference shares	–	20,000,000	5.00	None
China National Tobacco Corporation Yunnan Province Company	Others	Domestic preference shares	–	20,000,000	5.00	None
China Mobile Communications Group Co., Ltd.	Others	Domestic preference shares	–	20,000,000	5.00	None
Bank of China Limited, Shanghai Branch	Others	Domestic preference shares	–	20,000,000	5.00	None
China Zheshang Bank Co., Ltd.	Others	Domestic preference shares	–	19,000,000	4.75	None
Shanghai Tobacco Group Co., Ltd.	Others	Domestic preference shares	–	15,700,000	3.93	None
Ping An Property & Casualty Insurance Company of China, Ltd.	Others	Domestic preference shares	–	15,000,000	3.75	None

Notes:

1. *China National Tobacco Corporation Jiangsu Province Company (Jiangsu Tobacco Company), China National Tobacco Corporation Yunnan Province Company and Shanghai Tobacco Group Co., Ltd. are the wholly-owned subsidiaries of China National Tobacco Corporation. China National Tobacco Corporation is the de facto controller of Shanghai Haiyan Investment Management Company Limited and Zhongwei Capital Holding Company Limited. Huijin is the controlling shareholder of New China Life Insurance Company Ltd. Ping An Property & Casualty Insurance Company of China, Ltd. and Ping An Life Insurance Company of China, Ltd. are both controlled by Ping An Insurance (Group) Company of China. Save as mentioned above, the Bank is not aware of any connections between the above holders of preference shares, and between the above holders of preference shares and the top 10 holders of ordinary shares, or whether they are parties acting in concert.*
2. *As stipulated in the No. 3 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of Interim Report (Revision 2021), “Particulars of holders of preference shares should indicate the entities which hold shares on behalf of the states and foreign shareholders”. Except for the entities which hold shares on behalf of the states and foreign shareholders, the nature of other holders of preference shares is categorized as “others”.*
3. *“Increase/decrease during the reporting period” refers to the change of shareholding due to secondary market transactions.*
4. *“Shareholding percentage” refers to the percentage of “農行優2” held by the holders of preference shares to the total number of “農行優2” (i.e. 400 million shares).*

The preference shares "農行優1" and "農行優2" of the Bank are shares not subject to restrictions on sales, and the top 10 holders of preference shares "農行優1" and "農行優2" who are not subject to restrictions on sales are the same as the top 10 holders of preference shares.

Profit Distribution of Preference Shares

Dividends of our preference shares are paid in cash annually. When we resolve to cancel part or all of the dividends to holders of preference shares, such undistributed dividends of current period shall not be accumulated to subsequent dividend periods. The holders of our preference shares, upon receiving dividends at the agreed rate, shall not participate in the distribution of the remaining profit attributable to the holders of ordinary shares.

On 13 March 2023, we paid cash dividends of RMB4.84 (tax inclusive) per preference share or RMB1,936 million (tax inclusive) in aggregate (calculated at a coupon rate of 4.84%) to all holders of "農行優2" (stock code: 360009) whose names appeared on the register of members at the close of business on 10 March 2023.

On 29 August 2023, the Board of Directors of the Bank considered and approved the Dividend Payment Scheme of the First Tranche of the Preference Shares for the Year 2022–2023. On 6 November 2023, we will pay cash dividends of RMB5.32 (tax inclusive) per preference share or RMB2,128 million (tax inclusive) in aggregate, at a coupon rate of 5.32% to all holders of "農行優1" (stock code: 360001) whose names appear on the register of members at the close of business on 3 November 2023.

Please refer to our relevant announcements published on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk) for details.

Redemption or Conversion of Preference Shares

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

Restoration of Voting Rights of Preference Shares

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

Accounting Policies

In accordance with the *Accounting Standards for Enterprises No. 22 — Recognition and Measurement of Financial Instruments,* the *Accounting Standards for Enterprises No. 37 — Presentation of Financial Instruments* and the *Provisions on Differentiating Financial Liabilities and Equity Instruments and Related Accounting Treatment* issued by the MOF, as well as the *International Financial Reporting Standard 9 — Financial Instruments* and the *International Accounting Standard 32 — Financial Instruments: Presentation* issued by the International Accounting Standards Board, we are of the view that the terms of preference shares "農行優1" (stock code: 360001) and "農行優2" (stock code: 360009) can be accounted for as equity instruments.

Profit and Dividends Distribution

As approved by the 2022 Annual General Meeting, we paid cash dividends of RMB0.2222 (tax inclusive) per ordinary share or RMB77,766 million (tax inclusive) in aggregate to holders of ordinary shares whose names appeared on the registers of members at the close of business on 17 July 2023. We did not propose to declare or pay any interim dividends for 2023 or increase share capital by capitalizing our capital reserve.

Material Litigation and Arbitration Matters

During the reporting period, there was no litigation or arbitration with material impact on our operations.

At 30 June 2023, the value of the claims of the pending litigation or arbitration in which the Bank was involved as a defendant, a respondent or a third party amounted to approximately RMB4,213 million. The management believes that the Bank has made full provision for potential losses arising from the aforesaid litigation or arbitration, and they will not have any material adverse effect on our financial position or operating results.

Major Asset Acquisition, Disposal and Merger

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

Related Party Transactions

During the reporting period, we did not have major related party transactions.

In the first half of 2023, we continuously standardized management of related party transactions, in strict compliance with the regulations issued by the CSRC, the NAFR, as well as the listing rules of Shanghai and Hong Kong. During the reporting period, our related party transactions were conducted on normal commercial terms and in accordance with laws and regulations; our pricing for interest rates followed fair commercial principles, and no actions that would damage the interests of the Bank and our minority shareholders were identified.

In the first half of 2023, we conducted a series of connected transactions with the connected persons (as defined in the Hong Kong Listing Rules) of the Bank in the ordinary course of business. Such transactions complied with the applicable exemption conditions under Rule 14A.73 of the Hong Kong Listing Rules, and therefore were fully exempted from compliance with the requirements for shareholders' approval, annual review and all relevant disclosure requirements.

For details of the related party transactions defined under the laws, regulations, and accounting standards of the PRC, please refer to "Note 43 Related Party Transactions to the Condensed Consolidated Interim Financial Statements".

Use of Proceeds

All the proceeds raised were used to replenish our capital base to support the future development of our business as disclosed in the prospectus, offering documents and other documents.

Details and Performance of Material Contracts

Material Custody, Contract and Lease

During the reporting period, we did not enter into any material custody, contracting or leasing arrangements on the assets of other companies, which were subject to disclosure and no other companies entered into any custody, contracting or leasing arrangements on our assets, which were subject to disclosure.

Material Guarantees

Provision of guarantees is one of our off-balance sheet businesses in our usual operation. During the reporting period, we did not have any material guarantees required to be disclosed, except for the financial guarantee services within the business scope as approved by the PBOC and the NAFR.

External guarantees

During the reporting period, the Bank did not enter into any guarantee contracts in violation of laws, administrative regulations or the external guarantee resolution procedures stipulated by the CSRC.

Material Equity Investments Obtained and Material Non-equity Investments in Progress

During the reporting period, we did not have any material equity and non-equity investment.

Commitments

During the reporting period, we did not have any commitments that had been duly fulfilled and completed. As at the end of the reporting period, we did not have any expired commitments that had not been duly fulfilled.

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

During the reporting period, we were not under investigation in accordance with the law for suspected crimes, and the controlling shareholders, Directors, Supervisors and senior management of the Bank were not subject to compulsory measures in accordance with the law for suspected crimes; the Bank or its controlling shareholders, Directors, Supervisors and senior management have not been subject to any criminal punishment, nor have they been subject to any investigation by the CSRC or administrative punishment by the CSRC for suspected violation of laws or regulations, and have not been subject to any material administrative punishment by other competent authorities; none of the controlling shareholders, Directors, Supervisors and senior management of the Bank has been subject to detention by the disciplinary inspection and supervision authorities for suspected serious violations of discipline or law, or duty-related crimes, which may affect their performance of duties; the Directors, Supervisors and senior management of the Bank have not been subject to compulsory measures by other authorities due to suspected violation of laws and regulations, which may affect their performance of duties. Neither the Bank nor its controlling shareholders, Directors, Supervisors and senior management were subject to administrative regulatory measures by the CSRC or disciplinary actions by any stock exchanges.

Misappropriation of the Bank's Fund by the Controlling Shareholders and Other Related Parties for Non-operating Purposes

During the reporting period, there was no misappropriation of the Bank's fund by the controlling shareholders or other related parties for non-operating purpose.

Integrity of the Bank and its Controlling Shareholders

There was no circumstance where we or our controlling shareholders have failed to fulfill obligations specified in an effective court judgment or repay any outstanding debt of a significant amount that matured.

Purchase, Sale or Redemption of the Bank's Securities

During the reporting period, neither we nor our subsidiaries purchased, sold, or redeemed any of our listed securities.

Implementation of Share Incentive Plan

During the reporting period, we did not implement any share incentive schemes such as share appreciation rights scheme for the management or employee share ownership scheme.

Securities Transactions by Directors and Supervisors

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

Rights of Directors and Supervisors to Acquire Shares or Debentures

As at 30 June 2023, the Bank did not grant any rights to acquire shares or debentures to any Directors or Supervisors, nor was any of such rights exercised by any Directors or Supervisors. Neither the Bank nor its subsidiaries entered into any agreements or arrangements enabling the Directors or Supervisors to obtain benefits by acquiring shares or debentures of the Bank or any other corporations.

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

As at 30 June 2023, none of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the *Securities and Futures Ordinance* of Hong Kong) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the *Securities and Futures Ordinance* of Hong Kong (including interests and short positions deemed to be owned by them under such provisions of the *Securities and Futures Ordinance* of Hong Kong), or any interests or short positions which were required to be recorded in the register referred to relevant articles in Section 352 of the *Securities and Futures Ordinance* of Hong Kong, or any interests or short positions which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 to the Hong Kong Listing Rules. For the interests and short positions of substantial shareholders of the Bank and other persons, please refer to "Corporate Governance Report — Details of Ordinary Shares".

Interim Review

The 2023 Interim Financial Report prepared by the Bank in accordance with the CASs and IFRSs was reviewed by KPMG Huazhen LLP and KPMG in accordance with the PRC and international standards on review engagements, respectively.

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

Issue and Redemption of Capital Bonds

For the details of issue and redemption of capital bonds of the Bank, please refer to "Discussion and Analysis — Capital Management — Management of Capital Financing".

Appendix I Capital Adequacy Ratio Information

The Bank discloses the following information pursuant to the *Capital Rules for Commercial Banks (Provisional),* the *Notice of the China Banking Regulatory Commission on Issuing the Supporting Policy Documents for the Capital Regulation of Commercial Banks* and other regulatory requirements.

I. Capital Adequacy Ratio Information

As of 30 June 2023, given the rules for the parallel implementation period, the Bank's capital adequacy ratio, Tier 1 capital adequacy ratio and CET 1 capital adequacy ratio, which were calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*, were 16.25%, 12.42%, and 10.40%, respectively, and were in compliance with regulatory requirements. The Bank's capital adequacy ratio, Tier 1 capital adequacy ratio and CET 1 capital adequacy ratio decreased by 0.95 percentage point, 0.95 percentage point and 0.75 percentage point, respectively, as compared to 31 December 2022.

II. Scope for Calculating Capital Adequacy Ratio

The scope for calculating the Bank's consolidated capital adequacy ratio includes the Bank and the financial institutions in which the Bank has direct or indirect investments in compliance with the requirements of the *Capital Rules for Commercial Banks (Provisional)*. The scope for calculating the Bank's unconsolidated capital adequacy ratio covers all the domestic and overseas branches of the Bank.

III. Capital Adequacy Ratio and Risk-weighted Assets

As of the end of June 2023, the Bank adopted the foundation Internal Ratings-Based (IRB) approach for non-retail exposure and IRB approach for retail exposure to measure credit risk-weighted assets, weighting approach for credit risk-weighted assets uncovered by IRB approach, Internal Models Approach (IMA) for market risk-weighted assets, standardized measurement approach to measure market risk-weighted assets uncovered by IMA, and standardized measurement approach to measure operational risk-weighted assets.

In millions of RMB, except for percentages

	30 June 2023		31 December 2022	
Item	**The Group**	**The Bank**	The Group	The Bank
CET 1 capital, net	**2,260,746**	**2,188,763**	2,215,612	2,147,646
Additional Tier 1 capital, net	**440,009**	**440,000**	440,009	440,000
Tier 1 capital, net	**2,700,755**	**2,628,763**	2,655,621	2,587,646
Tier 2 capital, net	**831,424**	**823,427**	760,728	752,764
Total capital, net	**3,532,179**	**3,452,190**	3,416,349	3,340,410
Risk-weighted assets	**21,737,688**	**21,076,769**	19,862,505	19,203,893
Credit risk-weighted assets	**20,315,729**	**19,681,065**	18,498,973	17,866,609
Portion covered by IRB	**13,732,705**	**13,732,705**	12,533,224	12,533,224
Portion uncovered by IRB	**6,583,024**	**5,948,360**	5,965,749	5,333,385
Market risk-weighted assets	**219,687**	**214,928**	161,260	156,508
Portion covered by IMA	**211,793**	**211,793**	153,331	153,331
Portion uncovered by IMA	**7,894**	**3,135**	7,929	3,177
Operational risk-weighted assets	**1,202,272**	**1,180,776**	1,202,272	1,180,776
Additional risk-weighted assets due to the requirement of the capital floor	**–**	**–**	–	–
CET 1 capital adequacy ratio	**10.40%**	**10.38%**	11.15%	11.18%
Tier 1 capital adequacy ratio	**12.42%**	**12.47%**	13.37%	13.47%
Capital adequacy ratio	**16.25%**	**16.38%**	17.20%	17.39%

IV. Risk Exposure

(1) Credit Risk

The following tables set out the credit risk exposure of the Bank calculated according to the foundation IRB approach for non-retail exposures, IRB approach for retail exposures and weighting approach.

In millions of RMB

	30 June 2023		31 December 2022	
Item	**Risk Exposure**	**Risk-weighted assets**	Risk Exposure	Risk-weighted assets
Credit Risk Covered by IRB Approach[1]	**23,901,535**	**12,955,728**	22,013,883	11,824,041
Non-retail credit risk	**17,144,639**	**11,130,118**	15,333,901	10,070,055
Retail credit risk	**6,740,733**	**1,814,507**	6,616,750	1,725,041
Counterparty credit risk	**16,163**	**11,103**	63,232	28,945

Note: 1. Regulatory calibration is not included.

In millions of RMB

	30 June 2023		31 December 2022	
Item	**Risk Exposure**	**Risk-weighted assets**	Risk Exposure	Risk-weighted assets
Credit Risk Uncovered by IRB Approach	**17,694,622**	**6,583,024**	15,136,878	5,965,749
On-balance sheet credit risk	**17,251,622**	**6,251,421**	14,641,903	5,562,684
of which: asset securitization	**13,635**	**127,150**	14,866	118,384
Off-balance sheet credit risk	**376,737**	**290,574**	460,659	362,674
Counterparty credit risk	**66,263**	**41,029**	34,316	40,391

As of the end of June 2023, the balance of non-performing loans of the Bank amounted to RMB294.4 billion, representing an increase of RMB23.3 billion as compared to the beginning of the year. The non-performing loan ratio was 1.35%, representing a decrease of 0.02 percentage point as compared to the beginning of the year; overdue loans balance amounted to RMB214.8 billion, representing an increase of RMB1.9 billion as compared to the beginning of the year. The overdue ratio was 0.99%, representing a decrease of 0.09 percentage point as compared to the beginning of the year. The balance of allowance for impairment losses on loans amounted to RMB896.9 billion, representing an increase of RMB76.7 billion as compared to the beginning of the year. The allowance to non-performing loans was 304.67%, representing an increase of 2.07 percentage points as compared to the beginning of the year. The allowance to loan ratio was 4.13%, representing a decrease of 0.03 percentage point as compared to the beginning of the year.

(2) Market Risk

The Bank calculated the capital requirement of market risk by using the Internal Models Approach (IMA), of which uncovered portion was measured by standardized measurement approach. As of 30 June 2023, the capital requirements of all types of market risks of the Bank are shown in the following table.

In millions of RMB

Item	Capital requirements 30 June 2023	Capital requirements 31 December 2022
Portion Covered by IMA	**16,943**	12,266
Portion Covered by Standardized Measurement Approach	**632**	634
Interest rate risk	**251**	254
Equity risk	**–**	–
Foreign exchange risk	**381**	380
Commodity risk	**–**	–
Option risk	**–**	–
Total	**17,575**	12,900

The Bank adopted the historical simulation method with a 99% confidence interval based on a holding period of 10 days and historical observation period for one year to calculate the value-at-risk (VaR) and the stressed value-at-risk (stressed VaR). VaR and stressed VaR reflect the maximum losses under a certain probability based on recent historical scenarios and historical scenarios in one year that have constituted significant stress on the Bank's assets, respectively. The following table sets forth the Bank's VaR and stressed VaR under IMA of market risk as of 30 June 2023.

In millions of RMB

	30 June 2023			
Item	**Average**	**Highest**	**Lowest**	**Period end**
Value at Risk (VaR)	**2,538**	**2,951**	**1,975**	**2,600**
Stressed Value at Risk (Stressed VaR)	**2,572**	**2,956**	**2,140**	**2,600**

The following table sets out equity risk exposures in the banking book of the Bank.

In millions of RMB

	Risk exposures of publicly traded equity[1]		Risk exposures of non-publicly traded equity[1]		Unrealized profit or loss on potential risk[2]	
Types of the invested entity	**30 June 2023**	31 December 2022	**30 June 2023**	31 December 2022	**30 June 2023**	31 December 2022
Financial institutions	**2,827**	2,533	**4,330**	4,260	**2,172**	1,857
Companies	**2,007**	3,520	**121,064**	118,922	**(2,180)**	(2,592)
Total	**4,834**	6,053	**125,394**	123,182	**(8)**	(735)

Notes:

1. *Risk exposures of publicly traded equity refer to the equity risk exposures of listed companies, and risk exposures of non-publicly traded equity refer to the equity risk exposures of unlisted companies as invested entities.*
2. *Unrealized profit or loss on potential risk refers to gain or loss that has been recognized in the balance sheet but not yet been recognized in the income statement.*

For details of the interest rate risk of the Bank, please refer to the section "Discussion and Analysis — Risk Management".

(3) Operational Risk

We determined the levels of regulatory capital required related to operational risks using the standardized approach. As of 30 June 2023, the regulatory capital requirement for the Group was RMB96,182 million, and for the Bank was RMB94,462 million.

For details of the operational risk of the Bank, please refer to "Discussion and Analysis — Risk Management".

V. Contrast Between Regulatory Consolidation and Financial Statement

The Bank compiled the Group's balance sheet within the scope of regulatory consolidation in accordance with the *Capital Rules for Commercial Banks (Provisional)* and the *Notice of the China Banking Regulatory Commission on Issuing Supporting Policies for the Capital Regulation of Commercial Banks*. The contrast between the items of regulatory consolidation and financial statement is shown in the table below.

In millions of RMB

Item	30 June 2023 Financial Statement[1]	30 June 2023 Regulatory Consolidation	31 December 2022 Financial Statement[1]	31 December 2022 Regulatory Consolidation	Code
Assets					
Cash and balances with central banks	**3,039,971**	**3,039,971**	2,549,130	2,549,130	A01
Deposits with banks and other financial institutions	**935,143**	**916,122**	630,885	613,645	A02
Placements with and loans to banks and other financial institutions	**457,564**	**457,564**	500,330	500,330	A03
Financial assets at fair value through profit or loss	**540,613**	**469,437**	522,057	456,131	A04
Derivative financial assets	**49,511**	**49,511**	30,715	30,715	A05
Financial assets held under resale agreements	**1,885,228**	**1,885,029**	1,172,187	1,171,374	A06
Loans and advances to customers	**20,915,065**	**20,915,065**	18,980,973	18,980,973	A07
Debt instrument investments at amortized cost	**7,782,325**	**7,771,470**	7,306,000	7,277,921	A08
Other debt instrument and other equity investments at fair value through other comprehensive income	**1,745,256**	**1,690,766**	1,702,106	1,680,040	A09
Long-term equity investment	**8,077**	**11,906**	8,092	11,921	A10
Fixed assets	**140,623**	**139,872**	142,542	141,792	A11
Construction in progress	**10,161**	**10,160**	10,030	10,029	A12
Land use rights	**19,669**	**19,669**	19,982	19,982	A13
Deferred tax assets	**157,477**	**157,327**	149,930	149,630	A14
Goodwill	**1,381**	**–**	1,381	–	A15
Intangible assets	**8,613**	**8,383**	7,885	7,643	A16
Other assets	**336,718**	**346,983**	191,263	199,255	A17
Total assets	**38,033,395**	**37,889,235**	33,925,488	33,800,511	A00

	30 June 2023		31 December 2022		
Item	Financial Statement[1]	Regulatory Consolidation	Financial Statement[1]	Regulatory Consolidation	Code
Liabilities					
Borrowings from central bank	**1,056,559**	**1,056,559**	901,116	901,116	L01
Deposits from banks and other financial institutions	**2,975,929**	**2,988,016**	2,459,178	2,474,606	L02
Placements from banks and other financial institutions	**400,900**	**400,900**	333,755	333,755	L03
Financial liabilities at fair value through profit or loss	**11,680**	**11,680**	12,287	12,287	L04
Financial assets sold under repurchase agreements	**56,178**	**47,968**	43,779	35,824	L05
Due to customers	**28,231,053**	**28,231,077**	25,121,040	25,121,087	L06
Derivative financial liabilities	**44,213**	**44,213**	31,004	31,004	L07
Debt securities issued	**2,001,076**	**1,996,003**	1,869,398	1,864,096	L08
Staff costs payable	**62,129**	**61,857**	71,469	71,035	L09
Taxes payable	**30,485**	**30,468**	56,134	56,130	L10
Dividends payable	**77,766**	**77,766**	1,936	1,936	L11
Deferred tax liabilities	**25**	**121**	9	105	L12
Provisions	**37,798**	**37,798**	40,788	40,788	L13
Other liabilities	**326,898**	**187,728**	309,835	186,017	L14
Total liabilities	**35,312,689**	**35,172,154**	31,251,728	31,129,786	L00
Equity					
Ordinary shares	**349,983**	**349,983**	349,983	349,983	E01
Other equity instruments	**440,000**	**440,000**	440,000	440,000	E02
of which: Preference shares	**80,000**	**80,000**	80,000	80,000	E03
Perpetual bonds	**360,000**	**360,000**	360,000	360,000	E04
Capital reserve	**173,426**	**173,426**	173,426	173,426	E05
Surplus reserve	**247,144**	**247,143**	246,764	246,763	E06
General reserve	**456,450**	**456,450**	388,600	388,600	E07
Undistributed profits	**1,015,977**	**1,014,842**	1,033,403	1,031,627	E08
Non-controlling interests	**6,260**	**2,639**	5,697	2,201	E09
Other comprehensive income	**31,466**	**32,598**	35,887	38,125	E10
of which: foreign currency translation differences	**3,425**	**3,425**	1,761	1,761	E11
Equity	**2,720,706**	**2,717,081**	2,673,760	2,670,725	E00

Note: 1. For details, please refer to the balance sheet of the Bank's 2023 Interim Report.

VI. Composition of Capital

Pursuant to the *Capital Rules for Commercial Banks (Provisional)*, the composition of the Bank's regulatory capital is shown in the table below.

In millions of RMB

Item		30 June 2023	31 December 2022	Code
CET 1 capital				
1	Paid-in capital	**349,983**	349,983	E01
2	Retained earnings	**1,718,435**	1,666,990	
2a	Surplus reserve	**247,143**	246,763	E06
2b	General reserve	**456,450**	388,600	E07
2c	Undistributed profits	**1,014,842**	1,031,627	E08
3	Accumulated other comprehensive income and disclosed reserve	**206,024**	211,551	
3a	Capital reserve	**173,426**	173,426	E05
3b	Others	**32,598**	38,125	E10
4	Directly issued capital subject to phase out from CET 1 capital (only applicable to non-joint stock companies, banks of joint stock companies just fill with "0")	**–**	–	
5	Common share capital issued by subsidiaries and held by third parties	**67**	65	
6	**CET 1 capital before regulatory adjustments**	**2,274,509**	2,228,589	
CET 1 capital: regulatory adjustments				
7	Prudential valuation adjustments	–	–	
8	Goodwill (net of deferred tax liability)	–	–	A15
9	Other intangible assets other than land use rights (net of deferred tax liability)	**8,383**	7,643	A16
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	**6**	13	
11	Cash-flow hedge reserve to the items not calculated at fair value	**–**	–	
12	Shortfall of provisions to expected losses on loans	**–**	–	
13	Securitization gain on sale	**–**	–	
14	Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	**–**	–	
15	Defined-benefit pension fund net assets (net of deferred tax liability)	**–**	–	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	**–**	–	
17	Reciprocal cross-holdings in common equity	**–**	–	
18	Deductible amount of the CET 1 capital from insignificant minority capital investment of the financial institutions outside the scope of consolidation	**–**	–	

Item		30 June 2023	31 December 2022	Code
19	Deductible amount of the CET 1 capital from significant minority capital investment of the financial institutions outside the scope of consolidation	–	–	
20	Mortgage servicing rights	–	–	
21	Other deductible amount in the net deferred tax asset that relies on future profitability of the Bank	–	–	
22	Deductible amount of significant investments in the capital of financial institutions outside the scope of regulatory consolidation and other net deferred tax assets that rely on the Bank's future profitability (amount exceeding the 15% of the CET 1 capital)	–	–	
23	of which: deductible amount of significant minority investments in the capital of financial institution	–	–	
24	of which: mortgage servicing rights	–	–	
25	of which: deductible amount in other net deferred tax assets that rely on the Bank's future profitability	–	–	
26a	Investment in CET 1 capital of financial institutions outside the scope of regulatory consolidation but in which the Bank has the control	5,374	5,321	
26b	Shortfall of CET 1 capital of financial institutions outside the scope of regulatory consolidation but in which the Bank has the control	–	–	
26c	Total other items deductible from CET 1 capital	–	–	
27	Regulatory adjustments applied to CET 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	–	–	
28	**Total regulatory adjustments to CET 1 capital**	**13,763**	12,977	
29	**CET 1 capital**	**2,260,746**	2,215,612	
Additional Tier 1 capital				
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	440,000	440,000	E02
31	of which: classified as equity	440,000	440,000	E02
32	of which: classified as liabilities	–	–	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	–	–	
34	Additional Tier 1 instruments issued by subsidiaries and held by third parties	9	9	
35	of which: instruments issued by subsidiaries subject to phase out from Additional Tier 1	–	–	
36	**Additional Tier 1 capital before regulatory adjustments**	**440,009**	440,009	

Item		30 June 2023	31 December 2022	Code
Additional Tier 1 capital: regulatory adjustments				
37	Investments in own Additional Tier 1 instruments	–	–	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	–	–	
39	Deductible amount of additional Tier 1 capital from insignificant minority capital investment of the financial institutions outside the scope of consolidation	–	–	
40	Additional Tier 1 capital from significant minority capital investment of the financial institutions outside the scope of consolidation	–	–	
41a	Investments in Additional Tier 1 capital of financial institutions outside the scope of consolidation but in which the Bank has the control	–	–	
41b	Shortfall of Additional Tier 1 capital of financial institutions outside the scope of consolidation but in which the Bank has the control	–	–	
41c	Other items deductible from Additional Tier 1 capital	–	–	
42	Amount deductible from Additional Tier 2 capital but not yet deducted	–	–	
43	**Total regulatory adjustments to Additional Tier 1 capital**	–	–	
44	**Additional Tier 1 capital**	**440,009**	440,009	
45	**Tier 1 capital (CET 1 capital + Additional Tier 1 capital)**	**2,700,755**	2,655,621	
Tier 2 capital				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	**359,945**	329,929	
47	of which: Directly issued capital instruments subject to phase out from Tier 2	–	–	
48	Tier 2 instruments issued by subsidiaries and held by third parties	**18**	18	
49	of which: Portions not given recognition after the phase-out period	–	–	
50	Excess loan loss provisions	**471,461**	430,781	
51	**Tier 2 capital before regulatory adjustments**	**831,424**	760,728	

Item		30 June 2023	31 December 2022	Code
Tier 2 capital: regulatory adjustments				
52	Investments in own Tier 2 instruments	–	–	
53	Reciprocal cross-holdings in Tier 2 instruments	–	–	
54	Tier 2 capital from insignificant minority capital investment of the financial institutions outside the scope of consolidation	–	–	
55	Tier 2 capital from significant minority capital investment of the financial institutions outside the scope of consolidation	–	–	
56a	Investments in Tier 2 capital of financial institutions outside the scope of consolidation but in which the Bank has the control	–	–	
56b	Shortfall of Tier 2 capital of financial institutions outside the scope of consolidation but in which the Bank has the control	–	–	
56c	Other items deductible from Tier 2 capital	–	–	
57	**Total regulatory adjustments to Tier 2 capital**	–	–	
58	**Tier-2 capital**	831,424	760,728	
59	**Total capital (Tier 1 capital + Tier 2 capital)**	3,532,179	3,416,349	
60	**Total risk weighed assets**	21,737,688	19,862,505	
Capital adequacy ratios and reserve capital requirements				
61	CET 1 capital adequacy ratio	10.40%	11.15%	
62	Tier 1 capital adequacy ratio	12.42%	13.37%	
63	Capital adequacy ratio	16.25%	17.20%	
64	Institution specific buffer requirement	3.50%	3.50%	
65	of which: capital conservation buffer requirement	2.50%	2.50%	
66	of which: countercyclical buffer requirement	0.00%	0.00%	
67	of which: G-SIBs buffer requirement	1.00%	1.00%	
68	CET 1 capital available to meet buffers (as a percentage of risk weighted assets)	5.40%	6.15%	
National minimum				
69	CET 1 minimum ratio	5%	5%	
70	Tier 1 minimum ratio	6%	6%	
71	Total capital minimum ratio	8%	8%	
Amounts not deducted from the thresholds for deduction				
72	Non-significant minority investments in the capital of other unconsolidated financial institutions	182,749	189,324	
73	Significant minority investments in the common stock of unconsolidated financial institutions	715	700	
74	Mortgage servicing rights (net of deferred tax liability)	N/A	N/A	
75	Other net deferred tax assets relying on the Bank's future profitability (net of deferred tax liability)	157,200	149,512	

Item		30 June 2023	31 December 2022	Code
Applicable caps on the inclusion of excess loan loss provisions in Tier 2 capital				
76	Excess loan loss provisions actually provided under the Weighting Approach	**138,349**	109,289	
77	Excess loan loss provisions eligible for inclusion in Tier 2 capital under the Weighting Approach	**81,272**	73,651	
78	Excess loan loss provisions actually provided under the Internal Ratings-Based Approach	**476,298**	433,896	
79	Excess loan loss provisions eligible for inclusion in Tier 2 capital under the Internal Ratings-Based Approach	**390,190**	357,130	
Capital instruments subject to phase-out arrangements				
80	Amount included in CET 1 capital due to phase-out arrangements	**–**	–	
81	Amount excluded from CET 1 capital due to phase-out arrangements	**–**	–	
82	Amount included in Additional Tier 1 capital due to phase-out arrangements	**–**	–	
83	Amount excluded from Additional Tier 1 capital due to phase-out arrangements	**–**	–	
84	Amount included in Tier 2 capital due to phase-out arrangements	**–**	–	
85	Amount excluded from Tier 2 capital due to phase-out arrangements	**–**	–	

VII. Main Features of Eligible Capital Instruments

As of 30 June 2023, the eligible capital instruments of the Bank included ordinary shares, preference shares, perpetual bonds, and Tier 2 capital bonds.

On 15 July 2010, A-shares of the Bank were listed on the Shanghai Stock Exchange, and H-shares of the Bank were listed on the Hong Kong Stock Exchange on 16 July 2010. In November 2014 and March 2015, the Bank completed the issuance of a total of 800 million preference shares in two tranches, with RMB80 billion raised to replenish Additional Tier 1 capital. In June 2018, the Bank conducted the private issuance of 25,188,916,873 A-shares, with RMB100 billion raised to replenish CET 1 capital. In August and September 2019, May and August 2020, November 2021, and February and September 2022, the Bank completed the seven tranches of perpetual bonds in the total amount of RMB360 billion to replenish Additional Tier 1 capital.

The Bank issued Tier 2 capital bonds amounting to RMB120 billion in the PRC inter-bank bond market in two tranches in March and April 2019 respectively, and the raised funds after deducting issuance expenses were all included into Tier 2 capital. The Bank issued Tier 2 capital bonds amounting to RMB40 billion in the PRC inter-bank bond market in May 2020, and the raised funds after deducting issuance expenses were all included into Tier 2 capital. The Bank issued Tier 2 capital bonds amounting to RMB130 billion in the PRC inter-bank bond market in two tranches in June and September 2022, respectively, and the raised funds after deducting issuance expenses were all included into Tier 2 capital. The Bank issued Tier 2 capital bonds amounting to RMB70 billion in the PRC inter-bank bond market in March 2023, and the raised funds after deducting issuance expenses were all included into Tier 2 capital.

Appendix I Capital Adequacy Ratio Information

As of 30 June 2023, the following tables set the main features of eligible capital instruments of the Bank.

	Main Features of Eligible Tier 1 Capital Instruments (Ordinary Shares and Preference Shares)	Ordinary share of A-Shares	Ordinary share of H-Shares	Preference shares	Preference shares
1	Issuer	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited
2	Unique code	601288	1288	360001	360009
3	Governing laws	"Company Law of the People's Republic of China", "Securities Law of the People's Republic of China", "Law of the People's Republic of China on Commercial Banks", "Rules Governing the Listing of Stocks on Shanghai Stock Exchange", etc.	"Company Law of the People's Republic of China", "Securities Law of the People's Republic of China", "Law of the People's Republic of China on Commercial Banks", "Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited", etc.	"Company Law of the People's Republic of China", "Securities Law of the People's Republic of China", "the Administrative Measures on the Pilot Scheme of Preference Shares", etc.	"Company Law of the People's Republic of China", "Securities Law of the People's Republic of China", "the Administrative Measures on the Pilot Scheme of Preference Shares", etc.
	Regulatory treatments				
4	of which: Application of *Capital Rules for Commercial Banks (Provisional)* transitional rules	CET 1 capital	CET 1 capital	Additional Tier 1 capital	Additional Tier 1 capital
5	of which: Application of *Capital Rules for Commercial Banks (Provisional)* post-transitional rules	CET 1 capital	CET 1 capital	Additional Tier 1 capital	Additional Tier 1 capital
6	of which: Eligible at the Bank/the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group
7	Instrument type	Ordinary shares	Ordinary shares	Preference shares	Preference shares
8	Recognized in regulatory capital (in millions of RMB, most recent reporting date)	319,244	30,739	40,000	40,000
9	Par value	RMB1	RMB1	RMB100	RMB100
10	Accounting treatment	Equity	Equity	Equity	Equity
11	Original date of issuance	2010-7-15 and 2018-6-26	2010-7-16	2014-10-31	2015-3-6
12	Dated or perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	of which: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date
14	Issuer call subject to prior regulatory approval	No	No	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)
15	of which: Optional call date, contingent call dates and redemption amount	–	–	The first call date shall be 5 November 2019, fully or partially	The first call date shall be 11 March 2020, fully or partially
16	of which: Subsequent call dates, if applicable	–	–	5 November of each year after the first call date	11 March of each year after the first call date
	Bonus or Dividends				
17	of which: Fixed or floating dividends/bonus	Floating	Floating	The coupon rate of the preference shares shall be adjusted every five years. The dividends of the issued preference shares will be paid at an agreed fixed coupon rate during each dividend adjustment period	The coupon rate of the preference shares shall be adjusted every five years. The dividends of the issued preference shares will be paid at an agreed fixed coupon rate during each dividend adjustment period
18	of which: coupon rate and any related index	Subject to the Board's decision	Subject to the Board's decision	Within 5 years from 5 November 2019, the coupon rate is 5.32%	Within 5 years from 11 March 2020, the coupon rate is 4.84%
19	of which: Existence of a dividend stopper	No	No	Yes	Yes
20	of which: Whether fully discretionary in cancellation of bonus or dividends	Full discretionary	Full discretionary	Full discretionary	Full discretionary
21	of which: Existence of step up or other incentives to redeem	No	No	No	No
22	of which: Cumulative or non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Convertible	Convertible

		Main Features of Eligible Tier 1 Capital Instruments (Ordinary Shares and Preference Shares)			
		Ordinary share of A-Shares	Ordinary share of H-Shares	Preference shares	Preference shares
24	of which: If convertible, specify conversion trigger(s)	–	–	Going concern trigger event or non-viability trigger event	Going concern trigger event or non-viability trigger event
25	of which: If convertible, fully or partially	–	–	Convert fully or partially when the going concern trigger event occurs; convert fully when non-viability trigger event occurs	Convert fully or partially when the going concern trigger event occurs; convert fully when non-viability trigger event occurs
26	of which: If convertible, determine methods for conversion price	–	–	The initial conversion price of the issued preference shares shall be the average trading price of the ordinary shares of the A-share of the Bank in 20 trading days preceding the date of the Board resolution on the Issuance Plan. After the date of the Board resolution, in the event the Bank issues stock dividends, converts capital reserves to share capital, conducts follow-on issuances of shares, conducts a rights issue or acts under similar circumstances, the Bank will adjust the conversion price on a cumulative basis in accordance with the sequence of occurrences of the foregoing events	The initial conversion price of the issued preference shares shall be the average trading price of the ordinary shares of the A-share of the Bank in 20 trading days preceding the date of the Board resolution on the Issuance Plan. After the date of the Board resolution, in the event the Bank issues stock dividends, converts capital reserves to share capital, conducts follow-on issuances of shares, conducts a rights issue or acts under similar circumstances, the Bank will adjust the conversion price on a cumulative basis in accordance with the sequence of occurrences of the foregoing events
27	of which: If convertible, mandatory or optional conversion	–	–	Mandatory	Mandatory
28	of which: If convertible, specify instrument type convertible into	–	–	Ordinary shares	Ordinary shares
29	of which: If convertible, specify issuer of instrument convertible into	–	–	Agricultural Bank of China Limited	Agricultural Bank of China Limited
30	Write-down feature	No	No	No	No
31	of which: If write-down, specify write-down trigger(s)	–	–	–	–
32	of which: If write-down, full or partial	–	–	–	–
33	of which: If write-down, permanent or temporary	–	–	–	–
34	of which: If temporary write-down, describe write-up mechanism	–	–	–	–
35	Position in subordination hierarchy in liquidation (instrument type immediately senior to instrument)	Subordinate to the depositors, creditors, junior debt and Additional Tier 1 capital instruments	Subordinate to the depositors, creditors, junior debt and Additional Tier 1 capital instruments	Subordinate to the depositors, creditors, junior debt, prior to CET 1 capital instruments	Subordinate to the depositors, creditors, junior debt, prior to CET 1 capital instruments
36	Non-eligible transitioned features	No	No	No	No
37	of which: If yes, specify non-eligible features	–	–	–	–

Note: The Bank adjusted the disclosure basis for items related to preference shares. In particular, "original date of issuance" refers to the book-building date; "issuer call" is attached with "conditional call rights" and no call rights were exercised on the first call date for the two tranches of the Bank's preference shares.

Appendix I Capital Adequacy Ratio Information

		Main Features of Eligible Tier 1 Capital Instruments (Perpetual Bonds)						
		Perpetual bonds	Perpetual bonds	Perpetual bonds	Perpetual bonds	Perpetual bonds	Perpetual bonds	Perpetual bonds
1	Issuer	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited
2	Unique code	1928021	1928023	2028017	2028032	2128038	2228011	092280086
3	Governing laws	"Law of the People's Republic of China on Commercial Banks", "Capital Rules for Commercial Banks (Provisional)", "Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market", etc.	"Law of the People's Republic of China on Commercial Banks", "Capital Rules for Commercial Banks (Provisional)", "Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market", etc.	"Law of the People's Republic of China on Commercial Banks", "Capital Rules for Commercial Banks (Provisional)", "Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market", etc.	"Law of the People's Republic of China on Commercial Banks", "Capital Rules for Commercial Banks (Provisional)", "Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market", etc.	"Law of the People's Republic of China on Commercial Banks", "Capital Rules for Commercial Banks (Provisional)", "Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market", etc.	"Law of the People's Republic of China on Commercial Banks", "Capital Rules for Commercial Banks (Provisional)", "Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market", etc.	"Law of the People's Republic of China on Commercial Banks", "Capital Rules for Commercial Banks (Provisional)", "Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market", etc.
	Regulatory treatments							
4	of which: Application of *Capital Rules for Commercial Banks (Provisional)* transitional rules	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital
5	of which: Application of *Capital Rules for Commercial Banks (Provisional)* post-transitional rules	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital
6	of which: Eligible at the Bank/the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group
7	Instrument type	Perpetual bonds	Perpetual bonds	Perpetual bonds	Perpetual bonds	Perpetual bonds	Perpetual bonds	Perpetual bonds
8	Recognized in regulatory capital (in millions of RMB, most recent reporting date)	85,000	35,000	85,000	35,000	40,000	50,000	30,000
9	Par value	RMB100	RMB100	RMB100	RMB100	RMB100	RMB100	RMB100
10	Accounting treatment	Equity	Equity	Equity	Equity	Equity	Equity	Equity
11	Original date of issuance	2019-8-16	2019-9-3	2020-5-8	2020-8-20	2021-11-12	2022-2-18	2022-9-1
12	Dated or perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	of which: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date
14	Issuer call subject to prior regulatory approval	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)
15	of which: Optional call date, contingent call dates and redemption amount	The first call date shall be 20 August 2024, fully or partially.	The first call date shall be 5 September 2024, fully or partially.	The first call date shall be 12 May 2025, fully or partially.	The first call date shall be 24 August 2025, fully or partially.	The first call date shall be 16 November 2026, fully or partially.	The first call date shall be 22 February 2027, fully or partially.	The first call date shall be 5 September 2027, fully or partially.
16	of which: Subsequent call dates, if applicable	20 August of each year after the first call date	5 September of each year after the first call date	12 May of each year after the first call date	24 August of each year after the first call date	16 November of each year after the first call date	22 February of each year after the first call date	5 September of each year after the first call date

		Main Features of Eligible Tier 1 Capital Instruments (Perpetual Bonds)						
		Perpetual bonds	Perpetual bonds	Perpetual bonds	Perpetual bonds	Perpetual bonds	Perpetual bonds	Perpetual bonds
	Bonus or Dividends							
17	of which: Fixed or floating dividends/bonus	The coupon rate shall be adjusted every five years. The interests of the issued perpetual bond will be paid at an agreed fixed coupon rate during each dividend adjustment period.	The coupon rate shall be adjusted every five years. The interests of the issued perpetual bond will be paid at an agreed fixed coupon rate during each dividend adjustment period.	The coupon rate shall be adjusted every five years. The interests of the issued perpetual bond will be paid at an agreed fixed coupon rate during each dividend adjustment period.	The coupon rate shall be adjusted every five years. The interests of the issued perpetual bond will be paid at an agreed fixed coupon rate during each dividend adjustment period.	The coupon rate shall be adjusted every five years. The interests of the issued perpetual bond will be paid at an agreed fixed coupon rate during each dividend adjustment period.	The coupon rate shall be adjusted every five years. The interests of the issued perpetual bond will be paid at an agreed fixed coupon rate during each dividend adjustment period.	The coupon rate shall be adjusted every five years. The interests of the issued perpetual bond will be paid at an agreed fixed coupon rate during each dividend adjustment period.
18	of which: coupon rate and any related index	Within 5 years from 20 August 2019, the coupon rate is 4.39%.	Within 5 years from 5 September 2019, the coupon rate is 4.20%.	Within 5 years from 12 May 2020, the coupon rate is 3.48%.	Within 5 years from 24 August 2020, the coupon rate is 4.50%.	Within 5 years from 16 November 2021, the coupon rate is 3.76%.	Within 5 years from 22 February 2022, the coupon rate is 3.49%.	Within 5 years from 5 September 2022, the coupon rate is 3.17%.
19	of which: Existence of a dividend stopper	Yes	Yes	Yes	Yes	Yes	Yes	Yes
20	of which: Whether fully discretionary in cancellation of bonus or dividends	Full discretionary	Full discretionary	Full discretionary	Full discretionary	Full discretionary	Full discretionary	Full discretionary
21	of which: Existence of step up or other incentives to redeem	No	No	No	No	No	No	No
22	of which: Cumulative or non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	of which: If convertible, specify conversion trigger(s)	–	–	–	–	–	–	–
25	of which: If convertible, fully or partially	–	–	–	–	–	–	–
26	of which: If convertible, determine methods for conversion price	–	–	–	–	–	–	–
27	of which: If convertible, mandatory or optional conversion	–	–	–	–	–	–	–
28	of which: If convertible, specify instrument type convertible into	–	–	–	–	–	–	–
29	of which: If convertible, specify issuer of instrument convertible into	–	–	–	–	–	–	–
30	Write-down feature	Yes	Yes	Yes	Yes	Yes	Yes	Yes

		Main Features of Eligible Tier 1 Capital Instruments (Perpetual Bonds)						
		Perpetual bonds	Perpetual bonds	Perpetual bonds	Perpetual bonds	Perpetual bonds	Perpetual bonds	Perpetual bonds
31	of which: If write-down, specify write-down trigger(s)	Going concern trigger event or non-viability trigger event	Going concern trigger event or non-viability trigger event	Triggers refer to the occurrence of the earlier of the following two events: (1) the NAFR considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness.	Triggers refer to the occurrence of the earlier of the following two events: (1) the NAFR considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness.	Triggers refer to the occurrence of the earlier of the following two events: (1) the NAFR considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness.	Triggers refer to the occurrence of the earlier of the following two events: (1) the NAFR considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness.	Triggers refer to the occurrence of the earlier of the following two events: (1) the NAFR considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness.
32	of which: If write-down, full or partial	Full or Partial	Full or Partial	Full or Partial	Full or Partial	Full or Partial	Full or Partial	Full or Partial
33	of which: If write-down, permanent or temporary	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
34	of which: If temporary write-down, describe write-up mechanism	–	–	–	–	–	–	–
35	Position in subordination hierarchy in liquidation (instrument type immediately senior to instrument)	Subordinate to the depositors, creditors, and junior debt that are above the bonds in rank.	Subordinate to the depositors, creditors, and junior debt that are above the bonds in rank.	Subordinate to the depositors, creditors, and junior debt that are above the bonds in rank.	Subordinate to the depositors, creditors, and junior debt that are above the bonds in rank.	Subordinate to the depositors, creditors, and junior debt that are above the bonds in rank.	Subordinate to the depositors, creditors, and junior debt that are above the bonds in rank.	Subordinate to the depositors, creditors, and junior debt that are above the bonds in rank.
36	Non-eligible transitioned features	No	No	No	No	No	No	No
37	of which: If yes, specify non-eligible features	–	–	–	–	–	–	–

Note: The Bank adjusted the disclosure basis for items related to perpetual bonds. In particular, "original date of issuance" refers to the book-building date; "issuer call" is attached with "conditional call right" and the call rights have not expired for all tranches of the Bank's perpetual bonds.

		Main Features of Eligible Tier 2 Capital Instruments (issued before 2021)				
		Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments
1	Issuer	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited
2	Unique code	1928003	1928004	1928008	1928009	2028013
3	Governing laws	"Law of the People's Republic of China on Commercial Banks", "Capital Rules for Commercial Banks (Provisional)", "Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market", etc.	"Law of the People's Republic of China on Commercial Banks", "Capital Rules for Commercial Banks (Provisional)", "Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market", etc.	"Law of the People's Republic of China on Commercial Banks", "Capital Rules for Commercial Banks (Provisional)", "Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market", etc.	"Law of the People's Republic of China on Commercial Banks", "Capital Rules for Commercial Banks (Provisional)", "Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market", etc.	"Law of the People's Republic of China on Commercial Banks", "Capital Rules for Commercial Banks (Provisional)", "Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market", etc.
	Regulatory treatments					
4	of which: Application of *Capital Rules for Commercial Banks (Provisional)* transitional rules	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	of which: Application of *Capital Rules for Commercial Banks (Provisional)* post-transitional rules	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	of which: Eligible at the Bank/the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group
7	Instrument type	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
8	Recognized in regulatory capital (in millions of RMB, most recent reporting date)	9,997	49,988	19,995	39,991	39,994
9	Par value	RMB100	RMB100	RMB100	RMB100	RMB100
10	Accounting treatment	Liability	Liability	Liability	Liability	Liability
11	Original date of issuance	2019-3-15	2019-3-15	2019-4-9	2019-4-9	2020-4-29
12	Dated or perpetual	Dated	Dated	Dated	Dated	Dated
13	of which: Original maturity date	2034-3-19	2029-3-19	2034-4-11	2029-4-11	2030-5-6
14	Issuer call subject to prior regulatory approval	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)
15	of which: Optional call date, contingent call dates and redemption amount (in millions of RMB)	2029-3-19, redemption amount 10,000	2024-3-19, redemption amount 50,000	2029-4-11, redemption amount 20,000	2024-4-11, redemption amount 40,000	2025-5-6, redemption amount 40,000
16	of which: Subsequent call dates, if applicable	–	–	–	–	–

		Main Features of Eligible Tier 2 Capital Instruments (issued before 2021)				
		Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments
	Bonus or Dividends					
17	of which: Fixed or floating dividends/ bonus	Fixed	Fixed	Fixed	Fixed	Fixed
18	of which: coupon rate and any related index	4.53%	4.28%	4.63%	4.30%	3.10%
19	of which: Existence of a dividend stopper	No	No	No	No	No
20	of which: Whether fully discretionary in cancellation of bonus or dividends	Without discretionary	Without discretionary	Without discretionary	Without discretionary	Without discretionary
21	of which: Existence of step up or other incentives to redeem	No	No	No	No	No
22	of which: Cumulative or non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	of which: If convertible, specify conversion trigger(s)	–	–	–	–	–
25	of which: If convertible, fully or partially	–	–	–	–	–
26	of which: If convertible, determine methods for conversion price	–	–	–	–	–
27	of which: If convertible, mandatory or optional conversion	–	–	–	–	–
28	of which: If convertible, specify instrument type convertible into	–	–	–	–	–
29	of which: If convertible, specify issuer of instrument convertible into	–	–	–	–	–
30	Write-down feature	Yes	Yes	Yes	Yes	Yes

		Main Features of Eligible Tier 2 Capital Instruments (issued before 2021)				
		Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments
31	of which: If write-down, specify write-down trigger(s)	Triggers refer to the occurrence of the earlier of the following two events: (1) the NAFR considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness.	Triggers refer to the occurrence of the earlier of the following two events: (1) the NAFR considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness.	Triggers refer to the occurrence of the earlier of the following two events: (1) the NAFR considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness.	Triggers refer to the occurrence of the earlier of the following two events: (1) the NAFR considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness.	Triggers refer to the occurrence of the earlier of the following two events: (1) the NAFR considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness.
32	of which: If write-down, partial or full	Partial or Full	Partial or Full	Partial or Full	Partial or Full	Partial or Full
33	of which: If write-down, permanent or temporary	Permanent	Permanent	Permanent	Permanent	Permanent
34	of which: If temporary write-down, describe write-up mechanism	–	–	–	–	–
35	Position in subordination hierarchy in liquidation (instrument type immediately senior to instrument)	Subordinate to the depositors and creditors, and prior to equity capital and Additional Tier 1 capital instrument	Subordinate to the depositors and creditors, and prior to equity capital and Additional Tier 1 capital instrument	Subordinate to the depositors and creditors, and prior to equity capital and Additional Tier 1 capital instrument	Subordinate to the depositors and creditors, and prior to equity capital and Additional Tier 1 capital instrument	Subordinate to the depositors and creditors, and prior to equity capital and Additional Tier 1 capital instrument
36	Non-eligible transitioned features	No	No	No	No	No
37	of which: If yes, specify non-eligible features	–	–	–	–	–

		Main Features of Eligible Tier 2 Capital Instruments (issued after 2021)					
		Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments
1	Issuer	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited
2	Unique code	2228041	2228042	092200008	092200009	232380004	232380005
3	Governing laws	"Law of the People's Republic of China on Commercial Banks", "Capital Rules for Commercial Banks (Provisional)", "Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market", etc.	"Law of the People's Republic of China on Commercial Banks", "Capital Rules for Commercial Banks (Provisional)", "Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market", etc.	"Law of the People's Republic of China on Commercial Banks", "Capital Rules for Commercial Banks (Provisional)", "Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market", etc.	"Law of the People's Republic of China on Commercial Banks", "Capital Rules for Commercial Banks (Provisional)", "Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market", etc.	"Law of the People's Republic of China on Commercial Banks", "Capital Rules for Commercial Banks (Provisional)", "Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market", etc.	"Law of the People's Republic of China on Commercial Banks", "Capital Rules for Commercial Banks (Provisional)", "Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market", etc.
	Regulatory treatments						
4	of which: Application of *Capital Rules for Commercial Banks (Provisional)* transitional rules	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	of which: Application of *Capital Rules for Commercial Banks (Provisional)* post-transitional rules	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	of which: Eligible at the Bank/the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group
7	Instrument type	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
8	Recognized in regulatory capital (in millions of RMB, most recent reporting date)	39,996	19,998	49,995	19,998	44,995	24,997
9	Par value	RMB100	RMB100	RMB100	RMB100	RMB100	RMB100
10	Accounting treatment	Liability	Liability	Liability	Liability	Liability	Liability
11	Original date of issuance	2022-6-17	2022-6-17	2022-9-21	2022-9-21	2023-3-21	2023-3-21
12	Dated or perpetual	Dated	Dated	Dated	Dated	Dated	Dated
13	of which: Original maturity date	2032-6-21	2037-6-21	2032-9-23	2037-9-23	2033-3-23	2038-3-23
14	Issuer call subject to prior regulatory approval	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)
15	of which: Optional call date, contingent call dates and redemption amount (in millions of RMB)	2027-6-21, redemption amount 40,000	2032-6-21, redemption amount 20,000	2027-9-23, redemption amount 50,000	2032-9-23, redemption amount 20,000	2028-3-23, redemption amount 45,000	2033-3-23, redemption amount 25,000

		Main Features of Eligible Tier 2 Capital Instruments (issued after 2021)					
		Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments
16	of which: Subsequent call dates, if applicable	–	–	–	–	–	–
	Bonus or Dividends						
17	of which: Fixed or floating dividends/ bonus	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
18	of which: coupon rate and any related index	3.45%	3.65%	3.03%	3.34%	3.49%	3.61%
19	of which: Existence of a dividend stopper	No	No	No	No	No	No
20	of which: Whether fully discretionary in cancellation of bonus or dividends	Without discretionary	Without discretionary	Without discretionary	Without discretionary	Without discretionary	Without discretionary
21	of which: Existence of step up or other incentives to redeem	No	No	No	No	No	No
22	of which: Cumulative or non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	of which: If convertible, specify conversion trigger(s)	–	–	–	–	–	–
25	of which: If convertible, fully or partially	–	–	–	–	–	–
26	of which: If convertible, determine methods for conversion price	–	–	–	–	–	–
27	of which: If convertible, mandatory or optional conversion	–	–	–	–	–	–
28	of which: If convertible, specify instrument type convertible into	–	–	–	–	–	–
29	of which: If convertible, specify issuer of instrument convertible into	–	–	–	–	–	–
30	Write-down feature	Yes	Yes	Yes	Yes	Yes	Yes

		Main Features of Eligible Tier 2 Capital Instruments (issued after 2021)					
		Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments
31	of which: If write-down, specify write-down trigger(s)	Triggers refer to the occurrence of the earlier of the following two events: (1) the NAFR considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness.	Triggers refer to the occurrence of the earlier of the following two events: (1) the NAFR considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness.	Triggers refer to the occurrence of the earlier of the following two events: (1) the NAFR considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness.	Triggers refer to the occurrence of the earlier of the following two events: (1) the NAFR considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness.	Triggers refer to the occurrence of the earlier of the following two events: (1) the NAFR considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness.	Triggers refer to the occurrence of the earlier of the following two events: (1) the NAFR considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness.
32	of which: If write-down, partial or full	Partial or Full	Partial or Full	Partial or Full	Partial or Full	Partial or Full	Partial or Full
33	of which: If write-down, permanent or temporary	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent
34	of which: If temporary write-down, describe write-up mechanism	–	–	–	–	–	–
35	Position in subordination hierarchy in liquidation (instrument type immediately senior to instrument)	Subordinate to the depositors and creditors, and prior to equity capital and Additional Tier 1 capital instrument	Subordinate to the depositors and creditors, and prior to equity capital and Additional Tier 1 capital instrument	Subordinate to the depositors and creditors, and prior to equity capital and Additional Tier 1 capital instrument	Subordinate to the depositors and creditors, and prior to equity capital and Additional Tier 1 capital instrument	Subordinate to the depositors and creditors, and prior to equity capital and Additional Tier 1 capital instrument	Subordinate to the depositors and creditors, and prior to equity capital and Additional Tier 1 capital instrument
36	Non-eligible transitioned features	No	No	No	No	No	No
37	of which: If yes, specify non-eligible features	–	–	–	–	–	–

Appendix II Liquidity Coverage Ratio Information

The Bank disclosed the following information of liquidity coverage ratio in accordance with relevant regulations of the National Administration of Financial Regulation.

Regulatory Requirements of Liquidity Coverage Ratio

In accordance with the *Rules on Liquidity Risk Management of Commercial Banks* issued by the National Administration of Financial Regulation, it is required that the liquidity coverage ratio of commercial banks should be no less than 100%. In addition, in accordance with the *Rules on Disclosure for Liquidity Coverage Ratio Information of Commercial Banks*, commercial banks are required to disclose the liquidity coverage ratio information at the same frequency as the frequency at which they issue the financial report, and starting from 2017, to disclose the simple arithmetic average of the liquidity coverage ratios based on daily data of every quarter and the number of daily data adopted in calculation of such average.

Liquidity Coverage Ratio

The Bank calculated the liquidity coverage ratio in accordance with the *Rules on Liquidity Risk Management of Commercial Banks* and applicable statistical requirements. The average of daily liquidity coverage ratio of the Bank was 126.5% in the second quarter of 2023, representing an increase of 2 percentage points over the previous quarter, and 91 numerical values of liquidity coverage ratios were used in calculating such average. Our high-quality liquid assets mainly include cash, excess reserve with the central bank able to be withdrawn under stress conditions, and bonds falling within the Level 1 and Level 2 assets as defined in the *Rules on Liquidity Risk Management of Commercial Banks.*

Appendix II Liquidity Coverage Ratio Information

The averages of the daily liquidity coverage ratio and individual line items over the second quarter in 2023 are as follows:

In millions of RMB, except for percentages

No.		Total unweighted value	Total weighted value
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		7,003,933
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	16,824,382	1,592,998
3	*Stable deposits*	1,788,732	89,433
4	*Less stable deposits*	15,035,650	1,503,565
5	Unsecured wholesale funding, of which:	12,474,032	5,076,025
6	*Operational deposits (excluding those generated from correspondent banking activities)*	3,956,832	970,087
7	*Non-operational deposits (all counterparties)*	8,458,894	4,047,632
8	*Unsecured debt*	58,306	58,306
9	Secured funding		2,906
10	Additional requirements, of which:	2,176,588	464,030
11	*Outflows related to derivative exposures and other collateral requirements*	320,962	320,962
12	*Outflows related to loss of funding on debt products*	259	259
13	*Credit and liquidity facilities*	1,855,367	142,809
14	Other contractual funding obligations	150,464	150,464
15	Other contingent funding obligations	3,292,826	21,593
16	TOTAL CASH OUTFLOWS		7,308,016
CASH INFLOWS			
17	Secured lending (including reverse repos and securities borrowing)	1,536,092	1,535,424
18	Inflows from fully performing exposures	1,624,722	947,007
19	Other cash inflows	340,337	340,337
20	TOTAL CASH INFLOWS	3,501,151	2,822,768
			Total Adjusted Value
21	TOTAL HIGH-QUALITY LIQUID ASSETS (HQLA)		5,668,090
22	TOTAL NET CASH OUTFLOWS		4,485,248
23	LIQUIDITY COVERAGE RATIO (%)		126.5%

Appendix III Net Stable Funding Ratio Information

The Bank disclosed the following information of net stable funding ratio in accordance with relevant regulations of the National Administration of Financial Regulation.

Regulatory Requirements of Net Stable Funding Ratio

In accordance with the *Rules on Liquidity Risk Management of Commercial Banks* issued by the National Administration of Financial Regulation, it is required that the net stable funding ratio of commercial banks should be no less than 100%. In addition, as required by the *Rules on Disclosure of Net Stable Funding Ratio Information of Commercial Banks*, commercial banks shall disclose the net stable funding ratio information of the latest two quarters in a financial report or on their official websites on a semi-annual basis at least.

Net Stable Funding Ratio

The Bank calculated the net stable funding ratio in accordance with the *Rules on Liquidity Risk Management of Commercial Banks* and applicable statistical requirements. The net stable funding ratio of the Bank in the first quarter of 2023 increased by 0.31 percentage points to 129.9% as compared to the previous quarter, with a weighted value of RMB25,696.3 billion for available stable funds and a weighted value of RMB19,783.6 billion for required stable funds. In the second quarter of 2023, the net stable funding ratio decreased by 1.1 percentage points to 128.8% as compared to the previous quarter, with a weighted value of RMB26,206.9 billion for available stable funds and a weighted value of RMB20,351.2 billion for required stable funds.

The net stable funding ratios of the first quarter of 2023 and the second quarter of 2023 and all related individual items were set out in the following table:

Net Stable Funding Ratio of the First Quarter of 2023

(Unit: In millions of RMB)

No.		Total unweighted value				Total weighted value
		No maturity	Less than 6 months	6–12 months	Over 1 year	
Available stable funding (ASF) item						
1	Capital	2,701,867	–	–	429,956	3,131,823
2	Regulatory capital	2,701,867	–	–	399,956	3,101,823
3	Other capital instruments	–	–	–	30,000	30,000
4	Retail deposits and deposits from small business customers	7,601,306	9,774,889	173	74	15,738,772
5	Stable deposits	1,999,344	–	–	–	1,899,377
6	Less stable deposits	5,601,962	9,774,889	173	74	13,839,395
7	Wholesale funding	6,689,331	6,735,709	1,052,350	410,361	6,549,772
8	Operational deposits	3,722,866	–	–	–	1,861,433
9	Other wholesale funding	2,966,465	6,735,709	1,052,350	410,361	4,688,339
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	236	1,600,659	164,216	213,807	275,967
12	NSFR derivative liabilities				19,948	–
13	All other liabilities and equity not included in the above categories	236	1,600,659	164,216	193,859	275,967
14	Total ASF					25,696,334

Appendix III Net Stable Funding Ratio Information

No.		Total unweighted value				Total weighted value
		No maturity	Less than 6 months	6–12 months	Over 1 year	
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					1,205,590
16	Deposits held at other financial institutions for operational purpose	2,986	449,614	447,467	–	450,033
17	Performing loans and securities	3,132	4,986,364	3,747,896	13,681,638	15,350,856
18	Performing loans to financial institutions secured by Level 1 HQLA	–	4,485	1,258	120,559	121,861
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	1,180	1,865,434	223,188	54,249	445,836
20	Performing loans to retail and small business customers, loans to non-financial corporate clients, and loans to sovereigns, central banks and PSEs, of which:	9	2,894,732	3,336,181	8,039,068	9,927,776
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	9	67,722	61,104	167,181	168,545
22	Performing residential mortgages, of which:	–	118,511	117,212	5,151,006	4,496,205
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	3	3	62	44
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	1,943	103,202	70,057	316,756	359,178
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	211,345	652,415	797,384	1,031,987	2,667,746
27	Physical traded commodities, including gold	–				–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				1,536	1,305
29	NSFR derivative assets				21,155	1,207
30	NSFR derivative liabilities before deduction of variation margin posted				5,306	5,306
31	All other assets not included in the above categories	211,345	652,415	797,384	1,009,296	2,659,928
32	Off-balance sheet items				4,814,077	109,391
33	Total RSF					19,783,616
34	Net stable funding ratio (%)					129.9%

Net Stable Funding Ratio of the Second Quarter of 2023

(Unit: In millions of RMB)

No.		Total unweighted value: No maturity	Less than 6 months	6–12 months	Over 1 year	Total weighted value
Available stable funding (ASF) item						
1	Capital	2,685,580	–	–	389,945	3,075,524
2	Regulatory capital	2,685,580	–	–	359,945	3,045,524
3	Other capital instruments	–	–	–	30,000	30,000
4	Retail deposits and deposits from small business customers	7,534,090	10,026,267	139	78	15,897,623
5	Stable deposits	1,861,962	–	–	–	1,768,864
6	Less stable deposits	5,672,128	10,026,267	139	78	14,128,759
7	Wholesale funding	6,825,310	7,245,469	1,351,540	373,725	6,935,100
8	Operational deposits	3,914,146	–	–	–	1,957,073
9	Other wholesale funding	2,911,164	7,245,469	1,351,540	373,725	4,978,027
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	238	1,828,188	166,586	251,440	298,615
12	NSFR derivative liabilities				36,118	–
13	All other liabilities and equity not included in the above categories	238	1,828,188	166,586	215,322	298,615
14	Total ASF					26,206,862
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					1,127,624
16	Deposits held at other financial institutions for operational purpose	2,752	554,468	361,345	–	459,283
17	Performing loans and securities	2,811	5,593,391	3,791,804	14,035,688	15,836,267
18	Performing loans to financial institutions secured by Level 1 HQLA	–	6,985	49	132,840	133,913
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	1,125	2,284,136	185,983	70,410	506,191
20	Performing loans to retail and small business customers, loans to non-financial corporate clients, and loans to sovereigns, central banks and PSEs, of which:	9	3,099,095	3,379,420	8,455,924	10,408,440
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	9	70,961	32,918	160,201	151,502
22	Performing residential mortgages, of which:	–	113,916	116,243	5,078,560	4,431,844
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	3	3	64	45
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	1,677	89,259	110,109	297,954	355,879

No.		Total unweighted value				Total weighted value
		No maturity	Less than 6 months	6–12 months	Over 1 year	
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	210,728	699,746	832,531	1,131,944	2,817,438
27	Physical traded commodities, including gold	–				–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				1,544	1,312
29	NSFR derivative assets				48,378	12,260
30	NSFR derivative liabilities before deduction of variation margin posted				9,053	9,053
31	All other assets not included in the above categories	210,728	699,746	832,531	1,082,022	2,794,813
32	Off-balance sheet items				5,029,638	110,637
33	Total RSF					20,351,249
34	Net stable funding ratio (%)					128.8%

Appendix IV Leverage Ratio Information

As of 30 June 2023, the Bank's leverage ratio, calculated in accordance with the *Rules for the Administration of the Leverage Ratio of Commercial Banks (amended)* issued by the National Administration of Financial Regulation, was 6.80%, higher than the regulatory requirement.

In millions of RMB, except for percentages

Item	30 June 2023	31 March 2023	31 December 2022	30 September 2022
Tier 1 capital, net	**2,700,755**	2,718,721	2,655,621	2,606,474
Adjusted on-and off-balance sheet assets	**39,738,910**	38,568,788	35,326,432	35,412,535
Leverage ratio	**6.80%**	7.05%	7.52%	7.36%

In millions of RMB

No.	Item	Balance
1	Total consolidated assets	38,033,395
2	Adjustment for consolidation	(144,160)
3	Adjustment for clients' assets	–
4	Adjustment for derivatives	6,153
5	Adjustment for securities financing transactions	6,156
6	Adjustment for off-balance sheet items	1,851,129
7	Other adjustments	(13,763)
8	**Adjusted on-and off-balance sheet assets**	**39,738,910**

In millions of RMB, except for percentages

No.	Item	Balance
1	On-balance sheet assets (excluding derivatives and securities financing transaction)	35,954,692
2	Less: Deductions from Tier 1 capital	(13,763)
3	**Adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)**	**35,940,929**
4	Replacement cost of all derivatives (net of eligible margin)	24,369
5	Potential risk exposure of all derivatives	31,303
6	Gross-up of collaterals deducted from the balance sheet	–
7	Less: receivables assets resulting from providing eligible margin	(5)
8	Less: Derivative assets resulting from transactions with the central counterparty when providing clearance services to client	–
9	Notional principal amount of written credit derivatives	–
10	Less: Deductible amounts of written credit derivative assets	–
11	**Derivative assets**	**55,667**
12	Securities financing transaction assets for accounting purpose	1,885,029
13	Less: Deductible amounts of securities financing transaction assets	–
14	Counterparty credit risk exposure for securities financing transaction	6,156
15	Securities financing transaction assets resulting from agent transaction	–
16	**Securities financing transaction assets**	**1,891,185**
17	Off-balance sheet items	5,419,683
18	Less: Adjustments for conversion to credit equivalent amounts	(3,568,554)
19	**Adjusted off-balance sheet items**	**1,851,129**
20	Tier 1 capital, net	2,700,755
21	Adjusted on-and off-balance sheet assets	39,738,910
22	**Leverage ratio**	**6.80%**

Interim Financial Information (Unaudited)

To the Board of Directors of Agricultural Bank of China Limited

(Incorporated in the People's Republic of China with Limited Liability)

Introduction

We have reviewed the interim financial information set out on pages 118 to 238, which comprises the condensed consolidated interim statement of financial position of Agricultural Bank of China Limited (the "Bank") and its subsidiaries (collectively the "Group") as of 30 June 2023 and the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows 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 a report on interim financial information 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 information in accordance with International Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at 30 June 2023 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
29 August 2023

Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2023
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June 2023 (Unaudited)	2022 (Restated)
Interest income	6	**601,081**	542,731
Interest expense	6	**(310,660)**	(242,554)
Net interest income	6	**290,421**	300,177
Fee and commission income	7	**57,621**	56,227
Fee and commission expense	7	**(6,890)**	(6,738)
Net fee and commission income	7	**50,731**	49,489
Net trading gain	8	**15,814**	7,762
Net gain on financial investments	9	**10,714**	3,188
Net gain on derecognition of financial assets measured at amortized cost		**235**	101
Other operating (expense)/income	10	**(2,121)**	2,478
Operating income		**365,794**	363,195
Operating expenses	11	**(107,678)**	(101,730)
Credit impairment losses	12	**(102,352)**	(105,529)
Impairment losses on other assets		**(28)**	(17)
Operating profit		**155,736**	155,919
Share of results of associates and joint ventures		**233**	130
Profit before tax		**155,969**	156,049
Income tax expense	13	**(22,138)**	(27,266)
Profit for the period		**133,831**	128,783
Attributable to:			
Equity holders of the Bank		**133,234**	128,752
Non-controlling interests		**597**	31
		133,831	128,783
Earnings per share attributable to the ordinary equity holders of the Bank (expressed in RMB yuan per share)			
— Basic and diluted	15	**0.37**	0.35

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2023
(Amounts in millions of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Restated)
Profit for the period	**133,831**	128,783
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income	**10,932**	(11,728)
Loss allowance on debt instruments at fair value through other comprehensive income	**(18,335)**	13,666
Income tax impact for fair value changes and loss allowance on debt instruments at fair value through other comprehensive income	**1,683**	(808)
Foreign currency translation differences	**1,663**	2,013
Others	**(1,833)**	(323)
Subtotal	**(5,890)**	2,820
Items that will not be reclassified subsequently to profit or loss:		
Fair value changes on other equity investments designated at fair value through other comprehensive income	**554**	47
Income tax impact for fair value changes on other equity investments designated at fair value through other comprehensive income	**(153)**	(13)
Subtotal	**401**	34
Other comprehensive income, net of tax	**(5,489)**	2,854
Total comprehensive income for the period	**128,342**	131,637
Total comprehensive income attributable to:		
Equity holders of the Bank	**128,305**	131,807
Non-controlling interests	**37**	(170)
	128,342	131,637

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Interim Statement of Financial Position

As at 30 June 2023
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**30 June 2023 (Unaudited)**	31 December 2022 (Restated)
Assets			
Cash and balances with central banks	16	**3,039,971**	2,549,130
Deposits with banks and other financial institutions	17	**935,143**	630,885
Precious metals		**109,337**	83,389
Placements with and loans to banks and other financial institutions	18	**457,564**	500,330
Derivative financial assets	19	**49,511**	30,715
Financial assets held under resale agreements	20	**1,885,228**	1,172,187
Loans and advances to customers	21	**20,915,065**	18,980,973
Financial investments	22		
Financial assets at fair value through profit or loss		**540,613**	522,057
Debt instrument investments at amortized cost		**7,782,325**	7,306,000
Other debt instrument and other equity investments at fair value through other comprehensive income		**1,745,256**	1,702,106
Investment in associates and joint ventures	23	**8,077**	8,092
Property and equipment	24	**150,784**	152,572
Goodwill		**1,381**	1,381
Deferred tax assets	25	**157,477**	149,930
Other assets	26	**255,663**	135,741
Total assets		**38,033,395**	33,925,488
Liabilities			
Borrowings from central banks	27	**1,056,559**	901,116
Deposits from banks and other financial institutions	28	**2,975,929**	2,459,178
Placements from banks and other financial institutions	29	**400,900**	333,755
Financial liabilities at fair value through profit or loss	30	**11,680**	12,287
Derivative financial liabilities	19	**44,213**	31,004
Financial assets sold under repurchase agreements	31	**56,178**	43,779
Due to customers	32	**28,231,053**	25,121,040
Dividends payable	14	**77,766**	1,936
Debt securities issued	33	**2,001,076**	1,869,398
Deferred tax liabilities	25	**25**	9
Other liabilities	34	**457,310**	478,226
Total liabilities		**35,312,689**	31,251,728

Condensed Consolidated Interim Statement of Financial Position (Continued)

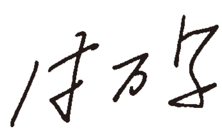
As at 30 June 2023

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	**30 June 2023 (Unaudited)**	31 December 2022 (Restated)
Equity			
Ordinary shares	35	**349,983**	349,983
Other equity instruments	36	**440,000**	440,000
Preference shares		**80,000**	80,000
Perpetual bonds		**360,000**	360,000
Capital reserve	37	**173,426**	173,426
Other comprehensive income	38	**31,466**	35,887
Surplus reserve	39	**247,144**	246,764
General reserve	40	**456,450**	388,600
Retained earnings		**1,015,977**	1,033,403
Equity attributable to equity holders of the Bank		**2,714,446**	2,668,063
Non-controlling interests		**6,260**	5,697
Total equity		**2,720,706**	2,673,760
Total equity and liabilities		**38,033,395**	33,925,488

Approved and authorized for issue by the Board of Directors on 29 August 2023.

Chairman



Vice Chairman

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2023
(Amounts in millions of Renminbi, unless otherwise stated)

		Total equity attributable to equity holders of the Bank									
	Notes	Ordinary shares	Other equity instruments	Capital reserve	Other Comprehensive income	Surplus reserve	General reserve	Retained earnings	Subtotal	Non-controlling interests	Total
As at 31 December 2022 (Restated)		349,983	440,000	173,426	35,887	246,764	388,600	1,033,403	2,668,063	5,697	2,673,760
Changes in accounting policies (Note 3.3)		–	–	–	508	–	–	39	547	526	1,073
As at 1 January 2023 (Restated)		349,983	440,000	173,426	36,395	246,764	388,600	1,033,442	2,668,610	6,223	2,674,833
Profit for the period		–	–	–	–	–	–	133,234	133,234	597	133,831
Other comprehensive income		–	–	–	(4,929)	–	–	–	(4,929)	(560)	(5,489)
Total comprehensive income for the period		–	–	–	(4,929)	–	–	133,234	128,305	37	128,342
Appropriation to surplus reserve	39	–	–	–	–	380	–	(380)	–	–	–
Appropriation to general reserve	40	–	–	–	–	–	67,850	(67,850)	–	–	–
Dividends paid to ordinary equity holders	14	–	–	–	–	–	–	(77,766)	(77,766)	–	(77,766)
Dividends paid to other equity instruments holders	14	–	–	–	–	–	–	(4,703)	(4,703)	–	(4,703)
As at 30 June 2023 (Unaudited)		349,983	440,000	173,426	31,466	247,144	456,450	1,015,977	2,714,446	6,260	2,720,706
As at 31 December 2021 (Audited)		349,983	360,000	173,428	32,831	220,792	351,616	925,955	2,414,605	6,754	2,421,359
Changes in accounting policies (Note 3.3)		–	–	–	(877)	–	–	787	(90)	(90)	(180)
As at 1 January 2022 (Restated)		349,983	360,000	173,428	31,954	220,792	351,616	926,742	2,414,515	6,664	2,421,179
Profit for the period		–	–	–	–	–	–	128,752	128,752	31	128,783
Other comprehensive income		–	–	–	3,055	–	–	–	3,055	(201)	2,854
Total comprehensive income for the period		–	–	–	3,055	–	–	128,752	131,807	(170)	131,637
Capital contribution from equity holders	36	–	50,000	(3)	–	–	–	–	49,997	–	49,997
Appropriation to surplus reserve	39	–	–	–	–	22	–	(22)	–	–	–
Appropriation to general reserve	40	–	–	–	–	–	33,771	(33,771)	–	–	–
Dividends paid to ordinary equity holders	14	–	–	–	–	–	–	(72,376)	(72,376)	–	(72,376)
Dividends paid to other equity instruments holders	14	–	–	–	–	–	–	(4,894)	(4,894)	–	(4,894)
As at 30 June 2022 (Restated)		349,983	410,000	173,425	35,009	220,814	385,387	944,431	2,519,049	6,494	2,525,543
Profit for the period		–	–	–	–	–	–	130,480	130,480	(397)	130,083
Other comprehensive income		–	–	–	878	–	–	–	878	(361)	517
Total comprehensive income for the period		–	–	–	878	–	–	130,480	131,358	(758)	130,600
Capital contribution from equity holders	36	–	30,000	0	–	–	–	–	30,000	–	30,000
Appropriation to surplus reserve	39	–	–	–	–	25,950	–	(25,950)	–	–	–
Appropriation to general reserve	40	–	–	–	–	–	3,213	(3,213)	–	–	–
Dividends paid to other equity instruments holders	14	–	–	–	–	–	–	(12,345)	(12,345)	–	(12,345)
Dividends paid to non-controlling equity holders	14	–	–	–	–	–	–	–	–	(2)	(2)
Others		–	–	1	–	–	–	–	1	(37)	(36)
As at 31 December 2022 (Restated)		349,983	440,000	173,426	35,887	246,764	388,600	1,033,403	2,668,063	5,697	2,673,760

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2023
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2023	2022
		(Unaudited)	(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**155,969**	156,049
Adjustments for:			
Amortization of intangible assets and other assets		**1,592**	1,539
Depreciation of property, equipment and right-of-use assets		**9,193**	8,618
Credit impairment losses		**102,352**	105,529
Impairment losses on other assets		**28**	17
Interest income arising from investment securities		**(148,893)**	(133,313)
Interest expense on debt securities issued		**27,423**	20,181
Revaluation gain on financial instruments at fair value through profit or loss		**(7,356)**	(4,751)
Net loss/(gain) on investment securities		**991**	(922)
Share of results of associates and joint ventures		**(233)**	(130)
Net gain on disposal and stocktake of property, equipment and other assets		**(578)**	(385)
Net foreign exchange gain		**(16,953)**	(13,587)
		123,535	138,845
Net changes in operating assets and operating liabilities:			
Net increase in balances with central banks, deposits with banks and other financial institutions		**(386,005)**	(260,018)
Net increase in placements with and loans to banks and other financial institutions		**(13,280)**	(27,180)
Net decrease/(increase) in financial assets held under resale agreements		**6,331**	(950)
Net increase in loans and advances to customers		**(2,015,241)**	(1,632,735)
Net increase in borrowings from central banks		**150,867**	183,191
Net increase in placements from banks and other financial institutions		**66,244**	58,080
Net increase in due to customers and deposits from banks and other financial institutions		**3,615,868**	2,730,991
Increase in other operating assets		**(190,964)**	(192,049)
Increase/(decrease) in other operating liabilities		**52,303**	(22,287)
Cash from operations		**1,409,658**	975,888
Income tax paid		**(56,159)**	(67,103)
NET CASH FROM OPERATING ACTIVITIES		**1,353,499**	908,785

Condensed Consolidated Interim Statement of Cash Flows (Continued)

For the six months ended 30 June 2023
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2023 (Unaudited)	2022 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal of investment securities		**1,084,860**	989,979
Cash received from investment income		**145,128**	127,180
Cash received from disposal of investment in associates and joint ventures		**217**	302
Cash received from disposal of property, equipment and other assets		**2,709**	3,232
Cash paid for purchase of investment securities		**(1,609,429)**	(1,724,331)
Increase in investment in associates and joint ventures		**–**	(1,000)
Cash paid for purchase of property, equipment and other assets		**(11,578)**	(8,712)
NET CASH USED IN INVESTING ACTIVITIES		**(388,093)**	(613,350)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contribution from issues of other equity instruments		**–**	50,000
Cash payments for transaction cost of other equity instruments issued		**–**	(3)
Cash received from debt securities issued		**1,746,062**	1,100,679
Cash payments for transaction cost of debt securities issued		**(4)**	(10)
Repayments of debt securities issued		**(1,593,785)**	(828,466)
Cash payments for interest on debt securities issued		**(45,997)**	(28,341)
Cash payments for principal portion and interest portion of lease liability		**(2,260)**	(2,277)
Dividends paid		**(6,639)**	(4,894)
NET CASH FROM FINANCING ACTIVITIES		**97,377**	286,688
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,062,783**	582,123
Cash and cash equivalents as at 1 January		**1,705,633**	1,124,762
Effect of exchange rate changes on cash and cash equivalents		**7,822**	5,727
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	41	**2,776,238**	1,712,612
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		**415,020**	374,816
Interest paid		**(267,287)**	(197,838)

The accompanying notes form an integral part of this interim financial information.

1 GENERAL INFORMATION

Agricultural Bank of China Limited (the "Bank") is the successor entity to the Agricultural Bank of China (the "Predecessor Entity") which was a wholly state-owned commercial bank approved for setup by the People's Bank of China (the "PBOC") and founded on 23 February 1979 in the People's Republic of China (the "PRC"). On 15 January 2009, the Bank was established after the completion of the financial restructuring of the Predecessor Entity. The Bank's establishment was authorized by the PBOC. The Bank was listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited on 15 July 2010 and 16 July 2010, respectively.

The Bank operates under financial services certificate No. B0002H111000001 issued by the National Administration of Financial Regulation (the former "China Banking and Insurance Regulatory Commission",the "NAFR"), and business license No. 911100001000054748 issued by Beijing Administration of Industry and Commerce. The registered office of the Bank is located at No. 69 Jianguomen Nei Avenue, Dongcheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively, the "Group") include Renminbi ("RMB") and foreign currency deposits, loans, clearing and settlement services, assets custodian services, fund management, financial leasing services, insurance services and other services as approved by relevant regulators, and the provision of related services by its overseas establishments as approved by the respective local regulators.

The head office and domestic branches of the Bank and its subsidiaries operating in Chinese mainland are referred to as the "Domestic Operations". Branches and subsidiaries registered and operating outside Chinese mainland are referred to as the "Overseas Operations".

2 BASIS OF PREPARATION

The unaudited interim financial information for the six months ended 30 June 2023 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting", as well as with all applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3 PRINCIPAL ACCOUNTING POLICIES

The unaudited interim financial information have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. Except for those described below, the principal accounting policies and methods of computation used in preparing the interim financial information are the same as those followed in the preparation of the Group's annual financial information for the year ended 31 December 2022.

The interim financial information should be read in conjunction with the Group's annual financial information for the year ended 31 December 2022.

(Amounts in millions of Renminbi, unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Standards and amendments effective in 2023 relevant to and adopted by the Group

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

			Effective for annual periods beginning on or after	Notes
(1)	IFRS 17	Insurance Contracts	1 January 2023	(i)
(2)	Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023	(i)
(3)	Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023	(i)
(4)	Amendments to IAS 12 (2021)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	(i)
(5)	Amendments to IAS 12 (2023)	International Tax Reform — Pillar Two Model Rules	1 January 2023	(ii)

(i) Description of these standards and amendments were disclosed in the Group's annual financial information for the year ended 31 December 2022. The new accounting standard IFRS 17 Insurance Contracts and their impacts are disclosed in Note 3.3 Changes in principal accounting policies. The adoption of other standards and amendments does not have a significant impact on the financial information of the Group.

(ii) The IASB issued the Amendments to IAS 12 on 23 May 2023, which provide companies with a temporary mandatory exception from deferred tax accounting for the impact of the top-up tax, the exception is effective immediately and applies retrospectively; and the amendments also require companies to provide new disclosures, when Pillar Two legislation is enacted but not yet in effect or in effect, applying for annual reporting periods beginning on or after 1 January 2023. The Group is evaluating the impact of the amendments.

(Amounts in millions of Renminbi, unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

3.2 Standards and amendments relevant to the Group that are not yet effective in the current reporting period and have not been adopted before their effective dates by the Group

The Group has not adopted the following amended standards that have been issued by the IASB but are not yet effective.

			Effective for annual periods beginning on or after	Notes
(1)	Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024	(i)
(2)	Amendments to IAS 1 (2020)	Classification of Liabilities as Current or Non-current	1 January 2024	(i)
(3)	Amendments to IAS 1 (2022)	Non-current Liabilities with Covenants	1 January 2024	(i)
(4)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The effective date has now been deferred indefinitely	(i)
(5)	Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024	(ii)

(i) Descriptions of these amendments were disclosed in the Group's annual financial information for the year ended 31 December 2022. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's financial information.

(ii) On 25 May 2023, the IASB issued the Amendments to IAS 7 and IFRS 7, which contains disclosure requirements to enhance transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's financial information.

3.3 Changes in principal accounting policies

The Group has implemented IFRS 17 (the "New Standards for Insurance Contracts") as issued by the IASB in 2017 with the transition date of 1 January 2023, which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the Group's consolidated financial statements. The Group did not early adopt the New Standards for Insurance Contracts in previous periods.

According to the transitional provisions of IFRS 17, the Group has retroactively adjusted equity as at 1 January 2022 for the cumulative impact of the accounting treatment inconsistency of insurance contracts prior to the transition date of 1 January 2023 and the provisions of the New Standards for Insurance Contracts, and adjusted the related reporting information of the financial statements for the comparative period. Besides, in order to coordinate with IFRS 17, the Group has reassessed the business model for managing related financial assets under the requirements of IFRS 17, and adjusted the cumulative impact of the reclassification and measurement of financial assets in the retained earnings and other components of equity at 1 January 2023, without adjusting the information of comparative period.

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

3.3 Changes in principal accounting policies (Continued)

(1) Set out below are specific IFRS 17 accounting policies applied in the current period.

(i) Level of aggregation

Insurance contracts and investment contracts with DPF are aggregated into groups for measuring purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e. by year of issue) and each annual cohorts into three groups:

- Any contracts that onerous on initial recognition;
- Any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- Any remaining contracts in the annual cohort.

When a contract is recognized, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group in which future contracts may be added.

(ii) Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the Group.

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and investment services).

For investment contracts with DPF, the cash flows are within the contract boundary if they result from a substantive obligation of the Group to deliver cash at a present or future date.

(iii) Measurement — Insurance contracts and investment contracts with DPF

On initial recognition, the Group measures a group of contracts as the total of (a) fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM. The fulfilment cash flows of a group of contracts do not reflect the Group's non-performance risk.

Subsequently, the carrying amount of a group of contracts at each reporting date is the sum of the liability of remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

(Amounts in millions of Renminbi, unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

3.3 Changes in principal accounting policies (Continued)

(1) Set out below are specific IFRS 17 accounting policies applied in the current period. *(Continued)*

(iv) Insurance acquisition cash flows

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the Group belongs. Insurance acquisition cash flows are allocated to groups of contracts using systematic and rational methods based on the total premiums of each group.

Insurance acquisition cash flows that arise before the recognition of the related contracts are recognized as separate assets and tested for recoverability, whereas other insurance acquisition cash flows are included in the estimate of the present value of future cash flows as part of the measurement of the related contracts.

(2) Set out below are disclosures relating to the impact of the adoption of IFRS 17 on the Group.

(i) The impact on the comparative period financial statements

The impact of implementing the New Standards for Insurance Contracts on the Group's net profit for the six-month period ended 30 June 2022, and the impact on the opening and ending equity in the consolidated statement of changes in equity for the above period are summarized as follows:

	Net Profit for the six months ended 30 June 2022	Equity as at 30 June 2022	Equity as at 1 January 2022
Before adjustment	128,950	2,526,213	2,421,359
Impact of New Standards for Insurance Contracts	(167)	(670)	(180)
Adjusted	128,783	2,525,543	2,421,179

(Amounts in millions of Renminbi, unless otherwise stated)

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

3.3 Changes in principal accounting policies (Continued)

(2) *Set out below are disclosures relating to the impact of the adoption of IFRS 17 on the Group.* *(Continued)*

(ii) The implementation of the New Standards for Insurance Contracts will adjust the impact of the reclassification and measurement of financial assets to retained earnings and other related financial statement items as at 1 January 2023. The impact on items of the consolidated statement of financial position as at 1 January 2023 is summarized as follows:

	31 December 2022 Before Reclassification	Adoption of IFRS 17 Amount Reclassed	**1 January 2023 After Reclassification**
Assets			
Financial assets at fair value through profit or loss	522,057	(911)	**521,146**
Debt instrument investments at amortized cost	7,306,000	(18,354)	**7,287,646**
Other debt instrument and other equity investments at fair value through other comprehensive income	1,702,106	20,675	**1,722,781**
Liabilities			
Deferred tax liabilities	9	337	**346**
Equity			
Other comprehensive income	35,887	508	**36,395**
Retained earnings	1,033,403	39	**1,033,442**
Non-controlling interests	5,697	526	**6,223**

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing this interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial information for the year ended 31 December 2022.

(Amounts in millions of Renminbi, unless otherwise stated)

5 INVESTMENT IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND STRUCTURED ENTITIES

(1) Investment in subsidiaries

The followings are the principal subsidiaries of the Bank as at 30 June 2023:

Name of entity	Notes	Date of incorporation/ establishment	Place of incorporation/ establishment	Authorized/ paid-in capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
China Agricultural Finance Co., Ltd.		1 November 1988	Hong Kong, PRC	HKD588,790,000	100.00	100.00	Investment holding
ABC International Holdings Limited		11 November 2009	Hong Kong, PRC	HKD4,113,392,450	100.00	100.00	Investment holding
ABC Financial Leasing Co., Ltd.		29 September 2010	Shanghai, PRC	RMB9,500,000,000	100.00	100.00	Financial leasing
Agricultural Bank of China (UK) Limited		29 November 2011	London, United Kingdom	USD100,000,002	100.00	100.00	Banking
ABC-CA Fund Management Co., Ltd.		18 March 2008	Shanghai, PRC	RMB1,750,000,001	51.67	51.67	Fund management
ABC Hexigten Rural Bank Limited Liability Company		12 August 2008	Inner Mongolia, PRC	RMB19,600,000	51.02	51.02	Banking
ABC Hubei Hanchuan Rural Bank Limited Liability Company	(i)	12 August 2008	Hubei, PRC	RMB31,000,000	50.00	66.67	Banking
ABC Jixi Rural Bank Limited Liability Company		25 May 2010	Anhui, PRC	RMB29,400,000	51.02	51.02	Banking
ABC Ansai Rural Bank Limited Liability Company		30 March 2010	Shaanxi, PRC	RMB40,000,000	51.00	51.00	Banking
ABC Zhejiang Yongkang Rural Bank Limited Liability Company		20 April 2012	Zhejiang, PRC	RMB210,000,000	51.00	51.00	Banking
ABC Xiamen Tong'an Rural Bank Limited Liability Company		24 May 2012	Fujian, PRC	RMB150,000,000	51.00	51.00	Banking
ABC Life Insurance Co., Ltd.	(ii)	19 December 2005	Beijing, PRC	RMB2,949,916,475	51.00	51.00	Life insurance
Agricultural Bank of China (Luxembourg) Limited		26 November 2014	Luxembourg, Luxembourg	EUR20,000,000	100.00	100.00	Banking
Agricultural Bank of China (Moscow) Limited		23 December 2014	Moscow, Russia	RUB7,556,038,271	100.00	100.00	Banking
ABC Financial Asset Investment Co., Ltd.		1 August 2017	Beijing, PRC	RMB20,000,000,000	100.00	100.00	Debt-to-equity swap and related services
Agricultural Bank of China Wealth Management Co., Ltd.		25 July 2019	Beijing, PRC	RMB12,000,000,000	100.00	100.00	Wealth management

5 INVESTMENT IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND STRUCTURED ENTITIES (Continued)

(1) Investment in subsidiaries (Continued)

For the six months ended 30 June 2023, there were no changes in the proportion of equity interest or voting rights the Bank held in its subsidiaries.

(i) *Two of the three directors on the board of ABC Hubei Hanchuan Rural Bank Limited Liability Company were appointed by the Bank. The Bank concluded that it has effective control over and has included this entity in its consolidation scope.*

(ii) *On 31 December 2012, the Bank acquired 51% of the issued share capital of Jiahe Life Insurance Co., Ltd. and renamed it as ABC Life Insurance Co., Ltd. ("ABC Life Insurance"). As at 31 December 2012, the Group recognized goodwill of RMB1,381 million as a result of this acquisition. During the year ended 31 December 2016, the Bank and other investors contributed additional capital totalling RMB3,761 million to ABC Life Insurance, comprising registered capital of RMB917 million and capital reserve of RMB2,844 million. After the capital injection, the proportion of equity interest and voting rights the Bank held in ABC Life Insurance remained at 51%.*

As at 30 June 2023, there was no objective evidence noted for any goodwill impairment.

(Amounts in millions of Renminbi, unless otherwise stated)

5 INVESTMENT IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND STRUCTURED ENTITIES (Continued)

(2) Investment in associates

Name of entity	Notes	Date of establishment	Place of incorporation/ business	Authorized capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
Sino-Congolese Bank of Africa	(i)	2015	Brazzaville, Congo	XAF53,342,800,000	50.00	50.00	Bank
Shenzhen Yuanzhifuhai No. 6 Investment Enterprise (Limited Partnership)	(ii)	2015	Guangdong, PRC	RMB313,000,000	31.95	33.33	Equity investment, investment management and investment advisory service
Beijing Guofa Aero Engine Industry Investment Fund Center (Limited Partnership)	(ii)	2018	Beijing, PRC	RMB6,343,200,000	15.61	11.11	Non-securities investment activities and related advisory services
Jilin Hongqizhiwang New Energy Automobile Fund Investment Management Center (Limited Partnership)	(ii)	2019	Jilin, PRC	RMB3,885,500,000	25.26	20.00	Non-securities investment activities and related advisory services
Xinyuan (Beijing) Debt-to-Equity Special Equity Investment Center (Limited Partnership)	(ii)	2020	Beijing, PRC	RMB6,000,000,000	15.67	14.29	Equity investment
National Green Development Fund Co., Ltd.	(iii)	2020	Shanghai, PRC	RMB88,500,000,000	9.04	9.04	Equity investment, project investment and investment management
National Social Endowment Insurance Co., Ltd.	(iv)	2022	Beijing, PRC	RMB11,150,000,000	8.97	8.97	Insurance

(i) On 28 May 2015, the Sino-Congolese Bank of Africa (La Banque Sino-Congolaise pour l'Afrique, hereinafter referred to as BSCA. Bank), established by the Bank and other investors with authorized capital denominated in Central African CFA franc ("XAF"), was granted the required banking license by the local regulatory authority. The Bank holds 50% equity interest and voting rights in BSCA. Bank, and has the right to participate in the financial and operational decisions of BSCA. Bank, but does not constitute control or joint control over those decisions.

(ii) The Bank's wholly-owned subsidiary, ABC Financial Asset Investment Co., Ltd. and other investors invested in the above mentioned enterprises. The Group has the right to participate in the financial and operational decisions of these enterprises, but does not constitute control or joint control over those decisions.

(iii) The Bank was approved to participate in the investment in National Green Development Fund Co., Ltd. in 2021. The Bank holds 9.04% equity interest and has the right to participate in the financial and operational decisions, but does not constitute control or joint control over those decisions.

(iv) The Bank's wholly-owned subsidiary, Agricultural Bank of China Wealth Management Co., Ltd. and other investors invested in the above mentioned enterprise. The Group has the right to participate in the financial and operational decisions of the enterprise, but does not constitute control or joint control over those decisions.

(Amounts in millions of Renminbi, unless otherwise stated)

5 INVESTMENT IN SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND STRUCTURED ENTITIES (Continued)

(3) Investment in joint ventures

Name of entity	Date of establishment	Place of incorporation/ business	Authorized capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
Jiangsu Jiequansuihe State-owned Enterprise Mixed Ownership Reform Fund (Limited Partnership)	2018	Jiangsu, PRC	RMB1,000,000,000	69.00	28.57	Equity investment, debt-to-equity and related supporting services
Nongjin Gaotou (Hubei) Debt-to-Equity Investment Fund (Limited Partnership)	2018	Hubei, PRC	RMB500,000,000	74.00	33.33	Non-securities equity investment activities and related advisory services
Jiaxing Suihe New Silk Road Investment Fund (Limited Partnership)	2018	Zhejiang, PRC	RMB1,500,000,000	66.67	50.00	Industrial investment and equity investment
Zhejiang New Power Fund (Limited Partnership)	2018	Zhejiang, PRC	RMB2,000,000,000	50.00	50.00	Industrial investment and equity investment
Inner Mongolia Mengxingzhuli Development Fund Investment Center (Limited Partnership)	2018	Inner Mongolia, PRC	RMB2,000,000,000	50.00	50.00	Equity investment, investment management and investment advisory service
Shanghai Guohua Oil&Gas Equity Investment Fund, Ltd.	2019	Shanghai, PRC	RMB1,800,000,000	66.67	50.00	Equity investment, project investment, investment advisory and asset management
Nongyizihuan (Jiaxing) Equity Investment Partnership (Limited Partnership)	2019	Zhejiang, PRC	RMB400,000,000	70.00	50.00	Equity investment
Jianxinjintou Infrastructure Equity Investment (Tianjin) Fund (Limited Partnership)	2019	Tianjin, PRC	RMB3,500,000,000	20.00	20.00	Equity investment and investment management
Shaanxi Suihe Equity Investment Fund Partnership (Limited Partnership)	2019	Shaanxi, PRC	RMB1,000,000,000	50.00	50.00	Equity investment

The wholly-owned subsidiary of the Bank, ABC Financial Asset Investment Co., Ltd. and other investors established the above-mentioned entities. According to the agreements, matters considered at the Meeting of Partners or investment decision-making committee shall be approved by the unanimous consent of all the partners or all the committee members. The Group constitutes joint control over the financial and operational decisions of these enterprises with the other investors.

(4) Structured entities

The Group also consolidated structured entities as disclosed in Note 44 Structured entities.

(Amounts in millions of Renminbi, unless otherwise stated)

6 NET INTEREST INCOME

	Six months ended 30 June	
	2023	2022
Interest income		
Loans and advances to customers	**401,431**	376,995
Including: Corporate loans and advances	**231,855**	203,905
Personal loans	**169,576**	173,090
Financial investments		
Debt instrument investments at amortized cost	**123,632**	110,860
Other debt instrument investments at fair value through other comprehensive income	**25,261**	22,453
Balances with central banks	**19,205**	16,532
Financial assets held under resale agreements	**13,206**	9,154
Deposits with banks and other financial institutions	**9,744**	3,652
Placements with and loans to banks and other financial institutions	**8,602**	3,085
Subtotal	**601,081**	542,731
Interest expense		
Due to customers	**(228,559)**	(184,124)
Deposits from banks and other financial institutions	**(33,427)**	(24,124)
Debt securities issued	**(27,423)**	(20,181)
Borrowings from central banks	**(12,729)**	(12,083)
Placements from banks and other financial institutions	**(7,571)**	(1,890)
Financial assets sold under repurchase agreements	**(951)**	(152)
Subtotal	**(310,660)**	(242,554)
Net interest income	**290,421**	300,177

(Amounts in millions of Renminbi, unless otherwise stated)

7 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2023	2022
Fee and commission income		
Electronic banking services	**14,013**	13,786
Agency services	**13,669**	14,140
Consultancy and advisory services	**10,531**	9,309
Bank cards	**8,285**	8,416
Settlement and clearing services	**7,139**	6,786
Custodian and other fiduciary services	**2,361**	2,323
Credit commitment	**1,321**	1,192
Others	**302**	275
Subtotal	**57,621**	56,227
Fee and commission expense		
Bank cards	**(4,187)**	(3,911)
Electronic banking services	**(1,601)**	(1,678)
Settlement and clearing services	**(694)**	(739)
Others	**(408)**	(410)
Subtotal	**(6,890)**	(6,738)
Net fee and commission income	**50,731**	49,489

8 NET TRADING GAIN

		Six months ended 30 June	
	Note	**2023**	2022
Net gain on debt instruments held for trading		**3,712**	8,040
Net gain on precious metals	(1)	**4,052**	1,389
Net gain/(loss) on foreign exchange rate derivatives		**7,663**	(1,578)
Net gain on interest rate derivatives		**1,009**	86
Others		**(622)**	(175)
Total		**15,814**	7,762

(1) Net gain on precious metals consists of net gain on precious metals and precious metal related derivative products.

(Amounts in millions of Renminbi, unless otherwise stated)

9 NET GAIN ON FINANCIAL INVESTMENTS

	Note	Six months ended 30 June	
		2023	2022
Net gain/(loss) on debt instruments designated as at FVPL		**35**	(25)
Net gain on other debt instruments and equity investments measured at FVPL		**11,885**	2,931
Net loss on financial liabilities designated as at FVPL	(1)	**(216)**	(363)
Net gain on other debt instrument and other equity investments measured at FVOCI		**571**	829
Others		**(1,561)**	(184)
Total		**10,714**	3,188

(1) Net loss on financial liabilities designated as at FVPL consists of the payable amount upon the maturity of structured deposits designated at FVPL.

10 OTHER OPERATING (EXPENSE)/INCOME

	Six months ended 30 June	
	2023	2022
Insurance premium	**1,644**	1,463
Rental income	**589**	595
Gain on disposal of property and equipment	**568**	376
Government grant	**604**	302
Net loss on foreign exchange	**(6,012)**	(767)
Others	**486**	509
Total	**(2,121)**	2,478

11 OPERATING EXPENSES

	Notes	Six months ended 30 June	
		2023	2022
Staff costs	(1)	**65,576**	63,217
General operating and administrative expenses		**24,044**	21,350
Depreciation and amortization		**10,479**	9,844
Tax and surcharges	(2)	**3,547**	3,399
Insurance benefits and claims		**2,811**	2,639
Others		**1,221**	1,281
Total		**107,678**	101,730

(Amounts in millions of Renminbi, unless otherwise stated)

11 OPERATING EXPENSES (Continued)

(1) Staff costs

	Six months ended 30 June	
	2023	2022
Short-term employee benefits		
Salaries, bonuses, allowances and subsidies	**42,541**	41,382
Housing funds	**4,885**	4,690
Social insurance	**3,164**	3,028
Including: Medical insurance	**2,986**	2,857
Maternity insurance	**91**	92
Employment injury insurance	**87**	79
Labor union fees and staff education expenses	**1,898**	1,816
Others	**3,895**	3,524
Subtotal	**56,383**	54,440
Defined contribution benefits	**9,189**	8,764
Early retirement benefits	**4**	13
Total	**65,576**	63,217

(2) City maintenance and construction tax is calculated at 1%, 5% or 7% of VAT and consumption tax for the Group's Domestic Operations.

Education surcharge is calculated at 3%, while local education surcharge is calculated at 2% of VAT and consumption tax for the Group's Domestic Operations.

12 CREDIT IMPAIRMENT LOSSES

	Six months ended 30 June	
	2023	2022
Loans and advances to customers	**96,768**	92,776
Financial investments		
Debt instrument investments at amortized cost	**7,807**	2,197
Other debt instrument investments at fair value through other comprehensive income	**(696)**	1,251
Provision for guarantees and commitments	**(4,069)**	8,384
Placements with and loans to banks and other financial institutions	**190**	178
Deposits with banks and other financial institutions	**(9)**	678
Financial assets held under resale agreements	**1,073**	166
Others	**1,288**	(101)
Total	**102,352**	105,529

(Amounts in millions of Renminbi, unless otherwise stated)

13 INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
Current income tax		
— PRC Enterprise Income Tax	**27,354**	32,865
— Hong Kong SAR Income Tax	**411**	308
— Other jurisdictions Income Tax	**100**	99
Subtotal	**27,865**	33,272
Deferred tax (Note 25)	**(5,727)**	(6,006)
Total	**22,138**	27,266

Domestic and Overseas Branches Income Tax is calculated at 25% of the estimated taxable profit for the current and prior periods, and also includes supplementary PRC tax on Overseas Branches as determined in accordance with the relevant PRC income tax rules and regulations. Pre-tax deduction items of enterprise income tax are governed by the relevant tax regulations in Chinese mainland. Taxation arising in other jurisdictions (including Hong Kong SAR) is calculated at the rates prevailing in the relevant jurisdictions.

The tax charges for the six months ended 30 June 2023 and 30 June 2022 can be reconciled to the profit per the condensed consolidated interim income statement as follows:

		Six months ended 30 June	
	Note	**2023**	2022
Profit before tax		**155,969**	156,049
Tax calculated at applicable PRC statutory tax rate of 25%		**38,992**	39,013
Tax effect of income not taxable for tax purpose	(1)	**(25,011)**	(22,201)
Tax effect of costs, expenses and losses not deductible for tax purpose		**9,324**	11,196
Tax effect of perpetual bonds interest expense		**(1,176)**	(740)
Effect of different tax rates in other jurisdictions		**9**	(2)
Income tax expense		**22,138**	27,266

(1) Non-taxable income primarily includes interest income from PRC treasury bonds and municipal government bonds.

(Amounts in millions of Renminbi, unless otherwise stated)

14 DIVIDENDS

	Notes	Six months ended 30 June 2023	2022
Dividends on ordinary shares declared			
Cash dividend related to 2022	(2)	**77,766**	–
Cash dividend related to 2021	(3)	**–**	72,376
		77,766	72,376
Dividends on preference shares declared and paid	(4)	**–**	1,936
Interest on perpetual bonds declared and paid	(5)	**4,703**	2,958

(1) *No dividends on ordinary shares related to the period from 1 January 2023 to 30 June 2023 were proposed, declared and paid or payable during the current period. The Board of Directors do not recommend any interim dividend for the six months ended 30 June 2023.*

(2) *Distribution of final dividend for 2022*

A cash dividend of RMB0.2222 (tax included) per ordinary share related to 2022, amounting to RMB77,766 million (tax included) in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2022 as determined in accordance with the relevant accounting rules and financial regulations applicable to PRC enterprises (the "PRC GAAP"), at the annual general meeting held on 29 June 2023.

The general reserve and dividend unpaid were recognized as at 30 June 2023 and the dividend was paid in July 2023.

(3) *Distribution of final dividend for 2021*

A cash dividend of RMB0.2068 (tax included) per ordinary share related to 2021, amounting to RMB72,376 million (tax included) in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2021 as determined in accordance with the relevant accounting rules and financial regulations applicable to PRC GAAP, at the annual general meeting held on 29 June 2022.

The above dividend was recognized as distribution and distributed during the year ended 31 December 2022.

(4) *Distribution of dividend on preference shares*

A cash dividend at the dividend rate of 4.84% per annum related to the second tranche of preference shares for the period of 2021 to 2022 amounting to RMB1,936 million (tax included) in total was approved at the Board of Directors' Meeting held on 26 January 2022 and distributed on 11 March 2022.

A cash dividend at the dividend rate of 5.32% per annum related to the first tranche of preference shares of 2021 to 2022 amounting to RMB2,128 million (tax included) in total was approved at the Board of Directors' Meeting held on 29 August 2022 and distributed on 7 November 2022.

A cash dividend at the dividend rate of 4.84% per annum related to the second tranche of preference shares of 2022 to 2023 amounting to RMB1,936 million (tax included) in total was approved at the Board of Directors' Meeting held on 28 December 2022 and distributed on 13 March 2023.

14 DIVIDENDS (Continued)

(5) *Distribution of interest on perpetual bonds*

An interest at the interest rate of 3.49% per annum related to the 2022-first tranche of perpetual bonds of RMB50 billion amounting to RMB1,745 million in total was declared on 20 February 2023 and distributed on 22 February 2023.

An interest at the interest rate of 3.48% per annum related to the 2020-first tranche of perpetual bonds of RMB85 billion amounting to RMB2,958 million in total was declared on 10 May 2023 and distributed on 12 May 2023.

An interest at the interest rate of 3.48% per annum related to the 2020-first tranche of perpetual bonds of RMB85 billion amounting to RMB2,958 million in total was declared on 7 May 2022 and distributed on 12 May 2022.

An interest at the interest rate of 4.39% per annum related to the 2019-first tranche of perpetual bonds of RMB85 billion amounting to RMB3,732 million in total was declared on 18 August 2022 and distributed on 20 August 2022.

An interest at the interest rate of 4.50% per annum related to the 2020-second tranche of perpetual bonds of RMB35 billion amounting to RMB1,575 million in total was declared on 22 August 2022 and distributed on 24 August 2022.

An interest at the interest rate of 4.20% per annum related to the 2019-second tranche of perpetual bonds of RMB35 billion amounting to RMB1,470 million in total was declared on 1 September 2022 and distributed on 5 September 2022.

An interest at the interest rate of 3.76% per annum related to the 2021-first tranche of perpetual bonds of RMB40 billion amounting to RMB1,504 million in total was declared on 14 November 2022 and distributed on 16 November 2022.

15 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is as follows:

	Six months ended 30 June	
	2023	2022
Earnings:		
Profit for the period attributable to equity holders of the Bank	**133,234**	128,752
Less: profit for the period attributable to other equity instruments holders of the Bank	**(4,703)**	(4,894)
Profit for the period attributable to ordinary equity holders of the Bank	**128,531**	123,858
Number of shares:		
Weighted average number of ordinary shares in issue (in millions)	**349,983**	349,983
Basic and diluted earnings per share (RMB yuan)	**0.37**	0.35

For the years ended 31 December 2015 and 31 December 2014, the Bank issued two non-cumulative preference shares, respectively, and the specific terms are included in Note 36 Other equity instruments.

As at 30 June 2023, the Bank issued a total of seven non-cumulative undated tier 1 capital bonds and the specific terms are included in Note 36 Other equity instruments.

For the purpose of calculating basic earnings per share for the six months ended 30 June 2023, interest of RMB4,703 million of non-cumulative undated tier 1 capital bonds declared and distributed were deducted from the profit for the period attributable to ordinary equity holders of the Bank (six months ended 30 June 2022: cash dividends and interest of RMB4,894 million of non-cumulative preference shares and undated tier 1 capital bonds).

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the six months ended 30 June 2023 and 30 June 2022, and therefore the conversion feature of preference shares has no dilutive effect on earnings per share calculation.

(Amounts in millions of Renminbi, unless otherwise stated)

16 CASH AND BALANCES WITH CENTRAL BANKS

	Notes	**30 June 2023**	31 December 2022
Cash		**67,075**	67,180
Mandatory reserve deposits with central banks	(1)	**2,301,984**	2,153,612
Surplus reserve deposits with central banks	(2)	**498,848**	169,295
Other deposits with central banks	(3)	**171,029**	157,997
Subtotal		**3,038,936**	2,548,084
Accrued interest		**1,035**	1,046
Total		**3,039,971**	2,549,130

(1) *The Group places mandatory reserve deposits with the PBOC and overseas regulatory bodies. These include RMB reserve deposits and foreign currency reserve deposits that are not available for use in the Group's daily operations.*

As at 30 June 2023, the mandatory deposit reserve ratios of the domestic branches of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC. The mandatory reserve funds placed with the central bank of domestic subsidiaries of the Group are determined by the PBOC. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Chinese mainland are determined by local jurisdictions.

(2) *Surplus reserve deposits with central banks include funds for the purpose of cash settlement and other kinds of unrestricted deposits.*

(3) *Other deposits with central banks primarily represent fiscal deposits and foreign exchange risk reserve placed with the PBOC that are not available for use in the Group's daily operations.*

17 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2023	31 December 2022
Deposits with:		
Domestic banks	**875,590**	580,465
Other domestic financial institutions	**12,068**	9,507
Overseas banks	**41,829**	38,694
Subtotal	**929,487**	628,666
Accrued interest	**6,968**	3,538
Allowance for impairment losses	**(1,312)**	(1,319)
Carrying amount	**935,143**	630,885

(Amounts in millions of Renminbi, unless otherwise stated)

18 PLACEMENTS WITH AND LOANS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2023	31 December 2022
Placements with and loans to:		
Domestic banks	**246,705**	236,552
Other domestic financial institutions	**124,133**	172,631
Overseas banks and other financial institutions	**86,432**	90,929
Subtotal	**457,270**	500,112
Accrued interest	**3,071**	2,780
Allowance for impairment losses	**(2,777)**	(2,562)
Carrying amount	**457,564**	500,330

19 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

The contractual/notional amounts and fair values of the derivative financial instruments entered into by the Group are set out in the following tables. The contractual/notional amounts of derivative financial instruments provide a basis for comparison with fair values of instruments recognized in the consolidated interim statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The fair value of derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or precious metal prices relative to their terms. The aggregated fair values of derivative financial assets and liabilities can fluctuate significantly in different periods.

Certain financial assets and financial liabilities of the Group are subject to enforceable master net arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. The Group did not offset these financial assets and financial liabilities on a net basis. As at 30 June 2023 and 31 December 2022, the Group did not hold any other financial assets or liabilities, other than derivatives, that are subject to master netting arrangements or similar agreements.

(Amounts in millions of Renminbi, unless otherwise stated)

19 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Continued)

	30 June 2023		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross-currency interest rate swaps	**2,218,517**	**43,455**	**(34,838)**
Currency options	**131,275**	**1,118**	**(2,021)**
Subtotal		**44,573**	**(36,859)**
Interest rate derivatives			
Interest rate swaps	**280,655**	**3,188**	**(1,292)**
Precious metal derivatives and others	**179,255**	**1,750**	**(6,062)**
Total		**49,511**	**(44,213)**

	31 December 2022		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross-currency interest rate swaps	1,766,754	25,476	(25,684)
Currency options	87,071	1,374	(569)
Subtotal		26,850	(26,253)
Interest rate derivatives			
Interest rate swaps	242,817	2,512	(871)
Precious metal derivatives and others	148,701	1,353	(3,880)
Total		30,715	(31,004)

Credit risk weighted amount for derivative transaction counterparties represents the counterparty credit risk associated with derivative transactions and is calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the NAFR which was effective from 1 January 2013 and "Measurement Rule of Counterparty Default Risk Weighted Assets on Derivatives" issued by the NAFR which was effective from 1 January 2019, and is dependent on, among other factors, creditworthiness of customers and maturity characteristics of each type of contract. As at 30 June 2023 and 31 December 2022, the credit risk weighted amount for derivative transaction counterparties was measured under the Internal Ratings-Based approach.

	30 June 2023	31 December 2022
Counterparty credit default risk-weighted assets	**41,793**	31,566
Credit value adjustment risk-weighted assets	**10,340**	8,825
Total	**52,133**	40,391

(Amounts in millions of Renminbi, unless otherwise stated)

19 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Continued)

(1) Fair value hedges

The following designated fair value hedging instruments are included in the derivative financial instruments disclosed above:

	30 June 2023		
	Contractual/ notional amount	**Fair value**	
		Assets	**Liabilities**
Interest rate swaps	**42,208**	**1,839**	**(41)**

	31 December 2022		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Interest rate swaps	37,721	1,455	(45)

The Group uses interest rate swaps to hedge against changes arising from changes in interest rates in fair value of loans and advances to customers and other debt instrument investments at fair value through other comprehensive income.

The Group's net (losses)/gains on fair value hedges are as follow:

	Six months ended 30 June	
	2023	2022
Net (losses)/gains on		
— hedging instruments	**(122)**	1,988
— hedged items	**(31)**	(2,012)
Ineffective portion recognized in net trading gains	**(153)**	(24)

The following table shows maturity details with notional amount of hedging instruments disclosed above:

	Fair value hedges					
	Less than 1 month	**1–3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Total**
30 June 2023	**585**	**2,281**	**16,167**	**19,785**	**3,390**	**42,208**
31 December 2022	1,985	445	10,137	23,556	1,598	37,721

(Amounts in millions of Renminbi, unless otherwise stated)

19 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Continued)

(1) Fair value hedges (Continued)

The following table sets out the details of the hedged items covered by the Group's fair value hedging strategies:

	30 June 2023				
	Carrying amount of hedged items		**Accumulated amount of fair value adjustments on the hedged items**		**Line items in the statement of financial position**
	Assets	**Liabilities**	**Assets**	**Liabilities**	
Bonds	**41,277**	**–**	**–**	**–**	**Other debt instrument investments at fair value through other comprehensive income**
Loans	**2,517**	**–**	**(166)**	**–**	**Loans and advances to customers**
Total	**43,794**	**–**	**(166)**	**–**	

	31 December 2022				
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		Line items in the statement of financial position
	Assets	Liabilities	Assets	Liabilities	
Bonds	39,250	–	–	–	Other debt instrument investments at fair value through other comprehensive income
Loans	2,787	–	(179)	–	Loans and advances to customers
Total	42,037	–	(179)	–	

(2) Cash Flow Hedges

For the six months ended 30 June 2023, no cash flow hedge had occurred (six months ended 30 June 2022: Nil).

(Amounts in millions of Renminbi, unless otherwise stated)

20 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	30 June 2023	31 December 2022
Analyzed by collateral type:		
Debt securities	**1,787,097**	1,113,854
Bills	**101,145**	59,835
Subtotal	**1,888,242**	1,173,689
Accrued interest	**506**	945
Allowance for impairment losses	**(3,520)**	(2,447)
Carrying amount	**1,885,228**	1,172,187

The collateral received in connection with financial assets held under resale agreements is disclosed in Note 45 Contingent liabilities and commitments — Collateral.

21 LOANS AND ADVANCES TO CUSTOMERS

21.1 Analyzed by measurement basis

	Notes	**30 June 2023**	31 December 2022
Measured at amortized cost	(1)	**19,914,695**	17,636,791
Measured at fair value through other comprehensive income	(2)	**1,000,370**	1,344,182
Total		**20,915,065**	18,980,973

(1) Measured at amortized cost:

	30 June 2023	*31 December 2022*
Corporate loans and advances		
Loans and advances	***12,747,213***	*10,814,664*
Personal loans	***7,994,437***	*7,562,061*
Subtotal	***20,741,650***	*18,376,725*
Accrued interest	***49,885***	*42,920*
Allowance for impairment losses	***(876,840)***	*(782,854)*
Carrying amount of loans and advances to customers measured at amortized cost	***19,914,695***	*17,636,791*

(Amounts in millions of Renminbi, unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

21.1 Analyzed by measurement basis (Continued)

(2) Measured at fair value through other comprehensive income:

	30 June 2023	31 December 2022
Corporate loans and advances		
Loans and advances	***240,799***	*336,634*
Discounted bills	***759,571***	*1,007,548*
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	***1,000,370***	*1,344,182*

21.2 Analyzed by ECL assessment method

	30 June 2023			
	Stage I	**Stage II**	**Stage III**	
	12 months ECL	**Lifetime ECL**		**Total**
Gross loans and advances to customers measured at amortized cost	**20,126,849**	**370,299**	**294,387**	**20,791,535**
Allowance for impairment losses	**(620,379)**	**(85,782)**	**(170,679)**	**(876,840)**
Loans and advances to customers measured at amortized cost, net	**19,506,470**	**284,517**	**123,708**	**19,914,695**
Loans and advances to customers measured at fair value through other comprehensive income	**993,039**	**7,331**	**0**	**1,000,370**
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	**(18,476)**	**(1,598)**	**0**	**(20,074)**

(Amounts in millions of Renminbi, unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

21.2 Analyzed by ECL assessment method (Continued)

	31 December 2022			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
Gross loans and advances to customers measured at amortized cost	17,813,231	335,352	271,062	18,419,645
Allowance for impairment losses	(537,792)	(80,842)	(164,220)	(782,854)
Loans and advances to customers measured at amortized cost, net	17,275,439	254,510	106,842	17,636,791
Loans and advances to customers measured at fair value through other comprehensive income	1,344,176	6	0	1,344,182
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	(37,372)	(2)	0	(37,374)

The expected credit loss ("ECL") for corporate loans and advances in Stage I and Stage II, as well as personal loans, were measured in accordance with the risk parameters modelling method. The ECL for corporate loans and advances in Stage III were calculated using the discounted cash flow method. For details, see Note 47.1 Credit risk.

21.3 Analyzed by movements in loss allowance

The movements of loss allowance are mainly affected by:

— Transfers between stages due to loans and advances to customers experiencing significant increases (or decreases) in credit risk or becoming credit-impaired, and the corresponding transfer of the measurement basis of the loss allowance between 12 months and the entire lifetime ECL;

— Allowance for new loans and advances to customers recognized;

— Remeasurement includes the impact of changes in model assumptions, updates of model parameters, changes in probability of default and loss given default; changes in ECL due to transfer of loans and advances to customers between stages; changes in ECL due to unwinding of discount over time; changes in foreign exchange translations for assets denominated in foreign currencies and other movements;

— The reversal of allowances caused by repayment, transfer out and write-offs of loans and advances to customers.

(Amounts in millions of Renminbi, unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

21.3 Analyzed by movements in loss allowance (Continued)

The following table shows the impact of above factors on the allowance for impairment losses:

	Six months ended 30 June 2023			
	Stage I	Stage II	Stage III	
Corporate loans and advances	12 months ECL	Lifetime ECL		Total
1 January 2023	415,071	55,734	131,227	602,032
Transfer:				
Stage I to Stage II	(9,913)	9,913	–	–
Stage II to Stage III	–	(18,266)	18,266	–
Stage II to Stage I	10,341	(10,341)	–	–
Stage III to Stage II	–	5,101	(5,101)	–
Originated or purchased financial assets	108,280	–	–	108,280
Remeasurement	(26,968)	25,723	20,559	19,314
Repayment or transfer out	(41,586)	(5,803)	(16,644)	(64,033)
Write-offs	–	–	(11,310)	(11,310)
30 June 2023	455,225	62,061	136,997	654,283

	Six months ended 30 June 2023			
	Stage I	Stage II	Stage III	
Personal loans	12 months ECL	Lifetime ECL		Total
1 January 2023	160,093	25,110	32,993	218,196
Transfer:				
Stage I to Stage II	(2,768)	2,768	–	–
Stage II to Stage III	–	(8,127)	8,127	–
Stage II to Stage I	7,961	(7,961)	–	–
Stage III to Stage II	–	2,835	(2,835)	–
Originated or purchased financial assets	59,504	–	–	59,504
Remeasurement	(9,910)	15,549	12,652	18,291
Repayment or transfer out	(31,250)	(4,855)	(4,341)	(40,446)
Write-offs	–	–	(12,914)	(12,914)
30 June 2023	183,630	25,319	33,682	242,631

(Amounts in millions of Renminbi, unless otherwise stated)

21 LOANS AND ADVANCES TO CUSTOMERS (Continued)

21.3 Analyzed by movements in loss allowance (Continued)

The following table shows the impact of above factors on the allowance for impairment losses (Continued):

	Year ended 31 December 2022			
	Stage I	Stage II	Stage III	
Corporate loans and advances	12 months ECL	Lifetime ECL		Total
1 January 2022	352,237	50,260	140,884	543,381
Transfer:				
Stage I to Stage II	(5,288)	5,288	–	–
Stage II to Stage III	–	(13,043)	13,043	–
Stage II to Stage I	5,603	(5,603)	–	–
Stage III to Stage II	–	6,154	(6,154)	–
Originated or purchased financial assets	152,359	–	–	152,359
Remeasurement	(16,541)	22,052	44,450	49,961
Repayment or transfer out	(73,299)	(9,374)	(19,331)	(102,004)
Write-offs	–	–	(41,665)	(41,665)
31 December 2022	415,071	55,734	131,227	602,032

	Year ended 31 December 2022			
	Stage I	Stage II	Stage III	
Personal loans	12 months ECL	Lifetime ECL		Total
1 January 2022	163,984	7,243	22,075	193,302
Transfer:				
Stage I to Stage II	(3,701)	3,701	–	–
Stage II to Stage III	–	(6,111)	6,111	–
Stage II to Stage I	1,375	(1,375)	–	–
Stage III to Stage II	–	997	(997)	–
Originated or purchased financial assets	62,092	–	–	62,092
Remeasurement	(7,101)	24,712	28,038	45,649
Repayment or transfer out	(56,556)	(4,057)	(6,315)	(66,928)
Write-offs	–	–	(15,919)	(15,919)
31 December 2022	160,093	25,110	32,993	218,196

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS

	Notes	30 June 2023	31 December 2022
Financial assets at fair value through profit or loss	22.1	**540,613**	522,057
Debt instrument investments at amortized cost	22.2	**7,782,325**	7,306,000
Other debt instrument and other equity investments at fair value through other comprehensive income	22.3	**1,745,256**	1,702,106
Total		**10,068,194**	9,530,163

22.1 Financial assets at fair value through profit or loss

	Notes	30 June 2023	31 December 2022
Financial assets held for trading	(1)	**178,855**	155,869
Financial assets designated at fair value through profit or loss	(2)	**810**	1,250
Other financial assets at fair value through profit or loss	(3)	**360,948**	364,938
Total		**540,613**	522,057
Analyzed as:			
Listed in Hong Kong		**9,342**	5,480
Listed outside Hong Kong	(i)	**369,060**	351,425
Unlisted		**162,211**	165,152
Total		**540,613**	522,057

(i) Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

(1) Financial assets held for trading

	30 June 2023	31 December 2022
Debt securities issued by:		
Governments	**12,388**	16,999
Public sector and quasi-governments	**64,496**	63,951
Financial institutions	**61,180**	18,445
Corporates	**11,155**	27,203
Subtotal	**149,219**	126,598
Precious metal contracts	**14,139**	17,988
Equity	**7,262**	5,790
Fund and others	**8,235**	5,493
Total	**178,855**	155,869

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS (Continued)

22.1 Financial assets at fair value through profit or loss (Continued)

(2) Financial assets designated at fair value through profit or loss

	30 June 2023	31 December 2022
Debt securities issued by:		
Financial institutions	652	626
Corporates	158	624
Total	**810**	1,250

(3) Other financial assets at fair value through profit or loss (ii)

	30 June 2023	31 December 2022
Debt securities issued by:		
Public sector and quasi-governments	31,821	27,678
Financial institutions	168,226	176,537
Corporates	885	882
Subtotal	200,932	205,097
Equity	112,427	111,902
Fund and others	47,589	47,939
Total	**360,948**	364,938

(ii) Other financial assets at fair value through profit or loss refer to financial assets that do not qualify for measurement at amortized cost or fair value through other comprehensive income and are not held for trading, including bond investments, equity interests, funds, trust plans and asset management products of the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS (Continued)

22.2 Debt instrument investments at amortized cost

	Notes	30 June 2023	31 December 2022
Debt securities issued by:			
Governments		**5,214,922**	4,751,633
Public sector and quasi-governments		**1,839,788**	1,783,050
Financial institutions		**151,988**	169,394
Corporates		**67,206**	90,812
Subtotal of debt securities		**7,273,904**	6,794,889
Receivable from the MOF	(i)	**290,891**	290,891
Special government bond	(ii)	**93,331**	93,332
Others	(iii)	**13,150**	11,580
Subtotal		**7,671,276**	7,190,692
Accrued interest		**139,048**	135,743
Allowance for impairment losses		**(27,999)**	(20,435)
Debt instrument investments at amortized cost, net		**7,782,325**	7,306,000
Analyzed as:			
Listed in Hong Kong		**31,553**	35,017
Listed outside Hong Kong	(iv)	**7,326,054**	6,832,620
Unlisted		**424,718**	438,363
Total		**7,782,325**	7,306,000

(i) The Group received a notice from the MOF in January 2020, clarifying that from 1 January 2020, the interest rate of the unpaid payments will be verified year by year based on the rate of return of the five-year treasury bond of the previous year.

(ii) Special government bond refers to the non-transferable bond issued by the MOF in 1998 in the aggregated principal amount of RMB93.3 billion to the Predecessor Entity for capital replenishment. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum, starting from 1 December 2008.

(iii) Other debt instrument investments at amortized cost are primarily related to investment in unconsolidated structured entities held by the Group (Note 44(2)).

(iv) Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS (Continued)

22.2 Debt instrument investments at amortized cost (Continued)

(1) *Analyzed by ECL assessment method*

	30 June 2023			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
Gross debt instrument investments at amortized cost	**7,808,650**	**359**	**1,315**	**7,810,324**
Allowance for impairment losses	**(26,705)**	**–**	**(1,294)**	**(27,999)**
Debt instrument investments at amortized cost, net	**7,781,945**	**359**	**21**	**7,782,325**

	31 December 2022			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
Gross debt instrument investments at amortized cost	7,324,788	347	1,300	7,326,435
Allowance for impairment losses	(19,150)	–	(1,285)	(20,435)
Debt instrument investments at amortized cost, net	7,305,638	347	15	7,306,000

Debt instrument investments at amortized cost in Stage II and Stage III mainly included corporates bonds and other debt instrument investments of the Group.

(2) *Analyzed by movements in loss allowance (v)*

	Six months ended 30 June 2023			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
1 January 2023	**19,150**	**–**	**1,285**	**20,435**
Originated or purchased financial assets	**3,437**	**–**	**–**	**3,437**
Remeasurement	**5,434**	**–**	**9**	**5,443**
Maturities or transfer out	**(1,316)**	**–**	**–**	**(1,316)**
30 June 2023	**26,705**	**–**	**1,294**	**27,999**

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS (Continued)

22.2 Debt instrument investments at amortized cost (Continued)

(2) Analyzed by movements in loss allowance (v) (Continued)

	Year ended 31 December 2022			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
1 January 2022	17,764	–	1,263	19,027
Originated or purchased financial assets	4,903	–	–	4,903
Remeasurement	126	–	22	148
Maturities or transfer out	(3,643)	–	–	(3,643)
31 December 2022	19,150	–	1,285	20,435

(v) *As at 30 June 2023, the increases of the Group's loss allowance of debt instrument investments at amortized cost were mainly due to the remeasurement of remained debt instrument investments and the increase of debt instrument investments.*

22.3 Other debt instrument and other equity investments at fair value through other comprehensive income

		30 June 2023			
	Notes	Amortized cost of debt instruments/ cost of equity instruments	Fair value	Cumulative amount of change in fair value that is accrued to other comprehensive income	Cumulative amount of impairment
Other debt instrument investments	(1)	**1,725,195**	**1,739,343**	**14,148**	**(5,343)**
Other equity investments	(2)	**4,606**	**5,913**	**1,307**	**N/A**
Total		**1,729,801**	**1,745,256**	**15,455**	**(5,343)**

		31 December 2022			
	Notes	Amortized cost of debt instruments/ cost of equity instruments	Fair value	Cumulative amount of change in fair value that is accrued to other comprehensive income	Cumulative amount of impairment
Other debt instrument investments	(1)	1,694,785	1,697,405	2,620	(6,343)
Other equity investments	(2)	3,519	4,701	1,182	N/A
Total		1,698,304	1,702,106	3,802	(6,343)

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS (Continued)

22.3 Other debt instrument and other equity investments at fair value through other comprehensive income (Continued)

(1) Other debt instrument investments

(a) Analyzed by types of issuers

	Note	30 June 2023	31 December 2022
Debt securities:			
Governments		**929,191**	870,339
Public sector and quasi-governments		**225,496**	235,712
Financial institutions		**431,631**	429,063
Corporates		**125,275**	135,994
Subtotal of debt securities		**1,711,593**	1,671,108
Others	(i)	**10,828**	10,558
Subtotal		**1,722,421**	1,681,666
Accrued interest		**16,922**	15,739
Total		**1,739,343**	1,697,405
Analyzed as:			
Listed in Hong Kong		**124,655**	124,853
Listed outside Hong Kong		**1,498,827**	1,486,760
Unlisted		**115,861**	85,792
Total		**1,739,343**	1,697,405

(i) Others primarily include investments in unconsolidated structured entities held by the Group (Note 44(2)), such as trust investment plans and debt investment plans.

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS (Continued)

22.3 Other debt instrument and other equity investments at fair value through other comprehensive income (Continued)

(1) Other debt instrument investments (Continued)

(b) Analyzed by ECL assessment method

	30 June 2023			
	Stage I	**Stage II**	**Stage III**	
	12 months ECL	**Lifetime ECL**		**Total**
Carrying amount of other debt instrument investments at fair value through other comprehensive income	**1,738,118**	**849**	**376**	**1,739,343**
Allowance for impairment losses	**(5,152)**	**(10)**	**(181)**	**(5,343)**

	31 December 2022			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
Carrying amount of other debt instrument investments at fair value through other comprehensive income	1,696,481	400	524	1,697,405
Allowance for impairment losses	(6,078)	(9)	(256)	(6,343)

Other debt instrument investments at fair value through other comprehensive income in Stage II and Stage III mainly included corporates bonds and financial institutions bonds of the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS (Continued)

22.3 Other debt instrument and other equity investments at fair value through other comprehensive income *(Continued)*

(1) Other debt instrument investments (Continued)

(c) Analyzed by movements in loss allowance (ii)

	Six months ended 30 June 2023			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
1 January 2023	**6,078**	**9**	**256**	**6,343**
Transfer:				
Stage I transfer to Stage II	**(2)**	**2**	**–**	**–**
Originated or purchased financial assets	**648**	**–**	**–**	**648**
Remeasurement	**(629)**	**(1)**	**47**	**(583)**
Maturities or transfer out	**(943)**	**–**	**(122)**	**(1,065)**
30 June 2023	**5,152**	**10**	**181**	**5,343**

	Year ended 31 December 2022			
	Stage I	Stage II	Stage III	
	12 months ECL	Lifetime ECL		Total
1 January 2022	10,457	189	115	10,761
Transfer:				
Stage I transfer to Stage III	(111)	–	111	–
Stage II transfer to Stage I	51	(51)	–	–
Originated or purchased financial assets	1,942	–	–	1,942
Remeasurement	(1,257)	(4)	30	(1,231)
Maturities or transfer out	(5,004)	(125)	–	(5,129)
31 December 2022	6,078	9	256	6,343

(ii) As at 30 June 2023, the decreases of the Group's loss allowance of other debt instrument investments at fair value through other comprehensive income were mainly due to maturities or transfer out of remained debt instrument investments and the remeasurement of remained debt instrument investments.

(2) Other equity investments

	30 June 2023	31 December 2022
Financial institutions	**5,420**	4,564
Other enterprises	**493**	137
Total	**5,913**	4,701

(Amounts in millions of Renminbi, unless otherwise stated)

23 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	30 June 2023	31 December 2022
Investment in associates	**5,740**	5,594
Investment in joint ventures	**2,426**	2,587
Subtotal	**8,166**	8,181
Allowance for impairment losses — investment in associates	**(89)**	(89)
Carrying amount	**8,077**	8,092

The detail information of the investment in associates and joint ventures was disclosed in Note 5 Investment in subsidiaries, associates, joint ventures and structured entities.

24 PROPERTY AND EQUIPMENT

	Buildings	Machinery and equipment	Motor vehicles	Construction in progress	Total
Cost:					
1 January 2023	**193,356**	**68,966**	**15,253**	**10,064**	**287,639**
Additions	**851**	**2,096**	**932**	**2,214**	**6,093**
Transfers in/(out)	**1,510**	**564**	**2**	**(2,076)**	**–**
Other movements	**(1,193)**	**(2,003)**	**311**	**(7)**	**(2,892)**
30 June 2023	**194,524**	**69,623**	**16,498**	**10,195**	**290,840**
Accumulated depreciation:					
1 January 2023	**(83,439)**	**(47,128)**	**(4,186)**	**–**	**(134,753)**
Charge for the period	**(3,565)**	**(3,349)**	**(350)**	**–**	**(7,264)**
Other movements	**378**	**1,889**	**5**	**–**	**2,272**
30 June 2023	**(86,626)**	**(48,588)**	**(4,531)**	**–**	**(139,745)**
Allowance for impairment losses:					
1 January 2023	**(263)**	**(5)**	**(12)**	**(34)**	**(314)**
Other movements	**3**	**–**	**–**	**–**	**3**
30 June 2023	**(260)**	**(5)**	**(12)**	**(34)**	**(311)**
Carrying amount:					
1 January 2023	**109,654**	**21,833**	**11,055**	**10,030**	**152,572**
30 June 2023	**107,638**	**21,030**	**11,955**	**10,161**	**150,784**

(Amounts in millions of Renminbi, unless otherwise stated)

24 PROPERTY AND EQUIPMENT (Continued)

	Buildings	Machinery and equipment	Motor vehicles	Construction in progress	Total
Cost:					
1 January 2022	189,309	65,906	16,398	9,516	281,129
Additions	2,673	7,203	730	6,709	17,315
Transfers in/(out)	4,948	1,204	–	(6,152)	–
Other movements	(3,574)	(5,347)	(1,875)	(9)	(10,805)
31 December 2022	193,356	68,966	15,253	10,064	287,639
Accumulated depreciation:					
1 January 2022	(77,605)	(45,724)	(4,110)	–	(127,439)
Charge for the year	(6,951)	(6,289)	(775)	–	(14,015)
Other movements	1,117	4,885	699	–	6,701
31 December 2022	(83,439)	(47,128)	(4,186)	–	(134,753)
Allowance for impairment losses:					
1 January 2022	(270)	(6)	(81)	(34)	(391)
Impairment loss	(2)	–	(11)	–	(13)
Other movements	9	1	80	–	90
31 December 2022	(263)	(5)	(12)	(34)	(314)
Carrying amount:					
1 January 2022	111,434	20,176	12,207	9,482	153,299
31 December 2022	109,654	21,833	11,055	10,030	152,572

According to the relevant laws and regulations, subsequent to the Bank's transformation into a joint stock company, the legal title of properties previously held by the Predecessor Entity are to be transferred to the Bank. As at 30 June 2023, the registration transfer process of these transferred properties and other certain properties has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those assets or adversely affect the Bank's operation.

25 DEFERRED TAXATION

For the purpose of presentation in the condensed consolidated interim statement of financial position, certain deferred tax assets and liabilities have been offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following is the analysis of the deferred tax balances:

	30 June 2023	31 December 2022
Deferred tax assets	**157,477**	149,930
Deferred tax liabilities	**(25)**	(9)
Net	**157,452**	149,921

(Amounts in millions of Renminbi, unless otherwise stated)

25 DEFERRED TAXATION (Continued)

(1) The following are the movements and major deferred tax assets and liabilities recognized:

	Allowance for impairment losses	Accrued but unpaid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
31 December 2022	**138,684**	**14,807**	**189**	**10,197**	**(14,750)**	**794**	**149,921**
Changes in accounting policies	**–**	**–**	**–**	**–**	**(337)**	**–**	**(337)**
1 January 2023	**138,684**	**14,807**	**189**	**10,197**	**(15,087)**	**794**	**149,584**
Credit/(charge) to the consolidated statement of profit or loss	**13,261**	**(2,248)**	**(28)**	**(748)**	**(4,557)**	**47**	**5,727**
Credit to other comprehensive income	**–**	**–**	**–**	**–**	**1,530**	**611**	**2,141**
30 June 2023	**151,945**	**12,559**	**161**	**9,449**	**(18,114)**	**1,452**	**157,452**

	Allowance for impairment losses	Accrued but unpaid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
31 December 2021	136,059	11,844	272	8,452	(14,437)	182	142,372
Changes in accounting policies	–	–	–	–	–	61	61
1 January 2022	136,059	11,844	272	8,452	(14,437)	243	142,433
Credit/(charge) to the consolidated statement of profit or loss	2,625	2,963	(83)	1,745	236	321	7,807
(Charge)/credit to other comprehensive income	–	–	–	–	(549)	230	(319)
31 December 2022	138,684	14,807	189	10,197	(14,750)	794	149,921

(2) Deferred tax assets/(liabilities) and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

	30 June 2023		31 December 2022	
	Deductible/ (taxable) temporary differences	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
Allowance for impairment losses	**607,833**	**151,945**	554,795	138,684
Fair value changes of financial instruments	**58,454**	**14,616**	50,271	12,570
Accrued but unpaid staff cost	**50,237**	**12,559**	59,228	14,807
Provision	**37,798**	**9,449**	40,788	10,197
Early retirement benefits	**643**	**161**	758	189
Others	**16,451**	**4,118**	13,790	3,454
Subtotal	**771,416**	**192,848**	719,630	179,901
Deferred tax liabilities				
Fair value changes of financial instruments	**(131,100)**	**(32,730)**	(109,465)	(27,320)
Others	**(10,664)**	**(2,666)**	(10,643)	(2,660)
Subtotal	**(141,764)**	**(35,396)**	(120,108)	(29,980)
Net	**629,652**	**157,452**	599,522	149,921

(Amounts in millions of Renminbi, unless otherwise stated)

26 OTHER ASSETS

	Notes	30 June 2023	31 December 2022
Accounts receivable and temporary payments		**194,643**	72,306
Land use rights	(1)	**19,669**	19,982
Right-of-use assets	(2)	**10,889**	10,877
Intangible assets		**8,613**	7,885
Interest receivable		**4,171**	3,662
Long-term deferred expenses		**3,008**	2,996
Investment properties		**2,256**	2,193
Foreclosed assets		**1,262**	1,082
Insurance services receivable		**212**	506
Others		**10,940**	14,252
Total		**255,663**	135,741

(1) According to the relevant laws and regulations, subsequent to the Bank's transformation into a joint stock company, land use rights previously held by the Predecessor Entity are to be transferred to the Bank. As at 30 June 2023, the registration transfer process of certain land use rights has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those land use rights.

(2) As at 30 June 2023, the right-of-use assets recognized by the Group mainly include buildings, and are mainly used for daily business. The depreciation expense for the six months ended 30 June 2023 amounted to RMB1,929 million (six months ended 30 June 2022: RMB1,881 million). As at 30 June 2023, the accumulated depreciation amounted to RMB11,141 million (31 December 2022: RMB10,688 million).

27 BORROWINGS FROM CENTRAL BANKS

	30 June 2023	31 December 2022
Borrowings from central banks	**1,042,471**	891,603
Accrued interest	**14,088**	9,513
Total	**1,056,559**	901,116

28 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2023	31 December 2022
Deposits from:		
Domestic banks	**362,741**	267,750
Other domestic financial institutions	**2,566,284**	2,121,826
Overseas banks	**4,674**	3,408
Other overseas financial institutions	**28,951**	50,495
Subtotal	**2,962,650**	2,443,479
Accrued interest	**13,279**	15,699
Total	**2,975,929**	2,459,178

(Amounts in millions of Renminbi, unless otherwise stated)

29 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2023	31 December 2022
Placements from:		
Domestic banks and other financial institutions	**203,267**	191,299
Overseas banks and other financial institutions	**194,705**	140,429
Subtotal	**397,972**	331,728
Accrued interest	**2,928**	2,027
Total	**400,900**	333,755

30 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023	31 December 2022
Financial liabilities held for trading		
Precious metal contracts	**11,378**	12,039
Financial liabilities designated at fair value through profit or loss		
Liabilities of the controlled structured entities	**259**	248
Others	**43**	–
Subtotal	**302**	248
Total	**11,680**	12,287

For the six months ended 30 June 2023 and the year ended 31 December 2022, there were no significant changes in the fair value of the Group's financial liabilities designated at fair value through profit or loss attributable to the changes in the Group's own credit risk.

31 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	30 June 2023	31 December 2022
Analyzed by type of collateral:		
Debt securities	**52,260**	40,010
Bills	**3,635**	3,560
Subtotal	**55,895**	43,570
Accrued interest	**283**	209
Total	**56,178**	43,779

The collateral pledged under repurchase agreements is disclosed in Note 45 Contingent liabilities and commitments — Collateral.

(Amounts in millions of Renminbi, unless otherwise stated)

32 DUE TO CUSTOMERS

	Note	30 June 2023	31 December 2022
Demand deposits			
Corporate customers		**5,907,444**	5,470,469
Individual customers		**6,550,091**	6,508,440
Time deposits			
Corporate customers		**4,732,545**	3,686,042
Individual customers		**9,979,178**	8,479,927
Pledged deposits	(1)	**528,609**	427,959
Others		**136,264**	164,597
Subtotal		**27,834,131**	24,737,434
Accrued interest		**396,922**	383,606
Total		**28,231,053**	25,121,040

(1) Analyzed by activity to which pledged deposits are related to:

	30 June 2023	31 December 2022
Trade finance	**209,152**	152,626
Bank acceptance	**124,260**	121,800
Letters of guarantee and guarantees	**51,532**	52,384
Letters of credit	**84,821**	50,783
Others	**58,844**	50,366
Total	**528,609**	427,959

(2) As at 30 June 2023, due to customers measured at amortized cost of the Group amounted to RMB28,219,520 million (31 December 2022: RMB25,093,700 million), due to customers measured at fair value through profit or loss of the Group amounted to RMB11,533 million (31 December 2022: RMB27,340 million). As at 30 June 2023 and 31 December 2022, the difference between the fair value of the structured deposits designated at fair value through profit or loss issued by the Group and the contractual amount payable to the holders of these products upon maturity was not material.

33 DEBT SECURITIES ISSUED

	Notes	30 June 2023	31 December 2022
Bonds issued	(1)	**501,698**	478,063
Certificates of deposit issued	(2)	**317,147**	306,523
Other debt securities issued	(3)	**1,175,191**	1,074,198
Subtotal		**1,994,036**	1,858,784
Accrued interest		**7,040**	10,614
Total		**2,001,076**	1,869,398

As at 30 June 2023 and 31 December 2022, there was no default on the principal, interest or redemption related to any debt securities issued by the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

33 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued

	Notes	30 June 2023	31 December 2022
2.40% CNY fixed rate Green Bonds maturing in October 2025	(i)	**15,000**	15,000
2.80% CNY fixed rate Green Bonds maturing in October 2027	(ii)	**5,000**	5,000
1.25% USD fixed rate Green Bonds maturing in January 2026	(iii)	**2,168**	2,089
2.00% USD fixed rate Green Bonds maturing in January 2027	(iv)	**2,168**	2,089
SOFR+0.55% USD float rate Green Bonds maturing in March 2023	(v)	**–**	209
4.45% Tier-two capital fixed rate bonds maturing in April 2028	(vi)	**–**	40,000
4.28% Tier-two capital fixed rate bonds maturing in March 2029	(vii)	**50,000**	50,000
4.30% Tier-two capital fixed rate bonds maturing in April 2029	(viii)	**40,000**	40,000
3.10% Tier-two capital fixed rate bonds maturing in April 2030	(ix)	**40,000**	40,000
3.45% Tier-two capital fixed rate bonds maturing in June 2032	(x)	**40,000**	40,000
3.03% Tier-two capital fixed rate bonds maturing in September 2032	(xi)	**50,000**	50,000
3.49% Tier-two capital fixed rate bonds maturing in March 2033	(xii)	**45,000**	–
4.53% Tier-two capital fixed rate bonds maturing in March 2034	(xiii)	**10,000**	10,000
4.63% Tier-two capital fixed rate bonds maturing in April 2034	(xiv)	**20,000**	20,000
3.65% Tier-two capital fixed rate bonds maturing in June 2037	(xv)	**20,000**	20,000
3.34% Tier-two capital fixed rate bonds maturing in September 2037	(xvi)	**20,000**	20,000
3.61% Tier-two capital fixed rate bonds maturing in March 2038	(xvii)	**25,000**	–
Medium term notes issued	(xviii)	**55,874**	57,643
1.99% fixed rate financial bonds maturing in April 2023	(xix)	**–**	20,000
3.38% fixed rate financial bonds maturing in April 2024	(xx)	**20,000**	20,000
2.65% fixed rate financial bonds maturing in June 2026	(xxi)	**20,000**	–
3.90% fixed rate financial bonds maturing in November 2023	(xxii)	**2,000**	2,000
3.06% fixed rate financial bonds maturing in August 2024	(xxiii)	**2,500**	2,500
2.68% fixed rate financial bonds maturing in March 2023	(xxiv)	**–**	4,000
3.40% fixed rate financial bonds maturing in September 2024	(xxv)	**2,000**	2,000
2.75% fixed rate financial bonds maturing in March 2025	(xxvi)	**6,000**	6,000
3.80% fixed rate financial bonds maturing in June 2025	(xxvii)	**–**	500
4.10% fixed rate financial bonds maturing in April 2026	(xxviii)	**1,099**	1,099

(Amounts in millions of Renminbi, unless otherwise stated)

33 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued)

	Notes	30 June 2023	31 December 2022
3.80% fixed rate financial bonds maturing in June 2026	(xxix)	**2,998**	2,998
5.55% fixed rate capital replenishment bonds maturing in March 2028	(xxx)	**–**	3,500
3.60% fixed rate capital replenishment bonds maturing in March 2030	(xxxi)	**1,500**	1,500
3.67% fixed rate capital replenishment bonds maturing in March 2033	(xxxii)	**3,500**	–
Total nominal value		**501,807**	478,127
Less: Unamortized issuance cost and discounts		**(109)**	(64)
Total		**501,698**	478,063

Pursuant to the approval by relevant regulatory authorities, the bonds issued by the Group are set out as below:

(i) The CNY green bonds issued in October 2022 have a maturity of 3 years, with a fixed coupon rate 2.40%, payable annually.

(ii) The CNY green bonds issued in October 2022 have a maturity of 5 years, with a fixed coupon rate 2.80%, payable annually.

(iii) The USD green bonds issued in January 2021 have a maturity of 5 years, with a fixed coupon rate 1.25%, payable semi-annually.

(iv) The USD green bonds issued in January 2022 have a maturity of 5 years, with a fixed coupon rate 2.00%, payable semi-annually.

(v) The USD green bonds issued in March 2022 have a maturity of 1 year, with a float coupon rate SOFR+0.55%, payable monthly. The bonds have expired on 2 March 2023.

(vi) The Tier-two capital bonds issued in April 2018 have a maturity of 10 years, with a fixed coupon rate of 4.45% payable annually. The Bank has redeemed all of the bonds at face value on 27 April 2023.

(vii) The Tier-two capital bonds issued in March 2019 have a maturity of 10 years, with a fixed coupon rate of 4.28% payable annually. The Bank has an option to redeem part or all of the bonds at face value in March 2024 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NAFR requirements.

(viii) The Tier-two capital bonds issued in April 2019 have a maturity of 10 years, with a fixed coupon rate of 4.30% payable annually. The Bank has an option to redeem part or all of the bonds at face value in April 2024 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NAFR requirements.

(ix) The Tier-two capital bonds issued in April 2020 have a maturity of 10 years, with a fixed coupon rate of 3.10% payable annually. The Bank has an option to redeem part or all of the bonds at face value in May 2025 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NAFR requirements.

(x) The Tier-two capital bonds issued in June 2022 have a maturity of 10 years, with a fixed coupon rate of 3.45% payable annually. The Bank has an option to redeem part or all of the bonds at face value in June 2027 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NAFR requirements.

(Amounts in millions of Renminbi, unless otherwise stated)

33 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued)

(xi) The Tier-two capital bonds issued in September 2022 have a maturity of 10 years, with a fixed coupon rate of 3.03% payable annually. The Bank has an option to redeem part or all of the bonds at face value in September 2027 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NAFR requirements.

(xii) The Tier-two capital bonds issued in March 2023 have a maturity of 10 years, with a fixed coupon rate of 3.49% payable annually. The Bank has an option to redeem part or all of the bonds at face value in March 2028 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NAFR requirements.

(xiii) The Tier-two capital bonds issued in March 2019 have a maturity of 15 years, with a fixed coupon rate of 4.53% payable annually. The Bank has an option to redeem part or all of the bonds at face value in March 2029 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NAFR requirements.

(xiv) The Tier-two capital bonds issued in April 2019 have a maturity of 15 years, with a fixed coupon rate of 4.63% payable annually. The Bank has an option to redeem part or all of the bonds at face value in April 2029 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NAFR requirements.

(xv) The Tier-two capital bonds issued in June 2022 have a maturity of 15 years, with a fixed coupon rate of 3.65% payable annually. The Bank has an option to redeem part or all of the bonds at face value in June 2032 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NAFR requirements.

(xvi) The Tier-two capital bonds issued in September 2022 have a maturity of 15 years, with a fixed coupon rate of 3.34% payable annually. The Bank has an option to redeem part or all of the bonds at face value in September 2032 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NAFR requirements.

(xvii) The Tier-two capital bonds issued in March 2023 have a maturity of 15 years, with a fixed coupon rate of 3.61% payable annually. The Bank has an option to redeem part or all of the bonds at face value in March 2033 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the NAFR requirements.

(xviii) The medium term notes ("MTNs") were issued by the Overseas Operations of the Group and are measured at amortized cost. The details of MTNs issued were as follows:

	30 June 2023		
	Maturity dates ranging from	**Coupon rates (%)**	**Outstanding balance**
Fixed rate RMB MTNs	**March 2024 to January 2025**	**2.70–2.97**	**4,067**
Fixed rate USD MTNs	**July 2023 to March 2027**	**0.70–2.25**	**48,745**
Floating rate USD MTNs	**November 2023**	**3 months synthetic Libor+50bps**	**2,167**
Fixed rate MOP MTNs	**August 2023**	**1.15**	**895**
Total			**55,874**

(Amounts in millions of Renminbi, unless otherwise stated)

33 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued)

	31 December 2022		
	Maturity dates ranging from	*Coupon rates (%)*	*Outstanding balance*
Fixed rate RMB MTNs	*May 2023 to April 2024*	*2.60–2.90*	*2,801*
Fixed rate HKD MTNs	*March 2023 to June 2023*	*0.50–0.66*	*4,906*
Fixed rate USD MTNs	*July 2023 to March 2027*	*0.70–2.25*	*46,982*
Floating rate USD MTNs	*November 2023*	*3 months Libor +66 to 85bps*	*2,089*
Fixed rate MOP MTNs	*August 2023*	*1.15*	*865*
Total			*57,643*

(xix) *The fixed rate financial bonds issued by ABC in April 2020 have a maturity of 3 years, with a fixed coupon rate of 1.99%, payable annually. The bonds have expired on 21 April 2023.*

(xx) *The fixed rate financial bonds issued by ABC in April 2021 have a maturity of 3 years, with a fixed coupon rate of 3.38%, payable annually.*

(xxi) *The fixed rate financial bonds issued by ABC in June 2023 have a maturity of 3 years, with a fixed coupon rate 2.65%, payable annually.*

(xxii) *The fixed rate financial bonds issued by ABC Financial Leasing Co., Ltd. in November 2020 have a maturity of 3 years, with a fixed coupon rate of 3.90%, payable annually.*

(xxiii) *The fixed rate financial bonds issued by ABC Financial Leasing Co., Ltd. in August 2021 have a maturity of 3 years, with a fixed coupon rate of 3.06%, payable annually.*

(xxiv) *The fixed rate financial bonds issued by ABC Financial Asset Investment Co., Ltd. in March 2020 have a maturity of 3 years, with a fixed coupon rate of 2.68%, payable annually. The bonds have expired on 16 March 2023.*

(xxv) *The fixed rate financial bonds issued by ABC Financial Asset Investment Co., Ltd. in September 2019 have a maturity of 5 years, with a fixed coupon rate of 3.40%, payable annually.*

(xxvi) *The fixed rate financial bonds issued by ABC Financial Asset Investment Co., Ltd. in March 2020 have a maturity of 5 years, with a fixed coupon rate of 2.75%, payable annually.*

(xxvii) *The fixed rate financial bonds issued by ABCI Investment Suzhou Corporation Limited in June 2020 have a maturity of 5 years, with a fixed coupon rate of 3.80%, payable annually. ABCI Investment Suzhou Corporation Limited has redeemed all of the bonds at face value on 20 June 2023.*

(xxviii) *The fixed rate financial bonds issued by ABCI Investment Suzhou Corporation Limited in April 2021 have a maturity of 5 years, with a fixed coupon rate of 4.10%, payable annually.*

(xxix) *The fixed rate financial bonds issued by ABCI China Investment Corporation Limited in June 2021 have a maturity of 5 years, with a fixed coupon rate of 3.80%, payable annually.*

(xxx) *The fixed rate capital replenishment bonds issued by ABC Life Insurance in March 2018 have a maturity of 10 years, with a fixed coupon rate of 5.55%, payable annually. ABC Life Insurance has redeemed all of the bonds at face value on 5 March 2023.*

(xxxi) *The fixed rate capital replenishment bonds issued by ABC Life Insurance in March 2020 have a maturity of 10 years, with a fixed coupon rate of 3.60%, payable annually. ABC Life Insurance has an option to redeem all of the bonds at face value in March 2025. If ABC Life Insurance does not exercise this option, the coupon rate of the bonds would increase to 4.60% per annum from 30 March 2025 onwards.*

(Amounts in millions of Renminbi, unless otherwise stated)

33 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued)

(xxxii) The fixed rate capital replenishment bonds issued by ABC Life Insurance in March 2023 have a maturity of 10 years, with a fixed coupon rate of 3.67%, payable annually. ABC Life Insurance has an option to redeem all of the bonds at face value in March 2028. If ABC Life Insurance does not exercise this option, the coupon rate of the bonds would increase to 4.67% per annum from 31 March 2028 onwards.

(2) The certificates of deposit were issued by the Overseas Operations of the Group and were measured at amortized cost. As at 30 June 2023, the terms of the certificates of deposit ranged from seven days to five years, with interest rates ranging from 0.00% to 6.35% per annum. (As at 31 December 2022, the terms of the certificates of deposit ranged from seven days to five years, with interest rates ranging from 0.00% to 5.85% per annum.)

(3) Other debt securities issued by the Group are commercial papers and interbank certificates of deposit.

(i) The commercial papers were issued by the Overseas Operations of the Group and were measured at amortized cost. As at 30 June 2023, the terms of the commercial papers ranged from one month to one year, with interest rates ranging from 0.00% to 5.57% per annum (As at 31 December 2022, the terms of the commercial papers ranged from two months to one year, with interest rates ranging from 0.00% to 3.37% per annum.)

(ii) The interbank certificates of deposit were issued by the Bank's Head Office and the Overseas Operations of the Group. As at 30 June 2023, the terms of the interbank certificates of deposit ranged from one month to three years, with interest rates ranging from 0.00% to 5.81% per annum (As at 31 December 2022, the terms of the interbank certificate of deposit ranged from two months to one year, with interest rates ranging from 0.00% to 5.81% per annum.)

34 OTHER LIABILITIES

	Notes	**30 June 2023**	31 December 2022
Insurance liabilities		**139,068**	123,978
Clearing and settlement		**120,076**	112,572
Staff costs payable	(1)	**62,129**	71,469
Provision	(2)	**37,798**	40,788
Income taxes payable		**19,421**	47,716
Lease liabilities		**11,154**	10,918
VAT and other taxes payable		**11,064**	8,418
Amount payable to the MOF		**1,871**	1,732
Others		**54,729**	60,635
Total		**457,310**	478,226

(1) Staff costs payable

	Notes	**30 June 2023**	31 December 2022
Short-term employee benefits	(i)	**60,334**	68,820
Defined contribution benefits	(ii)	**1,152**	1,891
Early retirement benefits	(iii)	**643**	758
Total		**62,129**	71,469

(Amounts in millions of Renminbi, unless otherwise stated)

34 OTHER LIABILITIES (Continued)

(1) Staff costs payable (Continued)

(i) Short-term employee benefits

		Six months ended 30 June 2023			
	Note	**1 January**	**Increase**	**Decrease**	**30 June**
Salaries, bonuses, allowances and subsidies	(a)	**51,985**	**43,294**	**(53,238)**	**42,041**
Housing funds	(a)	**177**	**4,960**	**(5,016)**	**121**
Social insurance including:	(a)	**338**	**3,219**	**(3,166)**	**391**
— Medical insurance		**310**	**3,039**	**(2,983)**	**366**
— Maternity insurance		**15**	**92**	**(95)**	**12**
— Employment injury insurance		**13**	**88**	**(88)**	**13**
Labor union fees and staff education expenses		**10,698**	**1,909**	**(846)**	**11,761**
Others		**5,622**	**3,917**	**(3,519)**	**6,020**
Total		**68,820**	**57,299**	**(65,785)**	**60,334**

		Year ended 31 December 2022			
	Note	1 January	Increase	Decrease	31 December
Salaries, bonuses, allowances and subsidies	(a)	42,785	96,704	(87,504)	51,985
Housing funds	(a)	137	9,821	(9,781)	177
Social insurance including:	(a)	446	6,083	(6,191)	338
— Medical insurance		418	5,735	(5,843)	310
— Maternity insurance		14	182	(181)	15
— Employment injury insurance		14	166	(167)	13
Labor union fees and staff education expenses		9,145	4,312	(2,759)	10,698
Others		4,749	11,392	(10,519)	5,622
Total		57,262	128,312	(116,754)	68,820

(a) Salaries, bonuses, allowances and subsidies, housing funds and social insurance are timely distributed and paid in accordance with the relevant laws and regulations and the Group's policy.

(Amounts in millions of Renminbi, unless otherwise stated)

34 OTHER LIABILITIES (Continued)

(1) Staff costs payable (Continued)

(ii) Defined contribution benefits

	Six months ended 30 June 2023			
	1 January	**Increase**	**Decrease**	**30 June**
Basic pensions	**628**	**5,813**	**(5,786)**	**655**
Unemployment insurance	**64**	**197**	**(211)**	**50**
Annuity Scheme	**1,199**	**3,318**	**(4,070)**	**447**
Total	**1,891**	**9,328**	**(10,067)**	**1,152**

	Year ended 31 December 2022			
	1 January	Increase	Decrease	31 December
Basic pensions	694	11,283	(11,349)	628
Unemployment insurance	40	366	(342)	64
Annuity Scheme	652	7,620	(7,073)	1,199
Total	1,386	19,269	(18,764)	1,891

The defined contribution benefits are timely distributed and paid in accordance with the relevant laws and regulations and the Group's policy. There was no forfeited contribution available to reduce the contribution payable by the Group under the above schemes.

(iii) Early retirement benefits

	Six months ended 30 June 2023			
	1 January	**Increase**	**Decrease**	**30 June**
Early retirement benefits	**758**	**4**	**(119)**	**643**

	Year ended 31 December 2022			
	1 January	Increase	Decrease	31 December
Early retirement benefits	1,088	38	(368)	758

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	30 June 2023	31 December 2022
Discount rate	**2.30%**	2.50%
Annual average medical expense growth rate	**8.00%**	8.00%
Annual subsidies growth rate	**8.00%**	8.00%
Normal retirement age		
— Male	**60**	60
— Female	**55**	55

Assumptions regarding future mortality experience are based on the China Life Insurance Mortality Table (published historical statistics in China).

Any difference arising from the actual result or changes in assumptions may affect the amount of expense recognized in the consolidated interim income statement.

(Amounts in millions of Renminbi, unless otherwise stated)

34 OTHER LIABILITIES (Continued)

(2) Provision

	30 June 2023	31 December 2022
Loan commitments and financial guarantee contracts	**24,057**	28,051
Litigation provision	**5,284**	5,317
Others	**8,457**	7,420
Total	**37,798**	40,788

35 ORDINARY SHARES

	30 June 2023	
	Number of shares (millions)	**Nominal value**
Domestic listed A shares, par value RMB1.00 per share	**319,244**	**319,244**
Overseas listed H shares, par value RMB1.00 per share	**30,739**	**30,739**
Total	**349,983**	**349,983**

	31 December 2022	
	Number of shares (millions)	Nominal value
Domestic listed A shares, par value RMB1.00 per share	319,244	319,244
Overseas listed H shares, par value RMB1.00 per share	30,739	30,739
Total	349,983	349,983

(1) *A shares refer to the ordinary shares listed in Chinese mainland. They are offered and traded in RMB. H shares refer to the ordinary shares listed in Hong Kong SAR. Their par value is denominated in RMB when they were initially offered and are currently traded in HKD.*

(2) *As at 30 June 2023 and 31 December 2022, the Bank's A Shares and H Shares were not subject to lock-up restriction, except for the RMB19,960 million ordinary shares (A shares) issued through the private placement in June 2018. As at 3 July 2023, the above RMB19,960 million ordinary shares held subject to restrictions on sales have become tradable in the market.*

(Amounts in millions of Renminbi, unless otherwise stated)

36 OTHER EQUITY INSTRUMENTS

Financial instruments outstanding		Dividend rate	Issued price (RMB yuan)	Issued number of shares (millions)	Issued nominal value (millions)	Maturity date	Conversion
Preference shares-first tranche[(1)]		6.00% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	No conversion during the period
Preference shares-second tranche[(1)]		5.50% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	No conversion during the period
Perpetual bonds	Undated tier 1 capital bonds in 2019 — first tranche[(2)]	4.39% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	850	85,000	No maturity date	N/A
	Undated tier 1 capital bonds in 2019 — second tranche[(2)]	4.20% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	350	35,000	No maturity date	N/A
	Undated tier 1 capital bonds in 2020 — first tranche[(2)]	3.48% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	850	85,000	No maturity date	N/A
	Undated tier 1 capital bonds in 2020 — second tranche[(2)]	4.50% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	350	35,000	No maturity date	N/A
	Undated tier 1 capital bonds in 2021 — first tranche[(2)]	3.76% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	N/A
	Undated tier 1 capital bonds in 2022 — first tranche[(2)]	3.49% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	500	50,000	No maturity date	N/A
	Undated tier 1 capital bonds in 2022 — second tranche[(2)]	3.17% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	300	30,000	No maturity date	N/A

(1) The Bank was authorized to issue no more than 800 million preference shares of RMB100 each, pursuant to the approval by its ordinary equity holders and relevant regulatory authorities.

36 OTHER EQUITY INSTRUMENTS (Continued)

The first tranche of 400 million preference shares was issued at par in November 2014. The first tranche of preference shares bears a dividend rate of 6.00% per annum; dividends are non-cumulative and where payable, are paid annually, for the first five years from issuance. The dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.29%. The first five-year dividend period expired on 1 November 2019. During the second dividend period beginning from 5 November 2019, the base rate and fixed premium are 3.03% and 2.29%, respectively, and the coupon rate is 5.32%. The dividend is paid annually.

The second tranche of 400 million preference shares was issued at par in March 2015. The second tranche of preference shares bears a dividend rate of 5.50% per annum; dividends are non-cumulative and where payable, are paid annually, for the first five years from issuance. The dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.24%. The first five-year dividend period expired on 6 March 2020. During the second dividend period beginning from 11 March 2020, the base rate and fixed premium are 2.60% and 2.24%, respectively, and the coupon rate is 4.84%. The dividend is paid annually.

As authorized by the ordinary equity holders in the annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. The Bank shall not distribute any dividends to its ordinary equity holders before it declares such dividends to preference shareholders for the relevant period. The distribution of preference shares dividend is at the Bank's discretion and is non-cumulative. Preference shareholders are not entitled to participate in the distribution of retained earnings except for the dividends stated above.

The Bank has a redemption option when specified conditions as stipulated in the offering documents are met, subject to regulatory approval, whereas preference shareholders have no right to request the Bank to redeem the preference shares.

Upon liquidation, the claims of preference shareholders have priority over ordinary equity holders on the residual assets of the Bank, but are subordinated to those of depositors, general creditors, Tier-two Capital Instruments holders or any other subordinated debt holders with equivalent rights.

Upon occurrence of the triggering events as stipulated in paragraph 2(1) of the Guidance of the NAFR on Amendments to Commercial Banks' Innovation on Capital Instruments (NAFR No. 42 [2019]) and subject to regulatory approval, the first tranche of preference shares and the second tranche of preference shares shall be mandatorily converted into ordinary A shares of the Bank at the conversion price agreed, partially or entirely. The initial conversion price of the preference shares issued by the Bank was RMB2.43 per share. In June 2018, the Bank has issued 25,189 million ordinary A shares to specific investors. The conversion price of the preference shares will be adjusted where certain events occur including bonus issues, rights issue, capitalization of reserves and new issuances of ordinary shares, subject to terms and formulas provided in the offering documents, to maintain the relative interests between preference shareholders and ordinary equity holders. Upon completion of the private placement of ordinary shares by the Bank, the mandatory conversion price of the first tranche of preference shares and the second tranche of preference shares issued by the Bank will be adjusted from RMB2.43 per share to RMB2.46 per share.

These preference shares are classified as equity instruments, and presented as equity in the condensed consolidated interim statement of financial position, and are qualified as Additional Tier-one Capital Instruments in accordance with the NAFR requirements.

The carrying amount of the preference shares issued by the Bank, net of direct issuance expenses, was RMB79,899 million as at 30 June 2023 (31 December 2022: RMB79,899 million).

(2) Perpetual bonds, as shown in the balance sheet, are capital bonds with no fixed maturity issued by the Bank.

With the approval from the annual general meeting and regulatory authorities, the Bank was permitted to issue undated additional tier 1 capital bonds ("Perpetual bonds" or the "Bonds") of an amount no more than RMB120 billion in 2019.

The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB85 billion in the national interbank bond market on 16 August 2019, and the issuance was completed on 20 August 2019. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 4.39%.

The Bank issued undated additional tier 1 capital bonds (second tranche) with the amount of RMB35 billion in the national interbank bond market on 3 September 2019, and the issuance was completed on 5 September 2019. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 4.20%.

36 OTHER EQUITY INSTRUMENTS (Continued)

With the approval from the annual general meeting and regulatory authorities, the Bank was granted to issue undated additional tier 1 capital bonds of an amount no more than RMB120 billion in 2020.

The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB85 billion in the national interbank bond market on 8 May 2020, and the issuance was completed on 12 May 2020. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.48%.

The Bank issued undated additional tier 1 capital bonds (second tranche) with the amount of RMB35 billion in the national interbank bond market on 20 August 2020, and the issuance was completed on 24 August 2020. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 4.50%.

With the approval from the annual general meeting and regulatory authorities, the Bank was granted to issue undated additional tier 1 capital bonds of an amount no more than RMB120 billion in 2021.

The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB40 billion in the national interbank bond market on 12 November 2021, and the issuance was completed on 16 November 2021. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.76%.

The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB50 billion in the national interbank bond market on 18 February 2022, and the issuance was completed on 22 February 2022. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.49%.

The Bank issued undated additional tier 1 capital bonds (second tranche) with the amount of RMB30 billion in the national interbank bond market on 1 September 2022, and the issuance was completed on 5 September 2022. The denomination of the Bonds is RMB100 each. The Bonds do not have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 3.17%.

The duration of the Perpetual bonds is the same as the continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the NAFR, the Bank may redeem the Bonds in whole or in part on each distribution payment date from the fifth anniversary since the issuance date of the Bonds. Upon the occurrence of a trigger event for write-downs, with the approval of the NAFR and without the need for the consent of the holders of the Bonds, the Bank has the right to write down all or part of the aggregate amount of the Bonds then issued and outstanding. The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated indebtedness that ranks senior to the Bonds; and shall rank in priority to all classes of shares held by shareholders and will rank pari passu with the claims in respect of any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

The distributions on the Perpetual bonds are non-cumulative. The Bank shall have the right to cancel distributions on the Bonds in whole or in part and any such cancellation shall not constitute an event of default. The Bank may at its discretion use the proceeds from the cancelled distribution to meet other obligations as they fall due. But the Bank shall not make any distribution to ordinary shareholders until its decision to resume the distribution payments in whole to the holders of the Bonds.

The net proceeds from the issuance of the Perpetual bonds were used to replenish the Bank's additional tier 1 capital.

The carrying amount of the undated additional tie 1 capital bonds issued by the Bank, net of direct issuance expenses, was RMB359,970 million as at 30 June 2023 (31 December 2022: RMB359,970 million).

37 CAPITAL RESERVE

The capital reserve mainly represents the premium related to ordinary shares publicly issued by the Bank in 2010 and private placement of ordinary shares to the specific shareholders in 2018. Share premium was recorded in the capital reserve after deducting direct issuance expenses, which consisted primarily of underwriting fees and professional fees.

(Amounts in millions of Renminbi, unless otherwise stated)

38 OTHER COMPREHENSIVE INCOME

	Six months ended 30 June 2023		
	Gross carrying amount	**Tax effect**	**Net effect**
31 December 2022	**47,542**	**(11,655)**	**35,887**
Changes in accounting policies	**665**	**(157)**	**508**
1 January 2023	**48,207**	**(11,812)**	**36,395**
Fair value changes on debt instruments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	**9,478**	**(2,580)**	**6,898**
— Amount removed from other comprehensive income and recognized in profit or loss	**1,005**	**(251)**	**754**
Loss allowance on debt instruments at fair value through other comprehensive income	**(18,337)**	**4,626**	**(13,711)**
Fair value changes on other equity investments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	**554**	**(153)**	**401**
Foreign currency translation reserve	**1,664**	**–**	**1,664**
Others	**(1,247)**	**312**	**(935)**
30 June 2023	**41,324**	**(9,858)**	**31,466**

	Year ended 31 December 2022		
	Gross carrying amount	Tax effect	Net effect
31 December 2021	44,313	(11,482)	32,831
Changes in accounting policies	(1,169)	292	(877)
1 January 2022	43,144	(11,190)	31,954
Fair value changes on debt instruments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	(15,523)	3,749	(11,774)
— Amount removed from other comprehensive income and recognized in profit or loss	(434)	109	(325)
Loss allowance on debt instruments at fair value through other comprehensive income	16,838	(4,407)	12,431
Fair value changes on other equity investments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	128	(33)	95
Foreign currency translation reserve	3,857	–	3,857
Others	(468)	117	(351)
31 December 2022	47,542	(11,655)	35,887

(Amounts in millions of Renminbi, unless otherwise stated)

39 SURPLUS RESERVE

Under PRC Law, the Bank is required to transfer 10% of its net profit determined under the PRC GAAP to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of this reserve has reached 50% of share capital. In addition, certain subsidiaries and overseas branches also appropriated surplus reserves in accordance with local requirements.

Subject to the approval of the ordinary equity holders, the statutory surplus reserves can be used for replenishing accumulated losses or increasing the Bank's ordinary share capital. The statutory surplus reserves amount used to increase the ordinary share capital is limited to a level where the balance of the statutory surplus reserves after such capitalization is not less than 25% of the ordinary share capital.

40 GENERAL RESERVE

Pursuant to Caijin [2012] No. 20 "Requirements on Impairment Allowance for Financial Institutions" (the "Requirement") issued by the MOF, effective on 1 July 2012, in addition to impairment allowance, the Bank establishes a general reserve within ordinary equity holders' equity through the appropriation of profit to address unidentified potential losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement. The general reserve includes regulatory reserve appropriated by the Bank's overseas branches pursuant to local regulatory requirements.

Pursuant to relevant PRC domestic regulatory requirements, some domestic subsidiaries of the Bank are required to appropriate certain amounts of their net profit as general reserves.

For the six months ended 30 June 2023, the Group transferred RMB67,850 million (six months ended 30 June 2022: RMB33,771 million) to the general reserve pursuant to the regulatory requirements in the PRC and overseas jurisdictions. Of this amount, RMB67,557 million (six months ended 30 June 2022: RMB32,221 million) related to the appropriation proposed for the year ended 31 December 2022 which was approved at the annual general meeting held on 29 June 2023.

41 CASH AND CASH EQUIVALENTS

For the purpose of the condensed consolidated interim statement of cash flows, cash and cash equivalents include the following balances with an original maturity of three months or less:

	30 June 2023	30 June 2022
Cash	**67,075**	71,848
Balance with central banks	**498,848**	355,402
Deposits with banks and other financial institutions	**222,135**	12,638
Placements with and loans to banks and other financial institutions	**116,635**	170,628
Financial assets held under resale agreements	**1,871,545**	1,102,096
Total	**2,776,238**	1,712,612

42 OPERATING SEGMENTS

Operating segments are identified on the basis of internal organizational structure, management requirements and internal management reporting rules of the Group that are regularly reviewed by the Board and relevant management committees, which constitute the chief operating decision makers, for the purposes of allocating resources to segments and assessing their performance. The Group's chief operating decision makers review three different sets of financial information based on (i) geographical locations, (ii) business activities and (iii) County Area and Urban Area banking business.

The measurement of segment assets and liabilities, as well as segment revenue, expense and results are based on the Group's accounting policies. There is no difference between the accounting policies used in the preparation of the interim financial information and those used in preparing the operating segment information.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment.

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Geographical operating segments

The details of the geographical operating segments are as follows:

Head Office	
Yangtze River Delta:	Shanghai, Jiangsu, Zhejiang, Ningbo
Pearl River Delta:	Guangdong, Shenzhen, Fujian, Xiamen
Bohai Rim:	Beijing, Tianjin, Hebei, Shandong, Qingdao
Central China:	Shanxi, Hubei, Henan, Hunan, Jiangxi, Hainan, Anhui
Western China:	Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang (including Xinjiang Production and Construction Corps Branch), Tibet, Inner Mongolia, Guangxi
Northeastern China:	Liaoning, Heilongjiang, Jilin, Dalian
Overseas and Others:	Subsidiaries and overseas branches

(Amounts in millions of Renminbi, unless otherwise stated)

42 OPERATING SEGMENTS (Continued)

Geographical operating segments (Continued)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
For the six months ended 30 June 2023										
External interest income	191,623	99,351	65,867	53,891	66,129	89,531	11,596	23,093	–	601,081
External interest expense	(40,690)	(68,423)	(39,843)	(46,411)	(40,143)	(43,461)	(12,356)	(19,333)	–	(310,660)
Inter-segment net interest (expense)/income (1)	(208,803)	49,959	29,961	45,288	36,409	33,810	13,664	(288)	–	–
Net interest income	(57,870)	80,887	55,985	52,768	62,395	79,880	12,904	3,472	–	290,421
Fee and commission income	19,894	9,916	7,394	5,601	5,950	7,187	1,009	670	–	57,621
Fee and commission expense	(1,889)	(1,184)	(911)	(653)	(946)	(931)	(208)	(168)	–	(6,890)
Net fee and commission income	18,005	8,732	6,483	4,948	5,004	6,256	801	502	–	50,731
Net trading gain/(loss)	15,351	289	35	41	28	68	15	(13)	–	15,814
Net gain/(loss) on financial investments	5,132	(57)	(100)	(348)	(40)	(682)	(110)	6,919	–	10,714
Net gain on derecognition of financial assets measured at amortized cost	229	–	–	–	–	–	–	6	–	235
Other operating (expense)/income	(6,848)	649	469	376	331	569	95	2,238	–	(2,121)
Operating income	(26,001)	90,500	62,872	57,785	67,718	86,091	13,705	13,124	–	365,794
Operating expenses	(7,499)	(19,246)	(13,358)	(13,995)	(17,958)	(24,488)	(6,231)	(4,903)	–	(107,678)
Credit impairment losses	(9,322)	(20,540)	(15,143)	(11,028)	(19,083)	(23,716)	(3,129)	(391)	–	(102,352)
Impairment losses on other assets	–	–	–	(2)	–	(18)	(6)	(2)	–	(28)
Operating (loss)/profit	(42,822)	50,714	34,371	32,760	30,677	37,869	4,339	7,828	–	155,736
Share of results of associates and joint ventures	33	–	–	–	–	–	–	200	–	233
(Loss)/profit before tax	(42,789)	50,714	34,371	32,760	30,677	37,869	4,339	8,028	–	155,969
Income tax expense										(22,138)
Profit for the period										133,831
Depreciation and amortization included in operating expenses	1,451	1,635	1,201	1,622	1,729	2,114	590	137	–	10,479
Capital expenditure	3,222	486	301	478	798	1,062	138	3,227	–	9,712
As at 30 June 2023										
Segment assets	6,690,488	8,340,029	5,407,421	6,675,610	5,624,645	6,908,385	1,595,052	1,402,246	(4,767,958)	37,875,918
Including: Investment in associates and joint ventures	2,138	–	–	–	–	–	–	5,939	–	8,077
Unallocated assets										157,477
Total assets										38,033,395
Including: Non-current assets (2)	20,772	27,762	16,889	29,337	29,512	42,654	10,894	26,857	–	204,677
Segment liabilities	(4,181,620)	(8,307,738)	(5,378,291)	(6,672,690)	(5,643,439)	(6,942,278)	(1,600,369)	(1,334,776)	4,767,958	(35,293,243)
Unallocated liabilities										(19,446)
Total liabilities										(35,312,689)
Loan commitments and financial guarantee contracts	7,743	657,637	423,555	444,415	383,141	359,221	86,946	100,847	–	2,463,505

(1) *Change from the same period of last year is mainly due to the reduction of Funds Transfer Pricing following Loan Prime Rate.*

(2) *Non-current assets include property and equipment, investment properties, right-of-use assets, land use rights, intangible assets and other long-term assets.*

(Amounts in millions of Renminbi, unless otherwise stated)

42 OPERATING SEGMENTS (Continued)

Geographical operating segments (Continued)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
For the six months ended 30 June 2022										
External interest income	164,656	92,298	63,366	52,365	61,964	85,672	11,990	10,420	–	542,731
External interest expense	(35,139)	(52,876)	(28,779)	(39,925)	(33,319)	(36,952)	(10,978)	(4,586)	–	(242,554)
Inter-segment net interest (expense)/income	(151,484)	35,237	18,004	35,887	27,457	25,099	10,881	(1,081)	–	–
Net interest income	(21,967)	74,659	52,591	48,327	56,102	73,819	11,893	4,753	–	300,177
Fee and commission income	19,513	8,888	7,017	5,818	5,632	6,946	1,060	1,353	–	56,227
Fee and commission expense	(1,369)	(1,334)	(944)	(749)	(997)	(1,017)	(208)	(120)	–	(6,738)
Net fee and commission income	18,144	7,554	6,073	5,069	4,635	5,929	852	1,233	–	49,489
Net trading gain/(loss)	6,312	(110)	(2)	17	26	43	9	1,467	–	7,762
Net gain/(loss) on financial investments	3,232	(153)	(151)	(186)	(55)	(1,517)	(64)	2,082	–	3,188
Net gain on derecognition of financial assets measured at amortized cost	101	–	–	–	–	–	–	–	–	101
Other operating (expense)/income	(1,990)	848	584	324	561	524	89	1,538	–	2,478
Operating income	3,832	82,798	59,095	53,551	61,269	78,798	12,779	11,073	–	363,195
Operating expenses	(8,889)	(16,914)	(12,303)	(13,342)	(16,810)	(22,937)	(5,939)	(4,596)	–	(101,730)
Credit impairment losses	(7,297)	(20,182)	(21,077)	(17,583)	(14,165)	(21,638)	(3,103)	(484)	–	(105,529)
Impairment losses on other assets	–	–	–	1	–	(14)	(4)	–	–	(17)
Operating (loss)/profit	(12,354)	45,702	25,715	22,627	30,294	34,209	3,733	5,993	–	155,919
Share of results of associates and joint ventures	33	–	–	–	–	–	–	97	–	130
(Loss)/profit before tax	(12,321)	45,702	25,715	22,627	30,294	34,209	3,733	6,090	–	156,049
Income tax expense										(27,266)
Profit for the period										128,783
Depreciation and amortization included in operating expenses	918	1,581	1,306	1,528	1,589	2,119	584	219	–	9,844
Capital expenditure	1,037	556	405	1,875	1,176	1,376	96	577	–	7,098
As at 31 December 2022										
Segment assets	6,499,065	7,213,176	4,496,584	6,166,474	4,953,791	6,386,015	1,470,623	1,241,216	(4,651,386)	33,775,558
Including: Investment in associates and joint ventures	2,105	–	–	–	–	–	–	5,987	–	8,092
Unallocated assets										149,930
Total assets										33,925,488
Including: Non-current assets (1)	19,786	28,599	17,393	30,071	30,283	43,660	11,297	24,889	–	205,978
Segment liabilities	(3,689,997)	(7,285,870)	(4,489,449)	(6,189,612)	(4,991,794)	(6,448,867)	(1,480,796)	(1,279,004)	4,651,386	(31,204,003)
Unallocated liabilities										(47,725)
Total liabilities										(31,251,728)
Loan commitments and financial guarantee contracts	13,308	640,617	420,037	454,542	356,150	353,388	75,901	98,450	–	2,412,393

(1) Non-current assets include property and equipment, investment properties, right-of-use assets, land use rights, intangible assets and other long-term assets.

42 OPERATING SEGMENTS (Continued)

Business operating segments

The details of the business operating segments are as follows:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The range of products and services includes corporate loans and advances, trade finance, corporate deposit, corporate wealth management services and other types of corporate intermediary services.

Personal banking

The personal banking segment provides financial products and services to individual customers. The range of products and services includes personal loans, personal deposit, card business, personal wealth management services and other types of personal intermediary services.

Treasury operations

The Group's treasury operations conduct money market and repurchase transactions, debt instrument investments, precious metal transactions and derivative transactions for its own accounts or on behalf of customers.

Others

Others comprise components of the Group that are not attributable to any of the above segments, along with certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis.

(Amounts in millions of Renminbi, unless otherwise stated)

42 OPERATING SEGMENTS (Continued)

Business operating segments (Continued)

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the six months ended 30 June 2023					
External interest income	231,702	169,512	196,100	3,767	601,081
External interest expense	(101,715)	(132,669)	(74,602)	(1,674)	(310,660)
Inter-segment net interest (expense)/income (1)	(10,903)	142,559	(131,656)	–	–
Net interest income	119,084	179,402	(10,158)	2,093	290,421
Fee and commission income	36,545	18,823	459	1,794	57,621
Fee and commission expense	(3,454)	(3,264)	(22)	(150)	(6,890)
Net fee and commission income	33,091	15,559	437	1,644	50,731
Net trading gain/(loss)	–	–	17,391	(1,577)	15,814
Net (loss)/gain on financial investments	(1,705)	(72)	5,622	6,869	10,714
Net gain on derecognition of financial assets measured at amortized cost	–	–	229	6	235
Other operating income/(expense)	648	569	(5,978)	2,640	(2,121)
Operating income	151,118	195,458	7,543	11,675	365,794
Operating expenses	(36,018)	(55,534)	(11,162)	(4,964)	(107,678)
Credit impairment (losses)/gains	(58,034)	(36,042)	(8,357)	81	(102,352)
Impairment losses on other assets	(26)	–	–	(2)	(28)
Operating profit/(loss)	57,040	103,882	(11,976)	6,790	155,736
Share of results of associates and joint ventures	–	–	–	233	233
Profit/(loss) before tax	57,040	103,882	(11,976)	7,023	155,969
Income tax expense					(22,138)
Profit for the period					133,831
Depreciation and amortization included in operating expenses	2,846	5,576	1,894	163	10,479
Capital expenditure	1,529	3,506	1,449	3,228	9,712
As at 30 June 2023					
Segment assets	13,271,765	7,936,086	16,228,049	440,018	37,875,918
Including: Investment in associates and joint ventures	–	–	–	8,077	8,077
Unallocated assets					157,477
Total assets					38,033,395
Segment liabilities	(11,617,129)	(16,966,110)	(6,360,070)	(349,934)	(35,293,243)
Unallocated liabilities					(19,446)
Total liabilities					(35,312,689)
Loan commitments and financial guarantee contracts	1,557,124	906,381	–	–	2,463,505

(1) *Change from the same period of last year is mainly due to the reduction of Funds Transfer Pricing following Loan Prime Rate.*

(Amounts in millions of Renminbi, unless otherwise stated)

42 OPERATING SEGMENTS (Continued)

Business operating segments (Continued)

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the six months ended 30 June 2022					
External interest income	203,718	173,044	162,162	3,807	542,731
External interest expense	(73,094)	(116,579)	(51,388)	(1,493)	(242,554)
Inter-segment net interest (expense)/income	(14,262)	106,896	(92,634)	–	–
Net interest income	116,362	163,361	18,140	2,314	300,177
Fee and commission income	34,316	18,824	670	2,417	56,227
Fee and commission expense	(3,738)	(2,838)	(24)	(138)	(6,738)
Net fee and commission income	30,578	15,986	646	2,279	49,489
Net trading gain	–	–	7,152	610	7,762
Net (loss)/gain on financial investments	(412)	(134)	1,712	2,022	3,188
Net gain on derecognition of financial assets measured at amortized cost	–	–	101	–	101
Other operating income/(expense)	406	368	(789)	2,493	2,478
Operating income	146,934	179,581	26,962	9,718	363,195
Operating expenses	(35,686)	(50,208)	(11,343)	(4,493)	(101,730)
Credit impairment losses	(62,794)	(38,084)	(4,556)	(95)	(105,529)
Impairment losses on other assets	(17)	–	–	–	(17)
Operating profit	48,437	91,289	11,063	5,130	155,919
Share of results of associates and joint ventures	–	–	–	130	130
Profit before tax	48,437	91,289	11,063	5,260	156,049
Income tax expense					(27,266)
Profit for the period					128,783
Depreciation and amortization included in operating expenses	2,727	5,102	1,823	192	9,844
Capital expenditure	1,577	3,468	1,451	602	7,098
As at 31 December 2022					
Segment assets	11,695,117	7,512,287	14,162,923	405,231	33,775,558
Including: Investment in associates and joint ventures	–	–	–	8,092	8,092
Unallocated assets					149,930
Total assets					33,925,488
Segment liabilities	(9,945,976)	(15,451,979)	(5,469,192)	(336,856)	(31,204,003)
Unallocated liabilities					(47,725)
Total liabilities					(31,251,728)
Loan commitments and financial guarantee contracts	2,308,207	104,186	–	–	2,412,393

42 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments

The Group's operating segments organized by County Area and Urban Area banking business are set out as follows:

County Area banking business

The Group's County Area banking business provides a broad range of financial products and services to customers in designated County Area, through its operating branches in the counties or county-level cities throughout the PRC. The products and services mainly comprise loans, deposits, bank cards, and other types of intermediary services.

Urban Area banking business

The Group's Urban Area banking business comprises all banking activities outside of the County Area banking business, overseas branches and subsidiaries.

(Amounts in millions of Renminbi, unless otherwise stated)

42 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments (Continued)

	County area banking business	Urban area banking business	Eliminations	Consolidated total
For the six months ended 30 June 2023				
External interest income	156,321	444,760	–	601,081
External interest expense	(95,345)	(215,315)	–	(310,660)
Inter-segment net interest income/(expense) (1)	95,344	(95,344)	–	–
Net interest income	156,320	134,101	–	290,421
Fee and commission income	23,727	33,894	–	57,621
Fee and commission expense	(2,864)	(4,026)	–	(6,890)
Net fee and commission income	20,863	29,868	–	50,731
Net trading (loss)/gain	(309)	16,123	–	15,814
Net (loss)/gain on financial investments	(27)	10,741	–	10,714
Net gain on derecognition of financial assets measured at amortized cost	–	235	–	235
Other operating income/(expense)	2,487	(4,608)	–	(2,121)
Operating income	179,334	186,460	–	365,794
Operating expenses	(48,719)	(58,959)	–	(107,678)
Credit impairment losses	(42,282)	(60,070)	–	(102,352)
Impairment losses on other assets	(7)	(21)	–	(28)
Operating profit	88,326	67,410	–	155,736
Share of results of associates and joint ventures	–	233	–	233
Profit before tax	88,326	67,643	–	155,969
Income tax expense				(22,138)
Profit for the period				133,831
Depreciation and amortization included in operating expenses	4,260	6,219	–	10,479
Capital expenditure	1,170	8,542	–	9,712
As at 30 June 2023				
Segment assets	13,307,356	24,714,635	(146,073)	37,875,918
Including: Investment in associates and joint ventures	–	8,077	–	8,077
Unallocated assets				157,477
Total assets				38,033,395
Segment liabilities	(12,344,944)	(23,094,372)	146,073	(35,293,243)
Unallocated liabilities				(19,446)
Total liabilities				(35,312,689)
Loan commitments and financial guarantee contracts	834,948	1,628,557	–	2,463,505

(1) *Change from the same period of last year is mainly due to the reduction of Funds Transfer Pricing following Loan Prime Rate.*

(Amounts in millions of Renminbi, unless otherwise stated)

42 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments (Continued)

	County area banking business	Urban area banking business	Eliminations	Consolidated total
For the six months ended 30 June 2022				
External interest income	143,534	399,197	–	542,731
External interest expense	(79,620)	(162,934)	–	(242,554)
Inter-segment net interest income/(expense)	75,654	(75,654)	–	–
Net interest income	139,568	160,609	–	300,177
Fee and commission income	22,192	34,035	–	56,227
Fee and commission expense	(2,817)	(3,921)	–	(6,738)
Net fee and commission income	19,375	30,114	–	49,489
Net trading (loss)/gain	(1,020)	8,782	–	7,762
Net (loss)/gain on financial investments	(187)	3,375	–	3,188
Net gain on derecognition of financial assets measured at amortized cost	–	101	–	101
Other operating income	2,175	303	–	2,478
Operating income	159,911	203,284	–	363,195
Operating expenses	(45,736)	(55,994)	–	(101,730)
Credit impairment losses	(38,459)	(67,070)	–	(105,529)
Impairment losses on other assets	(2)	(15)	–	(17)
Operating profit	75,714	80,205	–	155,919
Share of results of associates and joint ventures	–	130	–	130
Profit before tax	75,714	80,335	–	156,049
Income tax expense				(27,266)
Profit for the period				128,783
Depreciation and amortization included in operating expenses	3,915	5,929	–	9,844
Capital expenditure	1,513	5,585	–	7,098
As at 31 December 2022				
Segment assets	12,003,909	22,157,816	(386,167)	33,775,558
Including: Investment in associates and joint ventures	–	8,092	–	8,092
Unallocated assets				149,930
Total assets				33,925,488
Segment liabilities	(11,093,700)	(20,496,470)	386,167	(31,204,003)
Unallocated liabilities				(47,725)
Total liabilities				(31,251,728)
Loan commitments and financial guarantee contracts	815,000	1,597,393	–	2,412,393

(Amounts in millions of Renminbi, unless otherwise stated)

43 RELATED PARTY TRANSACTIONS

(1) The Group and the MOF

As at 30 June 2023, the MOF directly owned 35.29% (31 December 2022: 35.29%) of the ordinary shares of the Bank.

The MOF is a Chinese government ministry, primarily responsible for managing state fiscal revenue and expenditures, and establishing and enforcing taxation policies. It reports to the Chinese State Council.

The Group enters into transactions with the MOF in its ordinary course of business under normal commercial terms. Details of the major balances and transactions are as follows:

	30 June 2023		31 December 2022	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Assets				
Treasury bonds and special government bond	**1,022,630**	**10.16%**	913,436	9.58%
Receivable from the MOF	**336,805**	**3.35%**	333,078	3.49%
Liabilities				
Due to customers	**4,488**	**0.02%**	4,377	0.02%
Other liabilities				
— redemption of treasury bonds on behalf of the MOF	**4**	**0.00%**	4	0.00%
— amount payable to the MOF	**1,871**	**0.41%**	1,732	0.36%

	Six months ended 30 June			
	2023		2022	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**18,516**	**3.08%**	15,131	2.79%
Interest expense	**(44)**	**0.01%**	(15)	0.01%
Fee and commission income	**753**	**1.31%**	673	1.20%
Net trading gain	**121**	**0.77%**	112	1.44%

Interest rate ranges for transactions with the MOF for the six months ended 30 June 2023 are as follows:

	Six months ended 30 June	
	2023	2022
	%	%
Treasury bonds and receivable from the MOF	**0.00–9.00**	0.00–9.00
Due to customers	**0.0001–5.49**	0.0001–1.80

The Group's redemption commitment for treasury bonds underwriting is disclosed in Note 45 Contingent liabilities and commitments.

(Amounts in millions of Renminbi, unless otherwise stated)

43 RELATED PARTY TRANSACTIONS (Continued)

(2) The Group and Huijin

Central Huijin Investment Ltd. ("Huijin") is a wholly-owned subsidiary of China Investment Corporation Limited, which is incorporated with authorized capital of RMB828,209 million in Beijing, PRC. Huijin was established to hold certain equity interests in state-owned financial institutions as authorized by the Chinese State Council and does not engage in other commercial activities. Huijin exercises its legal rights and assumes obligations related to the Bank on behalf of the PRC Government.

As at 30 June 2023, Huijin directly owned 40.03% (31 December 2022: 40.03%) of the ordinary shares of the Bank.

Transactions with Huijin

The Group enters into transactions with Huijin in its ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

	30 June 2023		31 December 2022	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Assets				
Loans and advances to customers	**19,314**	**0.09%**	14,012	0.07%
Financial investments	**32,810**	**0.33%**	31,747	0.33%
Liabilities				
Due to customers	**2,681**	**0.01%**	11,745	0.05%

	Six months ended 30 June			
	2023		2022	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**832**	**0.14%**	572	0.11%
Interest expense	**(36)**	**0.01%**	(267)	0.11%
Net trading gain	**1**	**0.01%**	26	0.33%

Interest rate ranges for transactions with Huijin for the six months ended 30 June 2023 are as follows:

	Six months ended 30 June	
	2023	2022
	%	%
Loans and advances to customers	**3.65**	N/A
Financial investments	**2.28–8.00**	2.15–8.00
Due to customers	**0.40–1.75**	0.45–2.10

(Amounts in millions of Renminbi, unless otherwise stated)

43 RELATED PARTY TRANSACTIONS (Continued)

(2) The Group and Huijin (Continued)

Transactions with companies under Huijin

Huijin has equity interests in certain other banks and financial institutions under the direction of the Central Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

	30 June 2023		31 December 2022	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Assets				
Deposits with banks and other financial institutions	**329,566**	**35.24%**	120,662	19.13%
Placements with and loans to banks and other financial institutions	**67,156**	**14.68%**	61,552	12.30%
Derivative financial assets	**11,048**	**22.31%**	6,049	19.69%
Financial assets held under resale agreements	**68,397**	**3.63%**	46,008	3.92%
Loans and advances to customers	**32,457**	**0.16%**	31,468	0.17%
Financial investments	**869,236**	**8.63%**	851,275	8.93%
Liabilities				
Deposits from banks and other financial institutions	**152,492**	**5.12%**	122,269	4.97%
Placements from banks and other financial institutions	**130,391**	**32.52%**	91,971	27.56%
Derivative financial liabilities	**8,744**	**19.78%**	5,604	18.08%
Financial assets sold under repurchase agreements	**8,211**	**14.62%**	6,155	14.06%
Due to customers	**5,922**	**0.02%**	3,032	0.01%
Equity				
Other equity instruments	**2,000**	**0.45%**	2,000	0.45%
Off-balance sheet items				
Letters of guarantee and guarantees	**477**	**0.14%**	1,239	0.38%

(Amounts in millions of Renminbi, unless otherwise stated)

43 RELATED PARTY TRANSACTIONS (Continued)

(2) The Group and Huijin (Continued)

Transactions with companies under Huijin *(Continued)*

	Six months ended 30 June			
	2023		2022	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**12,650**	**2.10%**	11,526	2.12%
Interest expense	**(1,013)**	**0.33%**	(937)	0.39%
Net trading gain	**1,269**	**8.02%**	2,815	36.27%
Net gain on financial investments	**2,458**	**22.94%**	–	–

Interest rate ranges for transactions with companies under Huijin for the six months ended 30 June 2023 are as follows:

	Six months ended 30 June	
	2023	2022
	%	%
Deposits with banks and other financial institutions	**-0.60–5.45**	-0.90–4.05
Placements with and loans to banks and other financial institutions	**-0.15–6.58**	-0.36–4.00
Derivative financial assets	**0.02–8.00**	2.19–3.15
Financial assets held under resale agreements	**0.18–2.80**	1.87–2.85
Loans and advances to customers	**0.00–6.15**	0.00–6.15
Financial investments	**0.00–6.37**	0.00–5.98
Deposits from banks and other financial institutions	**0.00–6.30**	0.00–3.99
Placements from banks and other financial institutions	**-0.10–5.44**	-0.39–3.52
Derivative financial liabilities	**0.02–5.55**	1.59–2.60
Financial assets sold under repurchase agreements	**1.66–2.61**	1.89–2.30
Due to customers	**0.00–3.99**	0.00–1.85
Other equity instruments	**4.84**	4.84

(Amounts in millions of Renminbi, unless otherwise stated)

43 RELATED PARTY TRANSACTIONS (Continued)

(3) The Group and National Council for Social Security Fund of the People's Republic of China

At 30 June 2023, the Bank's shares held by National Council for Social Security Fund of the People's Republic of China (the "SSF") accounted for 6.72% of the Bank's total share capital (31 December 2022: 6.72%). The Group enters into transactions with the SSF in the ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

	30 June 2023		31 December 2022	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Assets				
Financial assets held under resale agreements	**41,129**	**2.18%**	41,549	3.54%
Liabilities				
Due to customers	**141,868**	**0.50%**	78,773	0.31%
Equity				
Other equity instruments	**1,250**	**0.28%**	1,250	0.28%

	Six months ended 30 June			
	2023		2022	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**12**	**0.00%**	5	0.00%
Interest expense	**(2,630)**	**0.85%**	(1,888)	0.78%

Interest rate ranges for transactions with SSF for the six months ended 30 June 2023 are as follows:

	Six months ended 30 June	
	2023	2022
	%	%
Financial assets held under resale agreements	**2.20–2.90**	2.25–2.60
Due to customers	**3.90–4.26**	3.99–4.26
Other equity instruments	**4.84**	4.84

(Amounts in millions of Renminbi, unless otherwise stated)

43 RELATED PARTY TRANSACTIONS (Continued)

(4) The Group and other government related entities

Other than disclosed above, a significant portion of the Group's banking transactions are entered into with government authorities, agencies, affiliates and other state controlled entities. These transactions are entered into under normal commercial terms and conditions and mainly include provision of credit and guarantee, deposits, foreign exchange transactions, derivative transactions, agency services, underwriting and distribution of bonds issued by government agencies, purchase, sales and redemption of investment securities issued by government agencies.

Management considers that these transactions are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government authorities, agencies, affiliates and other State controlled entities.

(5) The Bank and its subsidiaries

The Bank had the following balances and transactions with its subsidiaries in its ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

	30 June 2023		31 December 2022	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Assets				
Placements with and loans to banks and other financial institutions	**83,176**	**18.18%**	83,895	16.77%
Financial investments	**608**	**0.01%**	601	0.01%
Other assets	**376**	**0.15%**	288	0.21%
Liabilities				
Deposits from banks and other financial institutions	**6,016**	**0.20%**	15,881	0.65%
Placements from banks and other financial institutions	**834**	**0.21%**	798	0.24%
Due to customers	**1,930**	**0.01%**	2,247	0.01%
Other liabilities	**74**	**0.02%**	15	0.00%
Off-balance sheet items				
Letters of guarantee and guarantees	**1,226**	**0.36%**	2,866	0.87%
Non-principal guaranteed wealth management products issued by the Group	**–**	**–**	10	0.00%

(Amounts in millions of Renminbi, unless otherwise stated)

43 RELATED PARTY TRANSACTIONS (Continued)

(5) The Bank and its subsidiaries (Continued)

	Six months ended 30 June			
	2023		2022	
	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income	**786**	**0.13%**	725	0.13%
Fee and commission income	**1,547**	**2.68%**	1,429	2.54%
Other operating income	**90**	**N/A**	55	2.22%
Interest expense	**(111)**	**0.04%**	(208)	0.09%
Fee and commission expense	**(22)**	**0.32%**	(69)	1.02%
Operating expense	**(215)**	**0.20%**	(187)	0.18%

Interest rate ranges for transactions with its subsidiaries for the six months ended 30 June 2023 are as follows:

	Six months ended 30 June	
	2023	2022
	%	%
Placements with and loans to banks and other financial institutions	**1.62–6.98**	1.55–3.62
Financial investments	**0.00**	3.30–3.68
Deposits from banks and other financial institutions	**0.00–2.20**	0.003–4.13
Placements from banks and other financial institutions	**1.25**	1.25
Due to customers	**0.00–3.10**	0.05–1.85

(Amounts in millions of Renminbi, unless otherwise stated)

43 RELATED PARTY TRANSACTIONS (Continued)

(6) The Group and its associates and joint ventures

The Group had the following balances and transactions with its associates and joint ventures in its ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Details of the major balances and transactions are as follows:

	30 June 2023		31 December 2022	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Assets				
Loans and advances to customers	**2,043**	**0.01%**	1,043	0.01%
Liabilities				
Deposits from banks and other financial institutions	**32**	**0.00%**	24	0.00%
Due to customers	**2,137**	**0.01%**	2,664	0.01%
Off-balance sheet items				
Non-principal guaranteed wealth management products issued by the Group	**–**	**–**	4	0.00%

	Six months ended 30 June			
	2023		2022	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**42**	**0.01%**	–	–
Interest expense	**(5)**	**0.00%**	0	0.00%

Interest rate ranges for transactions with its associates and joint ventures for the six months ended 30 June 2023 are as follows:

	Six months ended 30 June	
	2023	2022
	%	%
Loans and advances to customers	**3.85–4.45**	N/A
Deposits from banks and other financial institutions	**0.00–1.65**	0.30–1.65
Due to customers	**0.20–1.85**	N/A

(Amounts in millions of Renminbi, unless otherwise stated)

43 RELATED PARTY TRANSACTIONS (Continued)

(7) Key management personnel and related natural persons transactions

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group. Key management personnel of the Group, their close relatives, and entities that are controlled, jointly controlled, or significantly influenced by either the key management personnel of the Group or their close relatives, are considered as related parties of the Group. The Group enters into banking transactions with above related parties in the normal course of business. As at 30 June 2023, the balance of loans and advances to the above related parties is RMB14.86 million (31 December 2022: RMB9.57 million).

The Bank issued loans and credit card business to related natural persons (as defined in the Administrative Measures on Information Disclosure of Listed Companies issued by the China Securities Regulatory Commission (the "CSRC")). As at 30 June 2023, the balance of such loans amounted to RMB14.93 million (31 December 2022: RMB17.66 million).

(8) The Group and the Annuity Scheme

The Group had the following balances and transactions with the Annuity Scheme set up by the Bank apart from the obligation for defined contribution to the Annuity Scheme:

	30 June 2023		31 December 2022	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Liabilities				
Deposits from Annuity Scheme	**7,353**	**0.03%**	7,342	0.03%
Equity				
Other equity instruments	**7,500**	**1.70%**	7,500	1.70%

	Six months ended 30 June			
	2023		2022	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest expense	**(142)**	**0.05%**	(136)	0.06%

Interest rate ranges for transactions with the Annuity Scheme for the six months ended 30 June 2023 are as follows:

	Six months ended 30 June	
	2023	2022
	%	%
Deposits from Annuity Scheme	**0.00–5.00**	0.00–5.00
Other equity instruments	**4.84–5.32**	4.84–5.32

(Amounts in millions of Renminbi, unless otherwise stated)

43 RELATED PARTY TRANSACTIONS (Continued)

(9) Proportion of transactions with major related parties

Related party transactions with subsidiaries have been offset in the process of preparing interim financial information. When calculating the proportion of related party transactions, related party transactions do not include related party transactions with subsidiaries.

Transaction Balance

	30 June 2023		31 December 2022	
	Related party transactions	Proportion	Related party transactions	Proportion
Deposits with banks and other financial institutions	**329,566**	**35.24%**	120,662	19.13%
Placements with and loans to banks and other financial institutions	**67,156**	**14.68%**	61,552	12.30%
Derivative financial assets	**11,048**	**22.31%**	6,049	19.69%
Financial assets held under resale agreements	**109,526**	**5.81%**	87,557	7.47%
Loans and advances to customers	**53,814**	**0.26%**	46,523	0.25%
Financial investments	**2,261,481**	**22.46%**	2,129,536	22.35%
Deposits from banks and other financial institutions	**152,524**	**5.13%**	122,293	4.97%
Placements from banks and other financial institutions	**130,391**	**32.52%**	91,971	27.56%
Derivative financial liabilities	**8,744**	**19.78%**	5,604	18.08%
Financial assets sold under repurchase agreements	**8,211**	**14.62%**	6,155	14.06%
Due to customers	**164,449**	**0.58%**	107,933	0.43%
Other liabilities	**1,875**	**0.41%**	1,736	0.36%
Other equity instruments	**10,750**	**2.44%**	10,750	2.44%
Letters of guarantee and guarantees	**477**	**0.14%**	1,239	0.38%
Non-principal guaranteed wealth management products issued by the Group	**–**	**–**	4	0.00%

Transaction amount

	Six months ended 30 June			
	2023		2022	
	Related party transactions	Proportion	Related party transactions	Proportion
Interest income	**32,052**	**5.33%**	27,234	5.02%
Interest expense	**(3,870)**	**1.25%**	(3,243)	1.34%
Net trading gain	**1,391**	**8.80%**	2,953	38.04%
Net gain on financial investments	**2,458**	**22.94%**	–	–
Fee and commission income	**753**	**1.31%**	673	1.20%

44 STRUCTURED ENTITIES

(1) Consolidated structured entities

Structured entities consolidated by the Group include certain asset management plans, funds and securitization products issued, managed and/or invested by the Group. The Group controls these entities because the Group has power over, is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns.

(2) Unconsolidated structured entities

Unconsolidated structured entities sponsored and managed by the Group

Unconsolidated structured entities sponsored and managed by the Group mainly include non-principal guaranteed WMPs, which are not subject to any guarantee by the Group of the principal invested or interest to be paid. The WMPs invest in a range of assets, most typically money market instruments, debt securities and non-standardized debt assets. As the manager of these WMPs, the Group, on behalf of the investors in these WMPs, invests the funds raised from investors to the assets as described in the investment plan related to each WMP and distributes profits to investors based on product performance.

As at 30 June 2023, the total assets invested by these non-principal guaranteed WMPs amounted to RMB1,646,325 million (31 December 2022: RMB2,004,687 million) and the corresponding outstanding WMPs issued by the Group amounted to RMB1,556,364 million (31 December 2022: RMB1,933,155 million). For the six months ended 30 June 2023, the Group's interest in these WMPs included net fee and commission income of RMB1,010 million (six months ended 30 June 2022: RMB2,432 million). The Group enters into placements and repo transactions at market interest rates with these WMPs, and the outstanding balance of these transactions was represented the Group's maximum exposure to the WMPs. These transactions did not occur for the six months ended 30 June 2023 and for the six months ended 30 June 2022. And there was no outstanding balance for the above-mentioned transactions at 30 June 2023 and 31 December 2022. The Group was under no obligation to enter into these transactions.

There were no contractual liquidity arrangements, guarantees or other commitments between the Group and any third parties that could increase the level of the Group's risk from WMPs disclosed above during the period ended 30 June 2023 and the year ended 31 December 2022. The Group was not required to absorb any losses incurred by WMPs.

In addition, other unconsolidated structured entities sponsored and managed by the Group included funds, asset management plans and asset-backed securities. As at 30 June 2023, the total assets of these products amounted to RMB329,226 million (31 December 2022: RMB423,668 million). For the six months ended 30 June 2023, the Group's interest in these products mainly included net fee and commission income of RMB634 million (six months ended 30 June 2022: RMB741 million).

Other unconsolidated structured entities held by the Group

The Group invests in other unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. These unconsolidated structured entities primarily include asset management plans, WMPs, funds, trust plans, asset-backed securities and debt investment plans, etc. As at 30 June 2023, the related carrying amount of investments and the maximum exposure by the Group to these other unconsolidated structured entities was RMB75,753 million (31 December 2022: RMB73,497 million), included under the financial assets at fair value through profit or loss, debt instrument investments at amortized cost and other debt instrument and other equity investments at fair value through other comprehensive income categories in the condensed consolidated interim statement of financial position. The information on the size of total assets of these unconsolidated structured entities was not readily available in the public domain.

(Amounts in millions of Renminbi, unless otherwise stated)

45 CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings and others

The Bank and its subsidiaries are involved as demandants/defendants in certain lawsuits arising from their normal business operations. As at 30 June 2023, provisions of RMB5,284 million were made by the Group (31 December 2022: RMB5,317 million) based on court judgments or advice of legal counsel, and included in Note 34 Other liabilities. Management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

Capital commitments

	30 June 2023	31 December 2022
Contracted but not provided for	**1,941**	1,929

Loan commitments and financial guarantee contracts

	30 June 2023	31 December 2022
Loan commitments		
— With an original maturity of less than 1 year	**24,607**	31,744
— With an original maturity of 1 year or above	**309,389**	383,897
Subtotal	**333,996**	415,641
Bank acceptances	**733,629**	702,237
Credit card commitments	**840,631**	797,219
Letters of guarantee and guarantees	**344,730**	329,420
Letters of credit	**210,519**	167,876
Total	**2,463,505**	2,412,393

Loan commitments and financial guarantee contracts represent credit cards and general credit facility limits granted to customers. These general credit facilities may be drawn in the form of loans or through the issuance of letters of credit, letters of guarantee and guarantees or bank acceptances.

Credit risk weighted amount for credit commitments

Credit risk weighted amount for credit commitments represents the counterparty credit risk associated with credit commitments and is calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the NAFR which was effective on 1 January 2013 and is dependent on, among other factors, creditworthiness of counterparties and maturity characteristics of each type of contract. As at 30 June 2023 and 31 December 2022, credit risk weighted amount for credit commitments was measured under the Internal Ratings-Based approach.

	30 June 2023	31 December 2022
Credit risk weighted amount for credit commitments	**1,042,255**	1,186,585

(Amounts in millions of Renminbi, unless otherwise stated)

45 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Collateral

Assets as collateral

At the end of each reporting period, the carrying amounts of assets pledged as collateral under repurchase agreements are as follows:

	30 June 2023	31 December 2022
Debt securities	**54,920**	44,352
Bills	**3,639**	3,565
Total	**58,559**	47,917

As at 30 June 2023, the financial assets sold under repurchase agreements (disclosed in Note 31 Financial assets sold under repurchase agreements) by the Group are primarily due within 1 year from the effective dates of these agreements.

Financial assets sold under repurchase agreements included certain transactions under which, title of the pledged securities has been transferred to counterparties. These transactions have been disclosed in Note 46 Transferred Financial Assets.

In addition, debt securities and deposits with banks and other financial institutions pledged in accordance with regulatory requirements as collateral for derivative transactions or borrowings from central banks etc. by the Group as at 30 June 2023 amounted to RMB1,905,614 million in total (31 December 2022: RMB1,218,412 million).

Collateral accepted

The Group received debt securities and bills as collateral in connection with the securities lending transactions and the purchase of assets under resale agreements (Note 20 Financial assets held under resale agreements). The Group did not hold any collateral that can be resold or re-pledged as at 30 June 2023 and 31 December 2022.

Redemption commitment for treasury bonds

The Group is entrusted by the MOF to underwrite certain treasury bonds. The investors of these treasury bonds have a right to redeem the bonds at any time prior to maturity and the Group is committed to honor such redemption requests. The redemption price is calculated as the nominal value of the bond plus payable interest in accordance with the terms of the related early redemption arrangement.

As at 30 June 2023, the nominal value of treasury bonds the Group was obligated to redeem prior to maturity was RMB52,602 million (31 December 2022: RMB51,367 million). The original maturities of these bonds vary from 3 to 5 years. Management of the Group expects the amount of redemption before the maturity dates of these bonds will not be material.

Commitment on security underwriting

As at 30 June 2023, the unexpired securities underwriting obligations of the Group amounted to RMB15,180 million (31 December 2022: Nil).

46 TRANSFERRED FINANCIAL ASSETS

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

Securitization transactions

The Group enters into securitization transactions in the normal course of business by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed, among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished its control over these assets.

As at 30 June 2023, the total amount of unexpired asset-backed securities included accumulative loans transferred by the Group before impairment allowance was RMB106,117 million (31 December 2022: RMB101,538 million). RMB14,315 million of this balance (31 December 2022: RMB9,736 million) was in respect of non-performing loans and the Group concluded that these loans transferred were qualified for full derecognition. The remaining balance of RMB91,802 million (31 December 2022: RMB91,802 million) was in respect of performing loans and the Group concluded that it had continuing involvement in these assets. As at 30 June 2023, the Group continued to recognize assets of RMB8,646 million (31 December 2022: RMB8,850 million) under loans and advances to customers. The Group also recognized other assets and other liabilities of the same amount arising from such continuing involvement.

Transfer of non-performing loans

For the six months ended 30 June 2023, the Group transferred non-performing loans through disposal to third parties or issuing asset-back securities, with gross loan balance of RMB6,781 million (six months ended 30 June 2022: RMB4,245 million). The Group concluded that these transferred assets were qualified for full derecognition.

Financial assets sold under repurchase agreements

The Group did not derecognize financial assets transferred as collateral in connection with repurchase agreements. As at 30 June 2023, the Group did not hold any debt securities whereby legal title has been transferred to counterparties (31 December 2022: book value of these debt securities was RMB1,769 million), these collateral pledged is disclosed in Note 45 Contingent liabilities and commitments — Collateral.

Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or repledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. As at 30 June 2023, the carrying amount of debt securities lent to counterparties was RMB18,804 million (31 December 2022: RMB29,000 million).

47 FINANCIAL RISK MANAGEMENT

Overview

The Group's primary risk management objective is to meet the requirements of stable operation from regulators, depositors and other stakeholders, as well as to maximize return for investors within an acceptable level of risk.

The Group has designed risk management policies, which address, among other things, the establishment of risk limits and controls to identify, analyze, monitor and report risks. Relevant and timely information used to conduct these risk management activities is provided through information systems maintained by the Group. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practices.

The most significant types of risk to which the Group is exposed are credit risk, market risk and liquidity risk. Market risk includes foreign exchange rate risk, interest rate risk and other price risk.

Risk management framework

The Board of Directors of the Group is responsible for formulating the Group's overall risk appetite, reviewing and approving the Group's major risk management policies and procedures.

Senior Management of the Group is responsible for the implementation of risk management, including implementing risk appetite and risk management strategies, formulating risk management policies and procedures, and establishing a risk management organizational structure to manage the Group's major risks.

47.1 Credit risk

Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations when due. Credit risk can also arise from operational failures that result in an unauthorized or inappropriate loans and advances, commitment or investment. The Group's major credit risks arise from loans and advances, treasury operations and off-balance sheet related credit risk exposures.

The Group's credit risk management and governance structure comprise the Board of Directors and its Risk Management and Consumer Protection Committee, Senior Management and its Risk Management and Internal Control Committee, Credit Approval Committee and Asset Disposal Committee, Credit Management Department, Credit Approval Department and related front-office customer departments. The Group's credit risk management function operates under centralized management and authorization under a range of specified limits.

The Group performs standardized credit management procedures, including credit due diligence and proposal submission, credit underwriting review, loan disbursement, post-lending monitoring and non-performing loan management. The Group enhances its credit risk management by strictly complying with its credit management procedures; strengthening customer investigation, credit rating, lending approval and post-lending monitoring measures; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrading the credit management system.

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include: (1) ceasing enforcement activity, and (2) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Credit risk management *(Continued)*

During the reporting period, the Group continued to improve the comprehensive risk management system to ensure effective risk management. The Group strengthened credit risk management in key areas and asset quality control and accelerated the disposal of non-performing loans to ensure the stability of assets quality.

Apart from the credit risk exposures on credit-related assets, the credit risk arising from treasury operation business is managed by selecting counterparties with acceptable credit quality, balancing credit risk and return, referencing to both internal and external credit rating information where available and applying appropriate limits subject to different level of management authority, and timely reviewing and adjusting those limits in credit system. In addition, the Group also provides loan commitments and financial guarantee services to customers which may require the Group to make payments on behalf of customers upon their failure to perform under the terms of the related contract. Risks arising from loan commitments and financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management policies and procedures.

Measurement of ECL

The Group applies the ECL model to calculate loss allowances for its debt financial instruments measured at amortized cost and FVOCI, as well as loan commitments and financial guarantee contracts.

Methods applied by the Group in assessing the expected credit losses of its financial assets include risk parameters model and the discounted cash flow ("DCF") model. Retail credit assets and Stage I and Stage II wholesale credit assets are assessed using risk parameters, while Stage III wholesale credit assets are subject to the discounted cash flow method.

The Group assesses ECL in light of forward-looking information and uses models and assumptions in calculating the expected credit losses. These models and assumptions relate to the future macroeconomic conditions and the borrowers' creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). In assessing the expected credit risks in accordance with accounting standards, the Group uses the judgments, assumptions and estimates where appropriate, including:

— Portfolio segmentation of credit risk exposures

— Parameters for measuring ECL

— Criteria for significant increase in credit risk and default definition

— Definition of credit-impaired financial assets

— Forward-looking information

— Estimation of future cash flows for Stage III wholesale credit assets

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

***Measurement of ECL** (Continued)*

Portfolio segmentation of credit risk exposures

For measurement of ECL, portfolio segmentation is based on similar credit risk characteristics. In performing the portfolio segmentation of credit assets, the Group considers product types, customer types, industry, customer size, risk mitigation method and market distribution. The Group retests and revises the rationality of portfolio segmentation of credit risk exposures every year.

Parameters for measuring ECL

According to whether there is a significant increase in credit risk and whether a financial asset has become credit-impaired, the Group recognizes an impairment allowance based on the expected credit loss for the next 12 months or the entire lifetime of the financial asset. The relevant parameters of ECL measurement include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group establishes its PD models, LGD models and EAD models based on the internal rating based system as currently used for its risk management purpose, in accordance with the requirements of IFRS 9, in light of quantitative analyzes of historical statistics (such as counterparty ratings, guarantee methods and collateral types, repayment methods, etc.) and forward-looking information.

The parameters are defined as follows:

— PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months ("12m PD"), or over the remaining lifetime ("Lifetime PD") of the obligation;

— EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months ("12m EAD") or over the remaining lifetime ("Lifetime EAD");

— LGD represents the Group's expectation of the extent of loss on defaulted exposure. It varies depending on the type of counterparty, method of recourse and priority, and the availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

Criteria for significant increase in credit risk ("SICR") and default definition

The Group assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each reporting date. For the purpose of staging assessment of its financial assets, the Group thoroughly considers various reasonable and supportable information that may reflect whether or not there has been a significant change in their credit risk, including forward-looking information. Key factors considered include regulatory and operating environments, internal and external credit ratings, solvency, viability as a going concern, terms of loan contracts, repayment behaviors, among others. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the reporting date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments. The definition of default refers to the failure to pay the debt as agreed in the contract, or other violations of the debt contract and have a significant impact on the normal debt repayment.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Measurement of ECL *(Continued)*

Criteria for significant increase in credit risk ("SICR") and default definition (Continued)

The Group sets quantitative and qualitative criteria to determine whether the credit risk of a financial instrument has increased significantly since its initial recognition. The criteria includes changes in its credit risk classification, changes in the borrower's PD, overdue status and other factors. In particular, when the credit risk classification changes from Normal upon initial recognition to Special Mention, there has been SICR. When the wholesale clients' PD rises to a certain level, there has been a SICR. Criteria to determine SICR varied based on the original PD upon initial recognition. If the borrower's original PD is relatively low (for example, lower than 3%), there has been SICR when the credit grade falls at least 5 notches. When retail clients' PD exceeds a certain level, there has been SICR. According to IFRS 9, a backstop is applied and the financial instrument is considered to have experienced SICR if the borrower is more than 30 days past due on its contractual payments.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. The Group recognizes a financial instrument as having low credit risk if its internal rating is consistent with the globally accepted definition for low credit risk (e.g. external "investment grade" rating).

Definition of credit-impaired financial assets

The criteria adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives for relevant financial instruments, in addition to consideration of quantitative and qualitative indicators. In assessing whether a borrower has become credit-impaired, the Group mainly considers the following factors:

— Significant financial difficulty of the issuer or the borrower;

— A breach of contract, such as a default or past due event in relation to interest or principal payment;

— The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

— It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

— The disappearance of an active market for that financial asset because of financial difficulties;

— The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

— The borrower is overdue for more than 90 days in any principal, advances, interest or investment in bonds due to the Group.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single discrete event.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Measurement of ECL (Continued)

Forward-looking information

The assessment of whether there has been a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the forward-looking information that affect the credit risk and ECL of various portfolio. Forward-looking information include Gross Domestic Product (GDP), Consumer Price Index (CPI) and Producer Price Index (PPI), etc.

The impact of these forward-looking information on the PDs and the LGDs varies from one portfolio to another. The Group comprehensively considers internal and external data, expert forecasts and statistical analysis to determine the correlation between these forward-looking information and the PDs and LGDs. The Group assesses and forecasts these forward-looking information at least every six months, calculates the best estimates for the future, and regularly reviews and assesses results.

As at 30 June 2023, the Group has assessed and forecasted the relevant forward-looking information, of which the forecast value of GDP growth rate under each scenario is as follows: 4.57% under base scenario, 5.20% under upside scenario, and 3.90% under downside scenario.

Based on statistical analysis and expert judgements, the Group determines the weightings of multiple scenarios and the corresponding forward-looking information forecast under each scenario. The weighting of base scenario is greater than the aggregated weightings of the other two scenarios. At 30 June 2023, the weightings of the Group's base, upside and downside scenarios have not changed from 31 December 2022. The Group uses the weighted 12 months ECL (Stage I) or weighted lifetime ECL (Stage II and Stage III) to measure relevant impairment allowances. These weighted credit losses are calculated by multiplying the expected credit loss under each scenario by the assigned scenario weighting.

Estimation of future cash flows for Stage III wholesale credit assets

The Group measures the ECL for Stage III wholesale credit assets using DCF method. Under DCF method, the loss allowance is calculated based on the estimation of future cash flows. At each measurement date, the Group projects the future cash inflows of relevant assets under different scenarios to estimate the probability weighted cash flow of each future period. The cash flows are discounted and aggregated to get the present value of the assets' future cash flows.

Maximum exposure to credit risk without taking account of any collateral held or other credit enhancements

The maximum exposure to credit risk represents the worst credit risk exposure at the end of each reporting period, without taking account of any collateral held or other credit enhancements. The credit risk exposure to the Group at the end of each reporting period primarily arises from credit and treasury operations. In addition, off-balance sheet items such as loan commitments, credit card commitments, bank acceptances, letters of guarantee and guarantees and letters of credit also include credit risks.

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Maximum exposure to credit risk without taking account of any collateral held or other credit enhancements *(Continued)*

A summary of the maximum exposure to credit risk as at the end of the reporting period is as follows:

	30 June 2023	31 December 2022
Balances with central banks	**2,972,896**	2,481,950
Deposits with banks and other financial institutions	**935,143**	630,885
Placements with and loans to banks and other financial institutions	**457,564**	500,330
Derivative financial assets	**49,511**	30,715
Financial assets held under resale agreements	**1,885,228**	1,172,187
Loans and advances to customers	**20,915,065**	18,980,973
Financial investments		
Financial assets at fair value through profit or loss	**396,084**	383,048
Debt instrument investments at amortized cost	**7,782,325**	7,306,000
Other debt instrument investments at fair value through other comprehensive income	**1,739,343**	1,697,405
Other financial assets	**206,836**	87,396
Subtotal	**37,339,995**	33,270,889
Loan commitments and financial guarantee contracts	**2,439,448**	2,384,342
Total	**39,779,443**	35,655,231

The Group has implemented specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level. The most typical practice is obtaining guarantee deposits, collateral and guarantees. The amount and type of acceptable collateral are determined through the assessment of credit risk of borrowers or counterparties. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters.

The main types of collateral obtained are as follows:

— Mortgage loans to retail customers are generally collateralized by mortgages over residential properties;

— Other personal lending and corporate loans and advances are primarily collateralized by charges over land and properties or other assets of the borrowers; and

— Financial assets held under resale agreements transactions are primarily collateralized by debt securities and bills.

The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Loans and advances to customers

The below information does not include accrued interests of loans and advances to customers.

(1) The composition of loans and advances to customers by geographical area is analyzed as follows:

	30 June 2023		31 December 2022	
	Amount	**% of total**	Amount	% of total
Corporate loans and advances				
Head Office	**425,998**	**3.1**	607,201	5.0
Yangtze River Delta	**3,527,053**	**25.6**	2,953,442	24.3
Pearl River Delta	**1,964,580**	**14.3**	1,645,878	13.5
Bohai Rim	**1,899,400**	**13.8**	1,663,666	13.6
Central China	**2,060,693**	**15.0**	1,784,698	14.7
Western China	**2,985,671**	**21.7**	2,686,130	22.1
Northeastern China	**450,329**	**3.3**	407,763	3.4
Overseas and Others	**433,859**	**3.2**	410,068	3.4
Subtotal	**13,747,583**	**100.0**	12,158,846	100.0
Personal loans				
Head Office	**45**	**0.0**	43	0.0
Yangtze River Delta	**1,826,191**	**22.8**	1,777,354	23.5
Pearl River Delta	**1,643,361**	**20.6**	1,588,312	21.0
Bohai Rim	**1,140,583**	**14.3**	1,083,299	14.3
Central China	**1,423,953**	**17.8**	1,308,100	17.3
Western China	**1,706,573**	**21.3**	1,561,455	20.7
Northeastern China	**236,598**	**3.0**	226,719	3.0
Overseas and Others	**17,133**	**0.2**	16,779	0.2
Subtotal	**7,994,437**	**100.0**	7,562,061	100.0
Gross loans and advances to customers	**21,742,020**		19,720,907	

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Loans and advances to customers *(Continued)*

(2) The composition of loans and advances to customers by industry is analyzed as follows:

	30 June 2023		31 December 2022	
	Amount	**% of total**	Amount	% of total
Corporate loans and advances				
Transportation, storage and postal services	**2,596,814**	**19.0**	2,386,103	19.8
Manufacturing	**2,575,882**	**18.7**	2,107,478	17.3
Leasing and commercial services	**2,079,218**	**15.1**	1,768,094	14.5
Production and supply of power, heat, gas and water	**1,384,377**	**10.1**	1,184,206	9.7
Real estate	**950,012**	**6.9**	891,470	7.3
Water, environment and public utilities management	**1,090,553**	**7.9**	874,684	7.2
Retail and wholesale	**963,241**	**7.0**	827,723	6.8
Finance	**617,566**	**4.5**	928,185	7.6
Construction	**529,840**	**3.9**	361,175	3.0
Mining	**267,716**	**1.9**	223,745	1.8
Others	**692,364**	**5.0**	605,983	5.0
Subtotal	**13,747,583**	**100.0**	12,158,846	100.0
Personal loans				
Residential mortgage	**5,317,124**	**66.5**	5,346,608	70.7
Personal business	**698,530**	**8.7**	577,522	7.6
Personal consumption	**277,099**	**3.5**	209,036	2.8
Credit cards	**659,183**	**8.2**	647,651	8.6
Others	**1,042,501**	**13.1**	781,244	10.3
Subtotal	**7,994,437**	**100.0**	7,562,061	100.0
Gross loans and advances to customers	**21,742,020**		19,720,907	

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Loans and advances to customers *(Continued)*

(3) The composition of loans and advances to customers by contractual maturity and security type is analyzed as follows:

	30 June 2023			
	Less than 1 year	**1–5 years**	**Over 5 years**	**Total**
Unsecured loans	**3,803,598**	**1,765,075**	**2,397,848**	**7,966,521**
Guaranteed loans	**826,571**	**641,167**	**1,326,466**	**2,794,204**
Loans secured by mortgages	**1,548,613**	**681,526**	**6,275,845**	**8,505,984**
Pledged loans	**373,546**	**151,130**	**1,950,635**	**2,475,311**
Total	**6,552,328**	**3,238,898**	**11,950,794**	**21,742,020**

	31 December 2022			
	Less than 1 year	1–5 years	Over 5 years	Total
Unsecured loans	3,530,142	1,210,988	2,121,511	6,862,641
Guaranteed loans	727,408	526,599	1,036,344	2,290,351
Loans secured by mortgages	1,412,521	589,521	6,297,040	8,299,082
Pledged loans	280,826	132,282	1,855,725	2,268,833
Total	5,950,897	2,459,390	11,310,620	19,720,907

(4) Overdue loans (i)

	30 June 2023					
	Overdue 1–30 days	**Overdue 31–90 days**	**Overdue 91 to 360 days**	**Overdue 361 days to 3 years**	**Overdue over 3 years**	**Total**
Unsecured loans	**9,761**	**7,100**	**22,876**	**8,444**	**4,341**	**52,522**
Guaranteed loans	**4,214**	**2,449**	**13,082**	**7,452**	**970**	**28,167**
Loans secured by mortgages	**32,510**	**30,852**	**34,276**	**25,270**	**4,286**	**127,194**
Pledged loans	**830**	**28**	**2,099**	**3,528**	**390**	**6,875**
Total	**47,315**	**40,429**	**72,333**	**44,694**	**9,987**	**214,758**

	31 December 2022					
	Overdue 1–30 days	Overdue 31–90 days	Overdue 91 to 360 days	Overdue 361 days to 3 years	Overdue over 3 years	Total
Unsecured loans	11,058	6,758	14,117	6,548	3,695	42,176
Guaranteed loans	11,931	3,978	6,073	9,263	1,141	32,386
Loans secured by mortgages	38,066	30,496	31,125	24,384	6,450	130,521
Pledged loans	822	223	3,189	2,389	1,133	7,756
Total	61,877	41,455	54,504	42,584	12,419	212,839

(i) When either loan principal or interest is past due by one day (inclusive) in any period, the whole loan is classified as overdue loan.

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

***Loans and advances to customers** (Continued)*

(5) Credit quality of loans and advances to customers

Within the credit-impaired loans and advances, the portions covered and not covered by collaterals held are as follows:

	30 June 2023	31 December 2022
Portion covered	**174,532**	161,691
Portion not covered	**119,855**	109,371
Total	**294,387**	271,062

(6) Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The gross carrying amount of the financial asset is recalculated and the related gain or loss is recognized in profit and loss. The gross carrying amount of the financial asset is determined based on the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate.

The Group monitors the subsequent performance of modified assets. If the Group determines that the credit risk has significantly improved after modified, the impairment allowance of these assets will be measured on the basis of 12 months ECL instead of the lifetime ECL.

Rescheduled loan is a loan which the contractual terms were renegotiated between the Group and borrowers because of deterioration in borrowers' financial position, or the inability to meet borrowers' original repayment schedule. Rescheduled loans and advances of the Group as at 30 June 2023 amounted to RMB21,613 million (31 December 2022: RMB19,625 million).

For the six months ended 30 June 2023, as a result of debt-for-equity swaps of bankruptcy reorganization, the Group recognized ordinary shares with a fair value of RMB2,002 million (six months ended 30 June 2022: RMB385 million). The loss associated with the debt-for-equity swaps of bankruptcy reorganization was not significant.

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

Debt instruments

Credit quality of debt instruments

(1) Analysis of the expected credit loss stages of debt instrument investments at amortized cost and other debt instrument investments at fair value through other comprehensive income were disclosed in Note 22.2 and Note 22.3, respectively.

(2) Debt instruments analyzed by credit rating

The Group adopts a credit rating approach to manage the credit risk of the debt instruments portfolio held. The Group classified the credit risk levels of financial assets measured by ECL into "Low" (credit risk in good condition), "Medium" (increased credit risk), and "High" (credit risk in severe condition), based on the quality of assets. The credit risk level is used for the purpose of the Group's internal credit risk management. "Low" refers to assets with good credit quality. There is no sufficient reason to doubt that the assets are not expected to fulfill its contractual obligation to repay or if there are any other behaviors breaching the debt contracts that would significantly impact the repayment of debt according to contract terms. "Medium" refers to assets facing obvious negative factors impacting its repayment capacity, but not yet have non-repayment behaviors. "High" refers to non-repayment according to the debt contract terms, or other behaviors breaching the debt contracts and having significant impact on the repayment of debt according to contract terms.

The carrying amounts of debt instruments investments at amortized cost and other debt instrument investments at fair value through other comprehensive income analyzed by their credit rating as at the end of the reporting period are as follows (i):

		30 June 2023			
Credit grade	**Note**	**Low**	**Medium**	**High**	**Total**
Debt securities issued by:					
— Governments		**6,184,168**	**–**	**–**	**6,184,168**
— Public sector and quasi-governments		**2,100,903**	**–**	**–**	**2,100,903**
— Financial institutions		**586,391**	**–**	**–**	**586,391**
— Corporates	(ii)	**195,306**	**411**	**17**	**195,734**
Special government bond		**95,154**	**–**	**–**	**95,154**
Receivable from the MOF		**336,805**	**–**	**–**	**336,805**
Others		**22,133**	**359**	**21**	**22,513**
Total		**9,520,860**	**770**	**38**	**9,521,668**

		31 December 2022			
Credit grade	Note	Low	Medium	High	Total
Debt securities issued by:					
— Governments		5,664,931	–	–	5,664,931
— Public sector and quasi-governments		2,060,235	–	–	2,060,235
— Financial institutions		600,420	–	–	600,420
— Corporates	(ii)	229,401	507	17	229,925
Special government bond		94,114	–	–	94,114
Receivable from the MOF		333,078	–	–	333,078
Others		20,340	347	15	20,702
Total		9,002,519	854	32	9,003,405

47 FINANCIAL RISK MANAGEMENT (Continued)

47.1 Credit risk (Continued)

***Debt instruments** (Continued)*

Credit quality of debt instruments (Continued)

(2) Debt instruments analyzed by credit rating (Continued)

(i) The ratings above were internal ratings obtained from the Group, financial assets at fair value through profit or loss were not included in the credit grade table as at 30 June 2023 and 31 December 2022.

(ii) As at 30 June 2023, the ratings of super short-term commercial papers of the Group amounted to RMB1,997 million (31 December 2022: RMB894 million) included in corporate bonds above were based on issuer rating for this credit risk analysis.

47.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset.

The Group’s Assets and Liabilities Management Department manages its liquidity risk through:

— Optimizing asset and liability structure;

— Maintaining stability of deposit base;

— Making projections of future cash flows, and evaluating the appropriate liquid asset position;

— Maintaining an efficient internal funds transfer mechanism within the Group; and

— Performing stress testing on a regular basis.

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 Liquidity risk (Continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities

The tables below summarize the maturity analysis of financial assets and financial liabilities by remaining contractual maturities based on the carrying amount at the end of each reporting period:

	30 June 2023								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Cash and balances with central banks	–	565,923	–	1,035	6,350	–	–	2,466,663	3,039,971
Deposits with banks and other financial institutions	–	102,348	263,605	195,125	364,886	9,179	–	–	935,143
Placements with and loans to banks and other financial institutions	–	–	166,292	104,435	137,421	47,972	1,444	–	457,564
Derivative financial assets	–	–	12,648	10,960	22,209	3,273	421	–	49,511
Financial assets held under resale agreements	3,872	–	1,872,865	2,480	6,011	–	–	–	1,885,228
Loans and advances to customers	23,432	–	759,261	1,120,969	4,932,063	4,614,164	9,465,176	–	20,915,065
Financial assets at fair value through profit or loss	–	3,091	14,579	21,992	84,338	45,113	243,618	127,882	540,613
Debt instrument investments at amortized cost	379	–	101,899	196,889	479,864	2,237,166	4,766,128	–	7,782,325
Other debt instrument and other equity investments at fair value through other comprehensive income	17	–	111,908	162,871	284,832	595,313	584,402	5,913	1,745,256
Other financial assets	4,171	185,985	2,988	314	4,806	114	8,458	–	206,836
Total financial assets	31,871	857,347	3,306,045	1,817,070	6,322,780	7,552,294	15,069,647	2,600,458	37,557,512
Borrowings from central banks	–	(32)	(17,771)	(192,035)	(846,120)	(601)	–	–	(1,056,559)
Deposits from banks and other financial institutions	–	(1,899,932)	(155,158)	(272,451)	(498,168)	(150,220)	–	–	(2,975,929)
Placements from banks and other financial institutions	–	(2,762)	(176,615)	(131,382)	(82,242)	(5,807)	(2,092)	–	(400,900)
Financial liabilities at fair value through profit or loss	–	(11,378)	(43)	–	(48)	(211)	–	–	(11,680)
Derivative financial liabilities	–	–	(11,107)	(11,570)	(19,120)	(2,416)	–	–	(44,213)
Financial assets sold under repurchase agreements	–	–	(28,086)	(8,958)	(19,134)	–	–	–	(56,178)
Due to customers	–	(14,685,206)	(708,409)	(1,349,368)	(4,687,531)	(6,785,390)	(15,149)	–	(28,231,053)
Debt securities issued	–	–	(184,895)	(491,410)	(826,654)	(133,146)	(364,971)	–	(2,001,076)
Other financial liabilities	–	(147,847)	(1,625)	(1,233)	(7,618)	(11,449)	(20,235)	–	(190,007)
Total financial liabilities	–	(16,747,157)	(1,283,709)	(2,458,407)	(6,986,635)	(7,089,240)	(402,447)	–	(34,967,595)
Net position	31,871	(15,889,810)	2,022,336	(641,337)	(663,855)	463,054	14,667,200	2,600,458	2,589,917

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 Liquidity risk (Continued)

***Analysis of the remaining contractual maturity of financial assets and financial liabilities** (Continued)*

The tables below summarize the maturity analysis of financial assets and financial liabilities by remaining contractual maturities based on the carrying amount at the end of each reporting period (Continued):

	31 December 2022								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Cash and balances with central banks	–	236,475	–	1,046	1,479	–	–	2,310,130	2,549,130
Deposits with banks and other financial institutions	–	84,380	68,096	155,947	315,608	6,854	–	–	630,885
Placements with and loans to banks and other financial institutions	–	–	211,786	87,740	194,248	5,166	1,390	–	500,330
Derivative financial assets	–	–	5,414	9,579	12,175	3,394	153	–	30,715
Financial assets held under resale agreements	3,872	–	1,149,796	9,671	8,848	–	–	–	1,172,187
Loans and advances to customers	20,179	–	681,650	1,062,417	4,434,220	3,911,518	8,870,989	–	18,980,973
Financial assets at fair value through profit or loss	–	3,120	4,890	23,260	87,262	43,539	236,736	123,250	522,057
Debt instrument investments at amortized cost	361	–	59,732	137,709	557,500	2,398,673	4,152,025	–	7,306,000
Other debt instrument and other equity investments at fair value through other comprehensive income	17	–	55,910	108,643	412,304	598,101	522,430	4,701	1,702,106
Other financial assets	3,662	70,808	1,149	186	3,026	856	7,709	–	87,396
Total financial assets	28,091	394,783	2,238,423	1,596,198	6,026,670	6,968,101	13,791,432	2,438,081	33,481,779
Borrowings from central banks	–	(33)	(112,661)	(103,477)	(684,017)	(928)	–	–	(901,116)
Deposits from banks and other financial institutions	–	(1,683,473)	(125,841)	(210,189)	(298,685)	(140,990)	–	–	(2,459,178)
Placements from banks and other financial institutions	–	(3,442)	(117,150)	(100,850)	(100,734)	(8,951)	(2,628)	–	(333,755)
Financial liabilities at fair value through profit or loss	–	(12,039)	–	–	(44)	(204)	–	–	(12,287)
Derivative financial liabilities	–	–	(9,158)	(9,093)	(11,057)	(1,696)	–	–	(31,004)
Financial assets sold under repurchase agreements	–	–	(13,768)	(16,034)	(13,277)	(700)	–	–	(43,779)
Due to customers	–	(13,399,420)	(757,431)	(1,489,777)	(3,918,388)	(5,546,897)	(9,127)	–	(25,121,040)
Debt securities issued	–	–	(44,857)	(517,156)	(834,459)	(137,878)	(335,048)	–	(1,869,398)
Other financial liabilities	–	(147,415)	(1,860)	(650)	(7,248)	(10,744)	(15,482)	–	(183,399)
Total financial liabilities	–	(15,245,822)	(1,182,726)	(2,447,226)	(5,867,909)	(5,848,988)	(362,285)	–	(30,954,956)
Net position	28,091	(14,851,039)	1,055,697	(851,028)	158,761	1,119,113	13,429,147	2,438,081	2,526,823

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows

Assets available to meet obligations related to the Group's liabilities and outstanding credit commitments primarily include cash and balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets at fair value through profit or loss, and financial assets held under resale agreements. In the normal course of business, the majority of customer deposits repayable on demand or on maturity are expected to be retained. In addition, the Group is able to sell the other debt instrument and other equity investments at fair value through other comprehensive income to repay matured liabilities, if necessary.

The tables below present the undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period:

	30 June 2023								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and balances with central banks	–	565,923	–	1,035	6,350	–	–	2,466,663	3,039,971
Deposits with banks and other financial institutions	–	102,655	273,335	196,183	370,008	9,944	–	–	952,125
Placements with and loans to banks and other financial institutions	–	–	166,922	104,446	141,347	53,335	1,480	–	467,530
Financial assets held under resale agreements	3,915	–	1,876,684	2,489	6,035	–	–	–	1,889,123
Loans and advances to customers	85,917	–	848,333	1,284,285	5,695,955	6,858,539	14,123,443	–	28,896,472
Financial assets at fair value through profit or loss	–	3,091	14,716	22,368	89,160	79,526	267,819	127,882	604,562
Debt instrument investments at amortized cost	1,336	–	103,420	208,887	621,905	3,008,367	5,725,222	–	9,669,137
Other debt instrument and other equity investments at fair value through other comprehensive income	22	–	113,299	166,273	316,102	709,118	680,944	5,913	1,991,671
Other financial assets	4,994	189,094	2,989	314	4,807	114	8,459	–	210,771
Total non-derivative financial assets	96,184	860,763	3,399,698	1,986,280	7,251,669	10,718,943	20,807,367	2,600,458	47,721,362
Non-derivative financial liabilities									
Borrowings from central banks	–	(32)	(17,794)	(192,889)	(857,917)	(636)	–	–	(1,069,268)
Deposits from banks and other financial institutions	–	(1,899,932)	(155,329)	(274,887)	(507,435)	(161,796)	–	–	(2,999,379)
Placements from banks and other financial institutions	–	(2,762)	(177,630)	(132,469)	(83,063)	(6,812)	(2,460)	–	(405,196)
Financial liabilities at fair value through profit or loss	–	(11,378)	(43)	–	(48)	(211)	–	–	(11,680)
Financial assets sold under repurchase agreements	–	–	(28,136)	(9,021)	(19,518)	–	–	–	(56,675)
Due to customers	–	(14,685,206)	(708,959)	(1,354,173)	(4,759,921)	(7,219,100)	(18,039)	–	(28,745,398)
Debt securities issued	–	–	(185,170)	(494,264)	(854,247)	(193,421)	(423,587)	–	(2,150,689)
Other financial liabilities	–	(147,848)	(1,787)	(1,374)	(8,113)	(12,559)	(20,400)	–	(192,081)
Total non-derivative financial liabilities	–	(16,747,158)	(1,274,848)	(2,459,077)	(7,090,262)	(7,594,535)	(464,486)	–	(35,630,366)
Net position	96,184	(15,886,395)	2,124,850	(472,797)	161,407	3,124,408	20,342,881	2,600,458	12,090,996

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

The tables below present the undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period (Continued):

	31 December 2022								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and balances with central banks	–	236,475	–	1,046	1,479	–	–	2,310,130	2,549,130
Deposits with banks and other financial institutions	–	84,380	69,226	157,741	317,966	7,459	–	–	636,772
Placements with and loans to banks and other financial institutions	–	–	214,343	89,477	197,592	8,002	1,461	–	510,875
Financial assets held under resale agreements	3,915	–	1,152,070	9,713	8,951	–	–	–	1,174,649
Loans and advances to customers	69,763	–	761,379	1,201,123	5,098,813	5,913,248	13,302,937	–	26,347,263
Financial assets at fair value through profit or loss	–	3,120	4,372	23,496	93,412	78,252	265,549	123,250	591,451
Debt instrument investments at amortized cost	1,308	–	60,167	146,879	690,483	3,111,553	5,005,895	–	9,016,285
Other debt instrument and other equity investments at fair value through other comprehensive income	121	–	56,112	110,418	440,003	708,529	610,826	4,701	1,930,710
Other financial assets	5,203	73,697	1,174	193	3,132	858	7,710	–	91,967
Total non-derivative financial assets	80,310	397,672	2,318,843	1,740,086	6,851,831	9,827,901	19,194,378	2,438,081	42,849,102
Non-derivative financial liabilities									
Borrowings from central banks	–	(33)	(112,845)	(104,746)	(697,076)	(944)	–	–	(915,644)
Deposits from banks and other financial institutions	–	(1,683,473)	(127,254)	(212,647)	(302,080)	(144,069)	–	–	(2,469,523)
Placements from banks and other financial institutions	–	(3,442)	(117,966)	(101,840)	(101,573)	(10,676)	(2,891)	–	(338,388)
Financial liabilities at fair value through profit or loss	–	(12,039)	–	–	(44)	(204)	–	–	(12,287)
Financial assets sold under repurchase agreements	–	–	(13,775)	(16,108)	(13,482)	(701)	–	–	(44,066)
Due to customers	–	(13,399,420)	(758,152)	(1,495,385)	(3,974,506)	(5,900,104)	(10,666)	–	(25,538,233)
Debt securities issued	–	–	(44,980)	(520,814)	(850,121)	(195,391)	(386,684)	–	(1,997,990)
Other financial liabilities	–	(147,414)	(1,906)	(684)	(7,447)	(11,257)	(15,560)	–	(184,268)
Total non-derivative financial liabilities	–	(15,245,821)	(1,176,878)	(2,452,224)	(5,946,329)	(6,263,346)	(415,801)	–	(31,500,399)
Net position	80,310	(14,848,149)	1,141,965	(712,138)	905,502	3,564,555	18,778,577	2,438,081	11,348,703

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 Liquidity risk (Continued)

Derivative cash flows

Derivatives settled on a net basis

The tables below present the undiscounted contractual cash flows of the Group's net derivative positions based on their remaining contractual maturities:

	30 June 2023					
	Less than 1 month	**1–3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Total**
Derivatives settled on a net basis	**781**	**771**	**(57)**	**12**	**–**	**1,507**

	31 December 2022					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Derivatives settled on a net basis	(1,392)	489	1,558	67	–	722

Derivatives settled on a gross basis

The tables below present the undiscounted contractual cash flows of the Group's gross derivative positions based on their remaining contractual maturities:

	30 June 2023					
	Less than 1 month	**1–3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Total**
Derivatives settled on a gross basis						
— Cash inflow	**495,635**	**369,287**	**639,351**	**303,274**	**65,043**	**1,872,590**
— Cash outflow	**(495,273)**	**(370,715)**	**(636,460)**	**(302,330)**	**(64,439)**	**(1,869,217)**
Total	**362**	**(1,428)**	**2,891**	**944**	**604**	**3,373**

	31 December 2022					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Derivatives settled on a gross basis						
— Cash inflow	216,726	272,243	469,123	296,445	36,192	1,290,729
— Cash outflow	(219,050)	(272,191)	(469,332)	(294,755)	(36,015)	(1,291,343)
Total	(2,324)	52	(209)	1,690	177	(614)

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.2 Liquidity risk (Continued)

Off-balance sheet items

The off-balance sheet items of the Group primarily include loan commitments, bank acceptances, credit card commitments, letters of guarantee and guarantees and letters of credit. The tables below summarize the amounts of credit commitments by remaining maturity. Financial guarantees are also included below at notional amounts and based on the earliest contractual maturity date.

	30 June 2023			
	Less than 1 year	**1–5 years**	**Over 5 years**	**Total**
Loan commitments	**91,263**	**102,846**	**139,887**	**333,996**
Bank acceptances	**733,629**	**–**	**–**	**733,629**
Credit card commitments	**840,631**	**–**	**–**	**840,631**
Letters of guarantee and guarantees	**155,707**	**166,146**	**22,877**	**344,730**
Letters of credit	**200,667**	**9,502**	**350**	**210,519**
Total	**2,021,897**	**278,494**	**163,114**	**2,463,505**

	31 December 2022			
	Less than 1 year	1–5 years	Over 5 years	Total
Loan commitments	129,074	125,563	161,004	415,641
Bank acceptances	702,237	–	–	702,237
Credit card commitments	797,219	–	–	797,219
Letters of guarantee and guarantees	155,951	156,531	16,938	329,420
Letters of credit	157,063	10,448	365	167,876
Total	1,941,544	292,542	178,307	2,412,393

47.3 Market risk

Market risk represents the potential loss arising from changes in market rates of interest and foreign exchange, as well as commodity and equity prices. Market risk arises from both the Group's proprietary positions and customer driven transactions, in both cases related to on-and off-balance sheet activities.

The Group is primarily exposed to interest rate risk through corporate, personal banking and treasury operations. Interest rate risk is inherent in many of the Group's businesses and this situation is common among large banks. It fundamentally arises through mismatches between the maturity and re-pricing dates of interest-earning assets and interest-bearing liabilities.

Foreign exchange rate risk is the potential loss related to changes in foreign exchange rates affecting the translation of foreign currency denominated assets and liabilities. The risk of loss results from movements in foreign currency exchange rates.

The Group is also exposed to commodity risk, primarily related to gold and other precious metals. The risk of loss results from movements in commodity price. The Group manages the risk related to gold price together with foreign exchange rate risk.

The Group has determined that the levels of market risk related to changes in equity prices and commodity prices other than gold, with respect to the related exposures in its trading and investment portfolios, are immaterial.

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

Segregation of Trading Book and Banking Book

To enhance the effectiveness of market risk management, as well as the accuracy of determining the levels of regulatory capital required related to market risk, the Group segregates assets and liabilities, both on-and off-balance sheet, into either the trading book or banking book. The trading book is comprised of financial instruments and commodity positions held for trading or risk hedging. Any other positions are included in the banking book.

Market Risk Management for Trading Book

The Group manages market risk in the trading book through methodologies that include Value at Risk (VaR), monitoring and management of established limits, sensitivity analysis, duration analysis, exposure analysis and stress testing.

Based on changes in the external market and business operations, the Group formulates annual financial market business risk management strategy, and further clarifies the admission standards and specific management requirements to be followed for bond trading and derivatives trading. The Group establishes market risk exposure limits, and uses the limit indicator system with VaR as the core and the market risk management system to realize the measurement and monitoring of market risk in the trading book.

The Bank has adopted an historical simulation method, with a confidence level of 99% based on holding period of 1 day and historical data for 250 days to calculate the VaR of the trading books, which includes the Head Office, domestic branches and overseas branches. Based on the differences between domestic and overseas markets, the Bank selected applicable parameters for model and risk factors in order to reflect the actual market risk levels. The Bank verified the accuracy and reliability of market risk measurement models through data analysis, parallel modeling, and back-testing of the market risk measurement models.

VaR Analysis for the Trading Book

Bank

		Six months ended 30 June 2023			
	Note	**At the end of the period**	**Average**	**Maximum**	**Minimum**
Interest rate risk		**66**	**64**	**78**	**54**
Exchange rate risk	(1)	**178**	**194**	**219**	**120**
Commodity risk		**37**	**32**	**39**	**21**
Overall VaR		**229**	**201**	**229**	**142**

		Six months ended 30 June 2022			
	Note	At the end of the period	Average	Maximum	Minimum
Interest rate risk		39	40	61	29
Exchange rate risk	(1)	24	62	179	11
Commodity risk		27	39	60	27
Overall VaR		62	86	174	55

(1) VaR related to gold is recognized as a component of foreign exchange rate risk.

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

Market Risk Management for Trading Book *(Continued)*

VaR Analysis for the Trading Book (Continued)

The Bank calculates VaR for its trading book (excluding RMB foreign currency settlement contracts with customers under relevant regulations). The Bank conducts stress testing for its trading book quarterly. The specific areas subject to this testing include the major areas of exposure, such as bonds, interest rate derivatives, foreign exchange derivatives and precious metal. The stress testing uses a range of scenarios to assess the potential impact on profit and loss.

Market Risk Management for Banking Book

The Group manages market risk related to the banking book by consistently applying techniques across the Group that include exposure limit management, stress testing, scenario analysis and gap analysis.

Interest Rate Risk Management

Interest rate risk refers to the risk that the adverse changes in interest rate levels and maturity structures will cause the economic value of the banking book or overall income to suffer losses. The Bank's book interest rate risk mainly comes from the mismatch of maturity or repricing periods of interest-sensitive assets and liabilities in the Bank's book and the inconsistent changes in the benchmark interest rate on which assets and liabilities are based.

Since the People's Bank of China's RMB Loan Prime Rate (LPR) reform, the Bank has implemented relevant policies in accordance with regulatory requirements, promoted business system transformation, modified system loan contracts, improved internal and external interest rate pricing mechanisms, strengthened staff training for branches, comprehensively promoted LPR applications, and basically realized the entire system and the entire process of loan pricing application of LPR pricing. After the People's Bank of China reforms LPR, the connection between the benchmark interest rate on loans and the market interest rate will be closer, and the frequency and amplitude of volatility will increase relatively. To this end, the Bank strengthened the monitoring and prejudgment of the external interest rate environment, adjusted internal and external pricing strategies in a timely manner, optimized the asset and liability product structure and maturity structure, and proactively adjusted the risk structure to reduce the economic value and overall impact of interest rate changes and the adverse impact of earnings. During the reporting period, the Bank's interest rate risk level was generally stable, and all quota indicators were controlled within the scope of regulatory requirements and management objectives.

Foreign Exchange Rate Risk Management

Foreign exchange rate risk relates to the mismatch of foreign currency denominated assets and liabilities, and the potential loss related to changes in foreign exchange rates, which largely arises through operational activities.

The Group performs monitoring and sensitivity analysis of foreign exchange rate risk exposure, manages the mismatch of foreign currency denominated assets and liabilities to effectively manage foreign exchange rate risk exposure within acceptable limits.

Market Risk Exposure Limit Management

Market risk exposure limits of the Group are classified as either directive limits or indicative limits, including position limits, stop-loss limits, VaR limits, and stress testing limits.

The Group is committed to continuous improvement of its market risk exposure limit management. The Group establishes exposure limits reflecting its risk appetite and continuously refines the categorization of market risk exposure limits. Further, it regularly monitors, reports, refines, and implements improvements to the market risk exposure limit process.

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

Foreign exchange rate risk

The Group primarily conducts its business activities in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent, other currencies.

The composition of all financial assets and liabilities at the end of each reporting period analyzed by currency is as follows:

	30 June 2023				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,904,819	108,256	999	25,897	3,039,971
Deposits with banks and other financial institutions	852,658	45,902	2,232	34,351	935,143
Placements with and loans to banks and other financial institutions	199,721	179,468	59,359	19,016	457,564
Derivative financial assets	33,716	3,502	4,149	8,144	49,511
Financial assets held under resale agreements	1,885,228	–	–	–	1,885,228
Loans and advances to customers	20,357,567	352,935	72,969	131,594	20,915,065
Financial assets at fair value through profit or loss	522,542	15,030	1,759	1,282	540,613
Debt instrument investments at amortized cost	7,647,621	113,584	10,385	10,735	7,782,325
Other debt instrument and other equity investments at fair value through other comprehensive income	1,407,494	267,816	11,702	58,244	1,745,256
Other financial assets	194,634	8,474	2,521	1,207	206,836
Total financial assets	36,006,000	1,094,967	166,075	290,470	37,557,512
Borrowings from central banks	(1,054,769)	–	–	(1,790)	(1,056,559)
Deposits from banks and other financial institutions	(2,901,413)	(43,353)	(27,363)	(3,800)	(2,975,929)
Placements from banks and other financial institutions	(98,183)	(235,700)	(41,574)	(25,443)	(400,900)
Financial liabilities at fair value through profit or loss	(11,589)	(43)	(48)	–	(11,680)
Derivative financial liabilities	(33,035)	(2,438)	(4,768)	(3,972)	(44,213)
Financial assets sold under repurchase agreements	(12,098)	(32,852)	–	(11,228)	(56,178)
Due to customers	(27,476,040)	(686,246)	(35,230)	(33,537)	(28,231,053)
Debt securities issued	(1,702,653)	(241,133)	(27,080)	(30,210)	(2,001,076)
Other financial liabilities	(170,978)	(15,713)	(1,655)	(1,661)	(190,007)
Total financial liabilities	(33,460,758)	(1,257,478)	(137,718)	(111,641)	(34,967,595)
Net on-balance sheet position	2,545,242	(162,511)	28,357	178,829	2,589,917
Net notional amount of derivatives	169,119	172,317	2,555	(156,410)	187,581
Loan commitments and financial guarantee contracts	2,192,602	159,780	2,063	109,060	2,463,505

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

***Foreign exchange rate risk** (Continued)*

The composition of all financial assets and liabilities at the end of each reporting period analyzed by currency is as follows (Continued):

	31 December 2022				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,451,239	62,050	2,493	33,348	2,549,130
Deposits with banks and other financial institutions	556,431	40,426	3,514	30,514	630,885
Placements with and loans to banks and other financial institutions	226,596	201,279	48,943	23,512	500,330
Derivative financial assets	22,433	3,242	2,466	2,574	30,715
Financial assets held under resale agreements	1,172,187	–	–	–	1,172,187
Loans and advances to customers	18,512,313	310,569	68,962	89,129	18,980,973
Financial assets at fair value through profit or loss	509,877	10,355	793	1,032	522,057
Debt instrument investments at amortized cost	7,169,086	120,139	4,216	12,559	7,306,000
Other debt instrument and other equity investments at fair value through other comprehensive income	1,399,333	226,214	6,924	69,635	1,702,106
Other financial assets	80,490	3,120	2,656	1,130	87,396
Total financial assets	32,099,985	977,394	140,967	263,433	33,481,779
Borrowings from central banks	(899,455)	–	–	(1,661)	(901,116)
Deposits from banks and other financial institutions	(2,390,553)	(30,949)	(26,589)	(11,087)	(2,459,178)
Placements from banks and other financial institutions	(78,693)	(191,969)	(40,088)	(23,005)	(333,755)
Financial liabilities at fair value through profit or loss	(12,243)	–	(44)	–	(12,287)
Derivative financial liabilities	(23,656)	(2,083)	(2,019)	(3,246)	(31,004)
Financial assets sold under repurchase agreements	(11,855)	(23,671)	–	(8,253)	(43,779)
Due to customers	(24,461,622)	(581,718)	(30,946)	(46,754)	(25,121,040)
Debt securities issued	(1,559,352)	(253,818)	(20,772)	(35,456)	(1,869,398)
Other financial liabilities	(165,085)	(15,027)	(2,044)	(1,243)	(183,399)
Total financial liabilities	(29,602,514)	(1,099,235)	(122,502)	(130,705)	(30,954,956)
Net on-balance sheet position	2,497,471	(121,841)	18,465	132,728	2,526,823
Net notional amount of derivatives	146,496	119,764	4,936	(120,394)	150,802
Loan commitments and financial guarantee contracts	2,149,291	213,226	12,193	37,683	2,412,393

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

The table below indicates the potential effect on profit before tax and other comprehensive income arising from a 5% appreciation or depreciation of RMB spot and forward foreign exchange rates against a basket of all other currencies on the net positions of foreign currency monetary assets and liabilities and derivative instruments in the consolidated interim statement of financial position of the Group.

	30 June 2023		31 December 2022	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
5% appreciation	(3,487)	561	(2,265)	629
5% depreciation	3,487	(561)	2,265	(629)

The effect on profit before tax and other comprehensive income is calculated based on the assumption that the Group's foreign currency sensitive exposures and foreign currency derivative instruments net position at the end of each reporting period remain unchanged. The Group mitigates its foreign exchange rate risk through active management of its foreign currency exposures and the appropriate use of derivative instruments, based on management expectation of future foreign currency exchange rate movements. Such analysis does not take into account the correlation effect of changes in different foreign currencies, nor any further actions that could be taken by management to mitigate the effect of foreign exchange differences. Therefore, the sensitivity analysis above may differ from actual results occurring through changes in foreign exchange rates.

Interest rate risk

The Group's interest rate risk arises from the mismatches between contractual maturities or re-pricing dates of interest-generating assets and interest-bearing liabilities, as well as the inconsistent variations in the benchmark interest rate on which the assets and liabilities are based. The Group's interest-generating assets and interest-bearing liabilities are primarily denominated in RMB. The PBOC stipulated the benchmark interest rate for RMB deposits. The deposit interest rate floating ceiling was removed by the PBOC with effect from 24 December 2015 for commercial banks. Since 16 August 2019, the PBOC established LPR to replace RMB benchmark interest rates for loan as a pricing benchmark of new loan whereby financial institutions are in a position to price their loans based on commercial and market factors.

The Group manages its interest rate risk by:

— Strengthen the pre-judgment of the situation and analyze the macroeconomic factors that may affect the LPR interest rate, the benchmark deposit interest rate and the market interest rate;

— Strengthen strategy transmission and optimize the repricing term structure of interest-earning assets and interest-bearing liabilities;

— Implement limit management to control the impact of interest rate changes on the economic value and overall income of banking books within the limits.

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

Interest rate risk (Continued)

The tables below summarize the contractual maturity or re-pricing date, whichever is earlier, of the Group's financial assets and financial liabilities at the end of each reporting period:

	30 June 2023						
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	2,759,776	–	6,350	–	–	273,845	3,039,971
Deposits with banks and other financial institutions	361,007	193,614	362,744	9,113	–	8,665	935,143
Placements with and loans to banks and other financial institutions	189,888	122,697	126,773	15,135	–	3,071	457,564
Derivative financial assets	–	–	–	–	–	49,511	49,511
Financial assets held under resale agreements	1,872,387	2,456	6,007	–	–	4,378	1,885,228
Loans and advances to customers	3,980,890	3,174,215	12,296,333	1,006,764	406,978	49,885	20,915,065
Financial assets at fair value through profit or loss	15,033	20,401	91,740	41,492	235,230	136,717	540,613
Debt instrument investments at amortized cost	91,939	170,909	439,930	2,313,661	4,626,838	139,048	7,782,325
Other debt instrument and other equity investments at fair value through other comprehensive income	119,599	175,764	273,991	572,421	580,646	22,835	1,745,256
Other financial assets	–	–	–	–	–	206,836	206,836
Total financial assets	9,390,519	3,860,056	13,603,868	3,958,586	5,849,692	894,791	37,557,512
Borrowings from central banks	(17,314)	(188,191)	(836,342)	(591)	–	(14,121)	(1,056,559)
Deposits from banks and other financial institutions	(2,049,114)	(269,892)	(494,286)	(145,890)	–	(16,747)	(2,975,929)
Placements from banks and other financial institutions	(178,435)	(130,343)	(81,493)	(5,660)	(2,041)	(2,928)	(400,900)
Financial liabilities at fair value through profit or loss	(43)	–	(48)	(211)	–	(11,378)	(11,680)
Derivative financial liabilities	–	–	–	–	–	(44,213)	(44,213)
Financial assets sold under repurchase agreements	(27,950)	(8,898)	(19,047)	–	–	(283)	(56,178)
Due to customers	(15,354,921)	(1,314,213)	(4,531,038)	(6,618,828)	(15,131)	(396,922)	(28,231,053)
Debt securities issued	(191,283)	(518,637)	(822,075)	(102,096)	(359,945)	(7,040)	(2,001,076)
Other financial liabilities	–	–	–	–	–	(190,007)	(190,007)
Total financial liabilities	(17,819,060)	(2,430,174)	(6,784,329)	(6,873,276)	(377,117)	(683,639)	(34,967,595)
Interest rate gap	(8,428,541)	1,429,882	6,819,539	(2,914,690)	5,472,575	211,152	2,589,917

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

Interest rate risk (Continued)

The tables below summarize the contractual maturity or re-pricing date, whichever is earlier, of the Group's financial assets and financial liabilities at the end of each reporting period (Continued):

	31 December 2022						
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	2,290,703	–	1,479	–	–	256,948	2,549,130
Deposits with banks and other financial institutions	145,656	155,047	313,789	6,714	–	9,679	630,885
Placements with and loans to banks and other financial institutions	215,067	94,572	184,103	3,808	–	2,780	500,330
Derivative financial assets	–	–	–	–	–	30,715	30,715
Financial assets held under resale agreements	1,148,899	9,648	8,823	–	–	4,817	1,172,187
Loans and advances to customers	4,367,833	2,990,459	10,388,924	780,984	409,853	42,920	18,980,973
Financial assets at fair value through profit or loss	4,712	27,798	89,739	36,243	204,647	158,918	522,057
Debt instrument investments at amortized cost	54,222	125,806	502,088	2,378,345	4,110,472	135,067	7,306,000
Other debt instrument and other equity investments at fair value through other comprehensive income	67,249	125,564	394,577	575,672	518,612	20,432	1,702,106
Other financial assets	–	–	–	–	–	87,396	87,396
Total financial assets	8,294,341	3,528,894	11,883,522	3,781,766	5,243,584	749,672	33,481,779
Borrowings from central banks	(109,923)	(102,708)	(678,938)	–	–	(9,547)	(901,116)
Deposits from banks and other financial institutions	(1,800,732)	(206,070)	(295,798)	(138,920)	–	(17,658)	(2,459,178)
Placements from banks and other financial institutions	(120,034)	(100,254)	(100,017)	(8,851)	(2,572)	(2,027)	(333,755)
Financial liabilities at fair value through profit or loss	–	–	(44)	(204)	–	(12,039)	(12,287)
Derivative financial liabilities	–	–	–	–	–	(31,004)	(31,004)
Financial assets sold under repurchase agreements	(13,749)	(15,924)	(13,198)	(699)	–	(209)	(43,779)
Due to customers	(14,110,126)	(1,436,280)	(3,803,857)	(5,378,056)	(9,115)	(383,606)	(25,121,040)
Debt securities issued	(56,638)	(536,873)	(819,900)	(110,345)	(335,028)	(10,614)	(1,869,398)
Other financial liabilities	–	–	–	–	–	(183,399)	(183,399)
Total financial liabilities	(16,211,202)	(2,398,109)	(5,711,752)	(5,637,075)	(346,715)	(650,103)	(30,954,956)
Interest rate gap	(7,916,861)	1,130,785	6,171,770	(1,855,309)	4,896,869	99,569	2,526,823

The following table illustrates the potential pre-tax impact, of a parallel upward or downward shift of 100 basis points in relevant interest rate curves on the Group's net interest income and other comprehensive income for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets and interest-bearing liabilities at the end of each reporting period. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparalleled yield curve movements.

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behavior, basis risk or any prepayment options on debt securities into consideration.

(Amounts in millions of Renminbi, unless otherwise stated)

47 FINANCIAL RISK MANAGEMENT (Continued)

47.3 Market risk (Continued)

***Interest rate risk** (Continued)*

The sensitivity analysis on other comprehensive income reflects only the effect of changes in fair value of those financial instruments classified as other debt instrument investments and other equity investments at fair value through other comprehensive income held, whose fair value changes are recorded as an element of other comprehensive income.

	30 June 2023		31 December 2022	
	Net interest income	**Other comprehensive income**	Net interest income	Other comprehensive income
+100 basis points	**(43,285)**	**(62,752)**	(43,303)	(59,146)
−100 basis points	**43,285**	**62,752**	43,303	59,146

The assumptions do not reflect actions that might be taken under the Group's capital and interest rate risk management policy to mitigate changes to the Group's interest rate risk. Therefore the above analysis may differ from the actual situation.

In addition, the presentation of interest rate sensitivity above is for illustration purposes only, showing the potential impact on net interest income and other comprehensive income of the Group under different parallel yield curve movements, relative to their position at period-end, excluding the derivative positions.

47.4 Country Risk

Country risk represents the risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which results in the borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Bank or otherwise leads to business losses or other losses to the Bank in that country or region.

According to the regulatory requirements of NAFR, the Group managed country risk through tools and approaches such as country risk rating, limit approval, exposure analysis and stress testing. In the meanwhile, the Group fully considered the impact of country risk on asset quality, accurately identified, reasonably assessed and prudently estimated the asset loss that may be caused by country risk. Corresponding provisions were also made for country risk impairment.

47.5 Insurance risk

The Group engages in its insurance business primarily in Chinese mainland. Insurance risk refers to the financial impact resulting from the unexpected occurrence of insured events. These risks are actively managed by the Group through effective sales management, underwriting control, reinsurance management and claim management. Through effective sales management, the risk of mis-selling could be reduced and the accuracy of information used for underwriting is improved. Through underwriting control, risk of adverse selection could be reduced and moreover differential pricing policy based on the level of each kind of risk could be utilized. Through reinsurance, the Group's insurance capacity could be enhanced and targeted risks could be mitigated. Effective claims management is designed to ensure that insurance payments are controlled according to established criteria.

Uncertainty in the estimation of future benefit payments and premium receipts for long-term life insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality. The Group conducts experience analysis of mortality rate and surrender rate, in order to improve its risk assessment and as a basis for reasonable estimates.

48 CAPITAL MANAGEMENT

The Group's capital management objectives are as follows:

— maintain an adequate capital base to support the development of its business;

— support the Group's financial stability and profitable growth;

— allocate capital through an efficient and risk based approach to optimize risk-adjusted return to shareholders; and

— safeguard the long-term sustainability of the Group's franchise so that it can continue to provide sufficient shareholder returns and benefits for other stakeholders.

The "Capital Rules for Commercial Banks (Provisional)" issued by the NAFR in 2012 includes, among other things, requirements for minimum capital, capital conservation buffer, additional capital surcharge for systemically important banks, countercyclical buffer and Pillar II capital as follows:

— minimum regulatory requirements for Common Equity Tier-one Capital Adequacy Ratio, Tier-one Capital Adequacy Ratio and Capital Adequacy Ratio are 5%, 6% and 8%, respectively;

— capital conservation buffer requires additional 2.5% of Common Equity Tier-one Capital Adequacy Ratio;

— additional capital surcharge for systemically important banks requires additional 1% of Common Equity Tier-one Capital Adequacy Ratio;

— should the regulators require countercyclical buffer under particular circumstances or regulators impose additional Pillar II capital requirements for specific banks, these requirements shall be met within the specified time limits.

In April 2014, the NAFR officially approved the Group to adopt advanced capital management approach. Within the scope of the approval, the Internal Ratings-Based approach is adopted to Credit Risk-weighted Assets for both retail and non-retail risk exposures, and the Standardized approach for both Operational Risk-weighted Assets and Market Risk-weighted Assets. The NAFR will determine the parallel run period for the Group, which should last for at least three years. During the parallel run period, the Group should calculate its Capital Adequacy Ratios under the advanced approach and the non-advanced approach, and should conform to the capital floor requirements as stipulated in the "Capital Rules for Commercial Banks (Provisional)".

In January 2017, the NAFR has officially approved the Group to adopt the Internal Models approach to measure its Market Risk-weighted Assets for qualified risk exposures.

Capital adequacy and the utilization of regulatory capital are closely monitored by the Group's management in accordance with the guidelines developed by the Basel Committee and relevant regulations promulgated by the NAFR. Required information related to capital levels and utilization is filed quarterly with the NAFR.

(Amounts in millions of Renminbi, unless otherwise stated)

48 CAPITAL MANAGEMENT (Continued)

The Group's capital adequacy ratio calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the NAFR as at the end of the reporting period is as follows:

	Notes	30 June 2023	31 December 2022
Common Equity Tier-one Capital Adequacy Ratio	(1)	**10.40%**	11.15%
Tier-one Capital Adequacy Ratio	(1)	**12.42%**	13.37%
Capital Adequacy Ratio	(1)	**16.25%**	17.20%
Common Equity Tier-one Capital	(2)	**2,274,509**	2,228,589
Deductible Items from Common Equity Tier-one Capital	(3)	**(13,763)**	(12,977)
Net Common Equity Tier-one Capital		**2,260,746**	2,215,612
Additional Tier-one Capital	(4)	**440,009**	440,009
Net Tier-one Capital		**2,700,755**	2,655,621
Tier-two Capital	(5)	**831,424**	760,728
Net Capital		**3,532,179**	3,416,349
Risk-weighted Assets	(6)	**21,737,688**	19,862,505

Pursuant to the "Capital Rules for Commercial Banks (Provisional)":

(1) The scope of consolidation related to the calculation of the Group's Capital Adequacy Ratios includes Domestic Institutions, Overseas Institutions and affiliated financial subsidiaries specified in the Regulation.

The Common Equity Tier-one Capital Adequacy Ratio is calculated as Net Common Equity Tier-one Capital divided by Risk-weighted Assets. The Tier-one Capital Adequacy Ratio is calculated as Net Tier-one Capital divided by Risk-weighted Assets. The Capital Adequacy Ratio is calculated as Net Capital divided by Risk-weighted Assets.

(2) The Group's Common Equity Tier-one Capital includes: ordinary share capital, capital reserve (subject to regulatory limitations), surplus reserve, general reserve, retained earnings, non-controlling interests (to the extent permitted in the Common Equity Tier-one Capital under the Regulation), and the foreign currency translation reserve, etc.

(3) The Group's Deductible Items from Common Equity Tier-one Capital include: other intangible assets (excluding land-use rights), and Common Equity Tier-one Capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope for the Capital Adequacy Ratios calculation.

(4) The Group's Additional Tier-one Capital includes: other equity instruments issued and non-controlling interests (to the extent permitted in the Additional Tier-one Capital definition under the Regulation).

(5) The Group's Tier-two Capital includes: Tier-two capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and minority interests (to the extent permitted in the Tier-two Capital definition under the Regulation).

(6) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS

The majority of the Group's assets and liabilities in the condensed consolidated interim statement of financial position are financial assets and financial liabilities. Fair value measurement of non-financial assets and non-financial liabilities do not have a material impact on the Group's financial position and operations, taken as a whole.

The Group does not have any financial assets or financial liabilities subject to non-recurring fair value measurements for the six months ended 30 June 2023 and the year ended 31 December 2022.

49.1 Valuation technique, input and process

The fair value of the Group's financial assets and financial liabilities are determined as follows:

— If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

— If not traded in active markets, fair values of financial assets and financial liabilities are determined by using valuation techniques. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models.

The Group has established an independent valuation process for financial assets and financial liabilities. The Financial Accounting Department of head office establishes the valuation models for financial assets and financial liabilities of head office and its branches in China and independently implements the valuation on a regular basis; and the Risk Management Department is responsible for validating the valuation model, the Operations Department records the accounting for these items. Overseas branches and sub-branches designate departments or personnel that are independent from the front trading office to perform valuation in accordance with the local regulatory requirements and their own department settings.

The Board of Directors shall be responsible for establishing and improving the internal control system related to the valuation of financial instruments and approving valuation policies.

For the six months ended 30 June 2023, there was no significant change in the valuation techniques or inputs used to determine fair value measurements.

49.2 Fair value hierarchy

The level in which fair value measurement is categorized is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and

Level 3: fair value measurements are not based on observable market data.

(Amounts in millions of Renminbi, unless otherwise stated)

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.3 Financial assets and financial liabilities not measured at fair value in the condensed consolidated interim statement of financial position

The tables below summarize the carrying amounts and fair values of those financial assets and financial liabilities not measured in the condensed consolidated interim statement of financial position at their fair value. Financial assets and financial liabilities for which the carrying amounts approximate fair value, such as balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers, receivable from the MOF, special government bond, borrowings from central banks, deposits and placements from banks and other financial institutions, due to customers, financial assets sold under repurchase agreements and certificates of deposit issued, interbank certificate of deposits issued and commercial papers issued are not included in the tables below.

	30 June 2023				
			Among:		
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Debt instrument investments at amortized cost (excluding receivable from the MOF and special government bond)	**7,350,366**	**7,591,349**	**67,380**	**7,450,534**	**73,435**
Financial liabilities					
Bonds issued	**506,717**	**505,086**	**54,661**	**450,425**	**–**

	31 December 2022				
			Among:		
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Debt instrument investments at amortized cost (excluding receivable from the MOF and special government bond)	6,878,808	7,040,956	76,954	6,878,799	85,203
Financial liabilities					
Bonds issued	487,477	484,583	53,371	431,212	–

(Amounts in millions of Renminbi, unless otherwise stated)

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.4 Financial assets and financial liabilities measured at fair value in the condensed consolidated interim statement of financial position

The tables below summarize the fair values of the financial assets and financial liabilities measured in the condensed consolidated interim statement of financial position at their fair value:

	30 June 2023			
	Level 1	Level 2	Level 3	Total
Derivative financial assets				
— Exchange rate derivatives	–	44,573	–	44,573
— Interest rate derivatives	–	3,188	–	3,188
— Precious metal derivatives and others	–	1,750	–	1,750
Subtotal	–	49,511	–	49,511
Loans and advances to customers				
— Discounted bills and forfeiting	–	1,000,370	–	1,000,370
Subtotal	–	1,000,370	–	1,000,370
Financial investments				
Financial assets at fair value through profit or loss				
— Held for trading				
Bonds	7,023	142,196	–	149,219
Precious metal contracts	–	14,139	–	14,139
Equity	6,858	404	–	7,262
Fund and others	8,235	–	–	8,235
— Other financial assets at fair value through profit or loss				
Bonds	–	198,994	1,938	200,932
Equity	7,917	11,474	93,036	112,427
Fund and others	21	25,086	22,482	47,589
— Financial assets designated at fair value through profit or loss				
Bonds	769	41	–	810
Subtotal	30,823	392,334	117,456	540,613
Other debt instruments and other equity investments at fair value through other comprehensive income				
— Debt instruments				
Bonds	236,419	1,492,074	–	1,728,493
Others	–	9,950	900	10,850
— Equity instruments	2,431	–	3,482	5,913
Subtotal	238,850	1,502,024	4,382	1,745,256
Total assets	269,673	2,944,239	121,838	3,335,750

(Amounts in millions of Renminbi, unless otherwise stated)

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.4 Financial assets and financial liabilities measured at fair value in the condensed consolidated interim statement of financial position (Continued)

The tables below summarize the fair values of the financial assets and financial liabilities measured in the condensed consolidated interim statement of financial position at their fair value (Continued):

	30 June 2023			
	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Held for trading				
— Financial liabilities related to precious metals	–	(11,378)	–	(11,378)
Financial liabilities designated at fair value through profit or loss				
— Liabilities of the controlled structured entities	–	–	(259)	(259)
— Others	–	(43)	–	(43)
Subtotal	–	(11,421)	(259)	(11,680)
Derivative financial liabilities				
— Exchange rate derivatives	–	(36,859)	–	(36,859)
— Interest rate derivatives	–	(1,292)	–	(1,292)
— Precious metal derivatives and others	–	(6,062)	–	(6,062)
Subtotal	–	(44,213)	–	(44,213)
Due to customers				
Due to customers measured at fair value through profit or loss	–	(11,533)	–	(11,533)
Total liabilities	–	(67,167)	(259)	(67,426)

(Amounts in millions of Renminbi, unless otherwise stated)

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.4 Financial assets and financial liabilities measured at fair value in the condensed consolidated interim statement of financial position (Continued)

The tables below summarize the fair values of the financial assets and financial liabilities measured in the condensed consolidated interim statement of financial position at their fair value (Continued):

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Derivative financial assets				
— Exchange rate derivatives	–	26,850	–	26,850
— Interest rate derivatives	–	2,512	–	2,512
— Precious metal derivatives and others	–	1,353	–	1,353
Subtotal	–	30,715	–	30,715
Loans and advances to customers				
— Discounted bills and forfeiting	–	1,344,182	–	1,344,182
Subtotal	–	1,344,182	–	1,344,182
Financial investments				
Financial assets at fair value through profit or loss				
— Held for trading				
Bonds	5,933	120,665	–	126,598
Precious metal contracts	–	17,988	–	17,988
Equity	5,345	445	–	5,790
Fund and others	5,493	–	–	5,493
— Other financial assets at fair value through profit or loss				
Bonds	–	204,056	1,041	205,097
Equity	8,120	12,475	91,307	111,902
Fund and others	543	25,900	21,496	47,939
— Financial assets designated at fair value through profit or loss				
Bonds	1,210	40	–	1,250
Subtotal	26,644	381,569	113,844	522,057
Other debt instruments and other equity investments at fair value through other comprehensive income				
— Debt instruments				
Bonds	213,030	1,473,792	–	1,686,822
Others	–	10,583	–	10,583
— Equity instruments	1,230	–	3,471	4,701
Subtotal	214,260	1,484,375	3,471	1,702,106
Total assets	240,904	3,240,841	117,315	3,599,060

(Amounts in millions of Renminbi, unless otherwise stated)

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.4 Financial assets and financial liabilities measured at fair value in the condensed consolidated interim statement of financial position (Continued)

The tables below summarize the fair values of the financial assets and financial liabilities measured in the condensed consolidated interim statement of financial position at their fair value (Continued):

	31 December 2022			
	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Held for trading				
— Financial liabilities related to precious metals	–	(12,039)	–	(12,039)
Financial liabilities designated at fair value through profit or loss				
— Liabilities of the controlled structured entities	–	–	(248)	(248)
Subtotal	–	(12,039)	(248)	(12,287)
Derivative financial liabilities				
— Exchange rate derivatives	–	(26,253)	–	(26,253)
— Interest rate derivatives	–	(871)	–	(871)
— Precious metal derivatives and others	–	(3,880)	–	(3,880)
Subtotal	–	(31,004)	–	(31,004)
Due to customers				
Due to customers measured at fair value through profit or loss	–	(27,340)	–	(27,340)
Total liabilities	–	(70,383)	(248)	(70,631)

Substantially all financial instruments classified within Level 2 of the fair value hierarchy are debt investments, currency forwards, currency swaps, interest rate swaps, currency options, precious metal contracts, and structured deposit measured at fair value. Fair value of debt investments denominated in RMB is determined based upon the valuation published by the China Central Depository & Clearing Co., Ltd. Fair value of debt investments denominated in foreign currencies is determined based upon the valuation results published by Bloomberg. The fair value of currency forwards, currency swaps, interest rate swaps, currency options and structured deposit measured at fair value are calculated by applying discounted cash flow analysis or the Black Scholes Pricing Model. The fair value of precious metal contracts that are related to the Group's trading activities is determined with reference to the relevant observable market parameters. All significant inputs are observable in the market.

(Amounts in millions of Renminbi, unless otherwise stated)

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.4 Financial assets and financial liabilities measured at fair value in the condensed consolidated interim statement of financial position (Continued)

Level 3 financial assets of the Group mainly represented unlisted equity investments. As not all of the inputs needed to estimate the fair value of these assets and liabilities are observable, the Group classified these investment products within Level 3 of the fair value measurement hierarchy. The significant unobservable inputs related to these assets and liabilities are those parameter relating to credit risk, liquidity and discount rate. Management has made assumptions on unobservable inputs based on observed indicators of impairment, significant changes in yield, external credit ratings and comparable credit spreads, but the fair value of these underlying assets and liabilities could be different from those disclosed.

The reconciliation of Level 3 classified financial assets and financial liabilities presented at fair value in the condensed consolidated interim statement of financial position is as follows:

	Six months ended 30 June 2023		
	Financial assets at fair value through profit or loss	Other debt instrument and other equity investments at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss
1 January 2023	113,844	3,471	(248)
Purchases	7,384	901	–
Settlements/disposals/transfer out of Level 3	(4,729)	–	–
Total gain/(loss) recognized in			
— Profit or loss	957	(244)	(11)
— Other comprehensive income	–	254	–
30 June 2023	117,456	4,382	(259)
Change in unrealized profit or loss for the period included in profit or loss for assets/liabilities held at the end of the period	1,247	–	–

(Amounts in millions of Renminbi, unless otherwise stated)

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

49.4 Financial assets and financial liabilities measured at fair value in the condensed consolidated interim statement of financial position (Continued)

The reconciliation of Level 3 classified financial assets and financial liabilities presented at fair value in the condensed consolidated interim statement of financial position is as follows (Continued):

	2022		
	Financial assets at fair value through profit or loss	Other debt instrument and other equity investments at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss
1 January 2022	98,841	3,424	(214)
Purchases	33,970	38	–
Settlements/disposals/transfer out of level 3	(19,401)	(1)	–
Total gain/(loss) recognized in			
— Profit or loss	434	243	(34)
— Other comprehensive income	–	(233)	–
31 December 2022	113,844	3,471	(248)
Change in unrealized profit or loss for the year included in profit or loss for assets/liabilities held at the end of the year	523	–	–

In Level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the period are presented in net gain on financial investments (Note 9) of the condensed consolidated interim income statement.

50 EVENTS AFTER THE REPORTING PERIOD

50.1 The distribution of dividend on preference shares

A cash dividend at the dividend rate of 5.32% per annum related to the first tranche of preference shares amounting to RMB2,128 million (tax included) in total was approved at the Board of Directors' Meeting held on 29 August 2023 and will be distributed on 6 November 2023.

50.2 The distribution payment of undated capital bonds

A distribution payment related to the Agricultural Bank of China Limited 2019 Undated Additional Tier 1 Capital Bonds (Series 1), at the distribution rate of 4.39% with the total amount of RMB85,000 million, amounting to RMB3,732 million in total was distributed on 20 August 2023.

A distribution payment related to the Agricultural Bank of China Limited 2020 Undated Additional Tier 1 Capital Bonds (Series 2), at the distribution rate of 4.50% with the total amount of RMB35,000 million, amounting to RMB1,575 million in total was distributed on 24 August 2023.

50.3 The issuance of undated capital bonds

In August 2023, the Bank issued Agricultural Bank of China Limited 2023 Undated Additional Tier 1 Capital Bonds (Series 1) with the total amount of RMB40 billion. The proceeds from the issuance of the bonds will be used to replenish the Bank's additional Tier 1 capital.

According to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Banking (Disclosure) Rules, the Group discloses the following supplementary information:

1 LIQUIDITY COVERAGE RATIOS

	Three months ended	
	30 June 2023	**31 March 2023**
Average Liquidity Coverage Ratio	**126.5%**	**124.5%**

The liquidity coverage ratios were also in accordance with the Rules on Liquidity Risk Management of Commercial Banks issued by the NAFR and applicable calculation requirements, and based on the data determined under the PRC GAAP.

2 CURRENCY CONCENTRATIONS

	Equivalent in millions of RMB			
	USD	**HKD**	**Other**	**Total**
30 June 2023				
Spot assets	**1,242,614**	**171,942**	**299,997**	**1,714,553**
Spot liabilities	**(1,400,616)**	**(137,354)**	**(135,617)**	**(1,673,587)**
Forward purchases	**1,243,683**	**50,564**	**120,657**	**1,414,904**
Forward sales	**(1,030,166)**	**(48,009)**	**(278,288)**	**(1,356,463)**
Net options position	**(41,200)**	**–**	**1,221**	**(39,979)**
Net long position	**14,315**	**37,143**	**7,970**	**59,428**
Net structural position	**4,086**	**3,116**	**3,668**	**10,870**
31 December 2022				
Spot assets	1,045,044	141,948	263,427	1,450,419
Spot liabilities	(1,143,263)	(120,483)	(127,830)	(1,391,576)
Forward purchases	956,920	31,985	76,449	1,065,354
Forward sales	(827,280)	(27,049)	(196,765)	(1,051,094)
Net options position	(9,876)	–	(78)	(9,954)
Net long position	21,545	26,401	15,203	63,149
Net structural position	4,162	3,725	4,138	12,025

(Amounts in millions of Renminbi, unless otherwise stated)

3 OVERDUE AND RESCHEDULED ASSETS

(1) Gross carrying amount of overdue loans and advances to customers

	30 June 2023	31 December 2022
Overdue		
Within 3 months	**87,744**	103,332
Between 3 and 6 months	**32,682**	29,203
Between 6 and 12 months	**39,651**	25,301
Over 12 months	**54,681**	55,003
Total	**214,758**	212,839
Percentage of overdue loans and advances to customers in total loans		
Within 3 months	**0.40%**	0.52%
Between 3 and 6 months	**0.15%**	0.15%
Between 6 and 12 months	**0.18%**	0.13%
Over 12 months	**0.26%**	0.28%
Total	**0.99%**	1.08%

(2) Rescheduled loans and advances to customers

	30 June 2023	31 December 2022
Total rescheduled loans and advances to customers	**21,613**	19,625
Including: rescheduled loans and advances to customers overdue for not more than 3 months	**160**	1,147
Percentage of rescheduled loans and advances to customers overdue for not more than 3 months in total loans	**0.00%**	0.01%

(3) Gross carrying amount of overdue placements with and loans to banks and other financial institutions.

As at 30 June 2023 and 31 December 2022, the Group's gross carrying amounts of overdue placements with and loans to banks and other financial institutions were not significant.

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