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中国农业银行

AGRICULTURAL BANK OF CHINA

AGRICULTURAL BANK OF CHINA LIMITED

中國農業銀行股份有限公司

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

(Stock Code: 1288)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

Agricultural Bank of China Limited (the “**Bank**”) is pleased to announce the unaudited interim results of the Bank and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2022. This announcement contains the interim report of the Bank for the six months ended 30 June 2022, the contents of which have been prepared in accordance with the relevant disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”). The interim financial information of the Group for the six months ended 30 June 2022 has been reviewed by KPMG in accordance with International Standard on Review Engagements 2410. The interim results have also been reviewed by the Audit and Compliance Committee of the Board of Directors of the Bank (the “**Audit and Compliance Committee**”). This interim results announcement is published on the websites of the Bank (www.abchina.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The interim report of the Bank for the six months ended 30 June 2022 will be despatched to the holders of H shares of the Bank and will also be available at the abovementioned websites in due course.

By Order of the Board
Agricultural Bank of China Limited
HAN Guoqiang
Company Secretary

Beijing, the PRC
29 August 2022

As at the date of this announcement, the executive directors are Mr. GU Shu, Mr. ZHANG Qingsong, Mr. ZHANG Xuguang and Mr. LIN Li; the non-executive directors are Mr. LIAO Luming, Mr. LI Wei, Ms. ZHOU Ji, Mr. LIU Xiaopeng and Mr. XIAO Xiang; and the independent non-executive directors are Mr. WANG Xinxin, Mr. HUANG Zhenzhong, Ms. LEUNG KO May Yee, Margaret, Mr. LIU Shouying and Mr. WU Liansheng.

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Definitions

In this announcement, 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. | A Share(s) | Ordinary shares listed domestically which are subscribed and traded in Renminbi |
| 3. | 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 |
| 4. | CBIRC | China Banking and Insurance Regulatory Commission, or its predecessors, the former China Banking Regulatory Commission and/or the former China Insurance Regulatory Commission, where the context requires |
| 5. | 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 |
| 6. | CSRC | China Securities Regulatory Commission |
| 7. | Global Systemically
Important Banks | Banks recognized as key players in the financial market with global features as announced by the Financial Stability Board |
| 8. | 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 |

9. 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
10. Hong Kong Listing Rules	<i>The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited</i>
11. Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
12. Huijin	Central Huijin Investment Ltd.
13. MOF	Ministry of Finance of the People's Republic of China
14. PBOC	The People's Bank of China
15. Sannong	Agriculture, rural areas and rural people
16. 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	中國農業銀行股份有限公司
Abbreviation	中國農業銀行
Legal name in English	AGRICULTURAL BANK OF CHINA LIMITED
Abbreviation	AGRICULTURAL BANK OF CHINA (ABC)
Legal representative	GU Shu
Authorized representative	ZHANG Qingsong 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	<i>China Securities Journal</i> (www.cs.com.cn) <i>Shanghai Securities News</i> (www.cnstock.com) <i>Securities Times</i> (www.stcn.com) <i>Securities Daily</i> (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	Shanghai Stock Exchange
Stock name	農業銀行
Stock code	601288
Share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: 3/F, China Insurance Building, No. 166 Lujiazui East Road, New Pudong District, Shanghai, PRC)

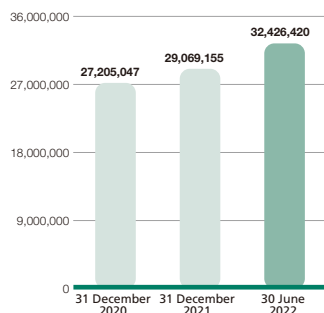
Listing exchange of H Shares	The Stock Exchange of Hong Kong Limited
Stock name	ABC
Stock code	1288
Share registrar	Computershare Hong Kong Investor Services Limited (Address: Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen’s Road East, Wanchai, Hong Kong, PRC)
Trading exchange and platform of 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: 3/F, China Insurance Building, No. 166 Lujiazui East Road, New Pudong District, Shanghai, PRC)
Legal advisor as to laws of Mainland China	King & Wood Mallesons
Address	17–18/F, East Tower, World Financial Centre Building 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

Financial Highlights

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

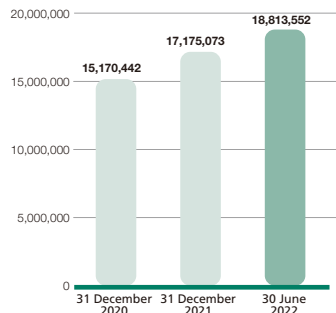
Total assets

(in millions of RMB)



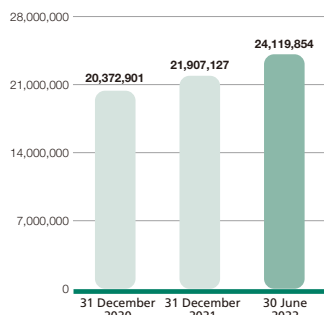
Total loans and advances to customers

(in millions of RMB)



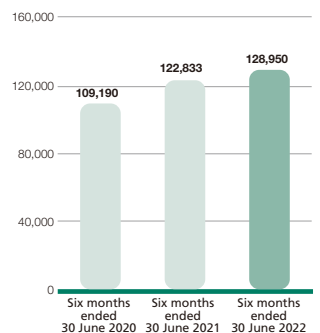
Deposits from customers

(in millions of RMB)



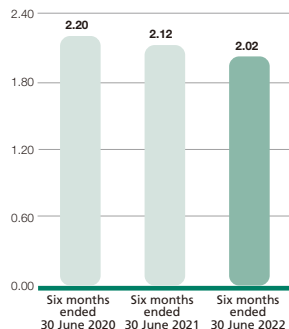
Net profit

(in millions of RMB)



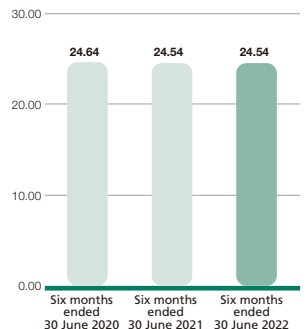
Net interest margin

(%)



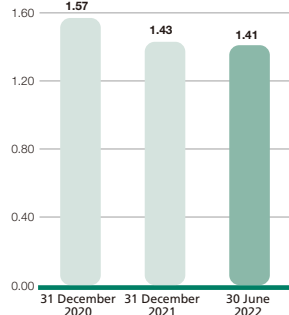
Cost-to-income ratio

(%)



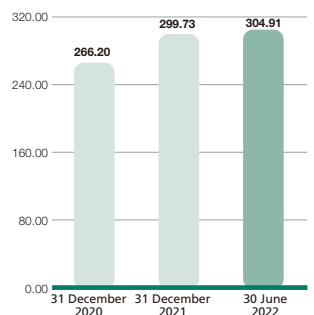
Non-performing loan ratio

(%)



Allowance to non-performing loans

(%)



Major Financial Data

	30 June 2022	31 December 2021	31 December 2020
At the end of the reporting period			
(in millions of RMB)			
Total assets	32,426,420	29,069,155	27,205,047
Total loans and advances to customers	18,813,552	17,175,073	15,170,442
Including: Corporate loans	10,254,994	9,168,032	8,134,487
Discounted bills	607,121	424,329	389,475
Retail loans	7,483,424	7,117,212	6,198,743
Overseas and others	424,784	426,179	413,416
Allowance for impairment losses on loans	777,380	720,570	618,009
Loans and advances to customers, net	18,036,172	16,454,503	14,552,433
Financial investments	8,965,955	8,230,043	7,822,659
Cash and balances with central banks	2,669,527	2,321,406	2,437,275
Deposits and placements with and loans to banks and other financial institutions	924,234	665,444	981,133
Financial assets held under resale agreements	1,106,640	837,637	816,206
Total liabilities	29,900,207	26,647,796	24,994,301
Deposits from customers	24,119,854	21,907,127	20,372,901
Including: Corporate deposits	8,879,000	8,037,929	7,618,591
Retail deposits	14,189,829	12,934,171	11,926,040
Overseas and others	727,368	623,353	562,741
Deposits and placements from banks and other financial institutions	2,505,497	1,913,471	1,785,176
Financial assets sold under repurchase agreements	20,574	36,033	109,195
Debt securities issued	1,775,531	1,507,657	1,371,845
Equity attributable to equity holders of the Bank	2,519,496	2,414,605	2,204,789
Net capital ¹	3,226,418	3,057,867	2,817,924
Common Equity Tier 1 (CET1) capital, net ¹	2,097,365	2,042,480	1,875,372
Additional Tier 1 capital, net ¹	409,878	359,881	319,884
Tier 2 capital, net ¹	719,175	655,506	622,668
Risk-weighted assets ¹	18,880,455	17,849,566	16,989,668

	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2020
Interim operating results (in millions of RMB)			
Operating income	387,659	366,254	339,774
Net interest income	300,219	283,357	267,009
Net fee and commission income	49,489	48,150	44,238
Operating expenses	125,971	116,691	108,043
Credit impairment losses	105,530	96,138	99,123
Total profit before tax	156,271	153,538	132,555
Net profit	128,950	122,833	109,190
Net profit attributable to equity holders of the Bank	128,945	122,278	108,834
Net cash flows generated from operating activities	908,785	161,165	(323,946)

Financial Indicators

	Six months ended 30 June 2022	Six months ended 30 June 2021	Six months ended 30 June 2020
Profitability (%)			
Return on average total assets ²	0.84*	0.88*	0.85*
Return on weighted average net assets ³	11.94*	12.40*	11.94*
Net interest margin ⁴	2.02*	2.12*	2.20*
Net interest spread ⁵	1.86*	1.96*	2.04*
Return on risk-weighted assets ^{1,6}	1.37*	1.38*	1.33*
Net fee and commission income to operating income	12.77	13.15	13.02
Cost-to-income ratio ⁷	24.54	24.54	24.64
Data per share (RMB Yuan)			
Basic earnings per share ³	0.35	0.34	0.30
Diluted earnings per share ³	0.35	0.34	0.30
Net cash flows per share generated from operating activities	2.60	0.46	(0.93)

	30 June 2022	31 December 2021	31 December 2020
Asset quality (%)			
Non-performing loan ratio ⁸	1.41	1.43	1.57
Allowance to non-performing loans ⁹	304.91	299.73	266.20
Allowance to loan ratio ¹⁰	4.30	4.30	4.17
Capital adequacy (%)			
Common Equity Tier 1 (CET1) capital adequacy ratio ¹	11.11	11.44	11.04
Tier 1 capital adequacy ratio ¹	13.28	13.46	12.92
Capital adequacy ratio ¹	17.09	17.13	16.59
Risk-weighted assets to total assets ratio ¹	58.23	61.40	62.45
Total equity to total assets ratio	7.79	8.33	8.13
Data per share (RMB Yuan)			
Net assets per ordinary share ¹¹	6.03	5.87	5.39

- 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 CBIRC.
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.

* Annualized figures.

Discussion and Analysis

Situation and Prospects

China's economy was generally stable in the first quarter, but was subject to increasing downward pressure in the second quarter due to the unexpected factors such as the complex changes of the international environment and the impact of COVID-19 in China. With the overall improvement in epidemic prevention and control, the orderly work resumption, and a series of measures to stabilize growth taking effect, the major economic indicators stabilized and picked up in June. In the first half of the year, China's GDP grew by 2.5% year on year; the aggregate financing to the real economy (flow) was RMB21 trillion, representing an increase of RMB3.2 trillion year on year; consumer prices basically remained stable, with the consumer price index (CPI) rising by 1.7% year on year; the upward pressure on industrial product prices was to certain extent eased, with the producer price index (PPI) rising by 7.7% year on year, and the monthly growth rate (YoY) on the decline.

In the first half of the year, the Chinese government responded to COVID-19 and pursued economic and social development in a well-coordinated way and launched a number of measures of maintaining steady growth to stabilize the economic and social development to the maximum extent. Proactive fiscal policies were pre-arranged, accelerating the issuance of special bonds by local governments, increasing the transfer payments to local governments by central government and implementing large-scale VAT credit refunds policy. The prudent monetary policy was flexible and appropriate, placing more emphasis on cross- and countercyclical policy and maintaining reasonably ample liquidity. Special re-lending tools and carbon emission reduction support tools were leveraged to support the clean and efficient use of coal, scientific and technological innovation, inclusive elderly care, transportation and logistics, and financial institutions were encouraged to increase their support to small and micro enterprises, scientific and technological innovation, and green development. The reform in the financial sector was further deepened, releasing the benefits of the loan prime rate (LPR) reform, steadily promoting the global use of Renminbi and constantly facilitating the trading and investment activities.

Looking forward to the second half of the year, supported by the policies to maintain steady growth in fiscal, financial and investment sectors, the recovery of domestic demand will be relatively certain, but will still face various challenges such as weak expectations. The Bank will actively adjust the operation strategies based on circumstances, adhere to serving the real economy, enhance the financial support to Sannong, micro and small businesses, manufacturing sector, and green economy, optimize the quality and efficiency of financial service and strengthen risk prevention and control in key areas to promote high-quality development.

Financial Statement Analysis

Income Statement Analysis

In the first half of 2022, we achieved a net profit of RMB128,950 million, representing an increase of RMB6,117 million or 4.98%, 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 2022	Six months ended 30 June 2021	Increase/ (decrease)	Growth rate (%)
Net interest income	300,219	283,357	16,862	6.0
Net fee and commission income	49,489	48,150	1,339	2.8
Other non-interest income	37,951	34,747	3,204	9.2
Operating income	387,659	366,254	21,405	5.8
Less: Operating expenses	125,971	116,691	9,280	8.0
Credit impairment losses	105,530	96,138	9,392	9.8
Impairment losses on other assets	17	3	14	466.7
Operating profit	156,141	153,422	2,719	1.8
Share of results of associates and joint ventures	130	116	14	12.1
Profit before tax	156,271	153,538	2,733	1.8
Less: Income tax expense	27,321	30,705	(3,384)	-11.0
Net profit	128,950	122,833	6,117	4.98
Attributable to: Equity holders of the Bank	128,945	122,278	6,667	5.5
Non-controlling interests	5	555	(550)	-99.1

Net Interest Income

Net interest income was the largest component of our operating income, accounting for 77.4% of the operating income in the first half of 2022. Our net interest income was RMB300,219 million in the first half of 2022, representing an increase of RMB16,862 million as compared to the first half of the previous year, among which, an increase of RMB31,407 million resulted from the increase in volume and a decrease of RMB14,545 million resulted from the changes in interest rates.

In the first half of 2022, our net interest margin and net interest spread were 2.02% and 1.86%, respectively, both representing decreases of ten basis points as compared to the first half of the previous year. The year-on-year decreases in net interest margin and net interest spread were primarily due to a decrease in average yield on interest-earning assets as a result of the implementation of national policies on benefiting the real economy and an increase in average cost on 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 2022			Six months ended 30 June 2021		
	Average balance	Interest income/expense	Average yield/cost ⁷ (%)	Average balance	Interest income/expense	Average yield/cost ⁷ (%)
Assets						
Loans and advances to customers	17,993,402	377,037	4.23	15,966,009	336,144	4.25
Debt securities investments ¹	7,907,455	133,313	3.40	7,177,256	123,643	3.47
Non-restructuring-related debt securities	7,523,225	128,078	3.43	6,793,017	118,653	3.52
Restructuring-related debt securities ²	384,230	5,235	2.75	384,239	4,990	2.62
Balances with central banks	2,229,113	16,532	1.50	2,317,191	18,150	1.58
Amounts due from banks and other financial institutions ³	1,780,026	15,891	1.80	1,529,242	15,534	2.05
Total interest-earning assets	29,909,996	542,773	3.66	26,989,698	493,471	3.69
Allowance for impairment losses ⁴	(810,212)			(693,551)		
Non-interest-earning assets ⁴	1,545,874			1,637,328		
Total assets	30,645,658			27,933,475		
Liabilities						
Deposits from customers	22,235,871	184,124	1.67	20,240,329	159,674	1.59
Amounts due to banks and other financial institutions ⁵	2,550,782	26,166	2.07	2,091,223	21,153	2.04
Other interest-bearing liabilities ⁶	2,375,840	32,264	2.74	2,100,897	29,287	2.81
Total interest-bearing liabilities	27,162,493	242,554	1.80	24,432,449	210,114	1.73
Non-interest-bearing liabilities ⁴	1,100,067			1,072,873		
Total liabilities	28,262,560			25,505,322		
Net interest income		300,219			283,357	
Net interest spread			1.86			1.96
Net interest margin			2.02			2.12

- 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	42,482	(1,589)	40,893
Debt securities investments	12,311	(2,641)	9,670
Balances with central banks	(653)	(965)	(1,618)
Amounts due from banks and other financial institutions	2,239	(1,882)	357
Changes in interest income	56,379	(7,077)	49,302
Liabilities			
Deposits from customers	16,524	7,926	24,450
Amounts due to banks and other financial institutions	4,714	299	5,013
Other interest-bearing liabilities	3,734	(757)	2,977
Changes in interest expense	24,972	7,468	32,440
Changes in net interest income	31,407	(14,545)	16,862

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

Interest Income

We achieved interest income of RMB542,773 million in the first half of 2022, representing an increase of RMB49,302 million as compared to the first half of the previous year, which was primarily due to an increase of RMB2,920,298 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 RMB40,893 million, or 12.2%, as compared to the first half of the previous year to RMB377,037 million, which was primarily due to an increase of RMB2,027,393 million in the average balance.

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 2022			Six months ended 30 June 2021		
	Average balance	Interest income	Average yield ¹ (%)	Average balance	Interest income	Average yield ¹ (%)
Corporate loans	9,850,570	195,623	4.00	8,736,484	176,689	4.08
Short-term corporate loans	2,926,427	51,917	3.58	2,620,768	46,901	3.61
Medium- and long-term corporate loans	6,924,143	143,706	4.19	6,115,716	129,788	4.28
Discounted bills	457,737	4,006	1.76	271,275	3,536	2.63
Retail loans	7,307,193	172,895	4.77	6,493,870	151,502	4.70
Overseas and others	377,902	4,513	2.41	464,380	4,417	1.92
Total loans and advances to customers	17,993,402	377,037	4.23	15,966,009	336,144	4.25

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 2022, interest income from debt securities investments increased by RMB9,670 million to RMB133,313 million as compared to the first half of the previous year, which was primarily due to an increase in investment in bonds.

Interest Income from Balances with Central Banks

Interest income from balances with central banks decreased by RMB1,618 million to RMB16,532 million as compared to the first half of the previous year, which was primarily due to the decreased average yield of balances with central banks resulting from a decrease in the proportion of mandatory deposits reserves with a high yield.

Interest Income from Amounts Due from Banks and Other Financial Institutions

Interest income from amounts due from banks and other financial institutions increased by RMB357 million to RMB15,891 million as compared to the first half of the previous year, which was primarily due to an increase in the average balance of the financial assets held under resale agreements.

Interest Expense

Interest expense increased by RMB32,440 million to RMB242,554 million as compared to the first half of the previous year, which was mainly due to an increase of RMB2,730,044 million in the average balance of interest-bearing liabilities.

Interest Expense on Deposits from Customers

Interest expense on deposits from customers increased by RMB24,450 million to RMB184,124 million as compared to the first half of the previous year, which was primarily due to an increase in the scale 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 2022			Six months ended 30 June 2021		
	Average balance	Interest expense	Average cost ¹ (%)	Average balance	Interest expense	Average cost ¹ (%)
Corporate deposits						
Time	3,333,588	40,404	2.44	2,734,951	33,090	2.44
Demand	5,429,335	27,168	1.01	5,288,864	24,538	0.94
Sub-Total	8,762,923	67,572	1.56	8,023,815	57,628	1.45
Retail deposits						
Time	7,601,107	107,392	2.85	6,430,187	91,260	2.86
Demand	5,871,841	9,160	0.31	5,786,327	10,786	0.38
Sub-Total	13,472,948	116,552	1.74	12,216,514	102,046	1.68
Total deposits from customers	<u>22,235,871</u>	<u>184,124</u>	1.67	<u>20,240,329</u>	<u>159,674</u>	1.59

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 RMB5,013 million to RMB26,166 million as compared to the first half of the previous year, which was primarily due to an increase in the scale of deposits from banks and other financial institutions.

Interest Expense on Other Interest-bearing Liabilities

Interest expense on other interest-bearing liabilities increased by RMB2,977 million to RMB32,264 million as compared to the first half of the previous year, which was principally due to an increase in the scale of interbank certificates of deposit.

Net Fee and Commission Income

In the first half of 2022, we generated net fee and commission income of RMB49,489 million, representing an increase of RMB1,339 million or 2.8% as compared to the first half of the previous year. In particular, bank card fees increased by 12.6%, which was primarily due to an increase in the fee income from credit card services.

Composition of Net Fee and Commission Income

In millions of RMB, except for percentages

Item	Six months ended 30 June 2022	Six months ended 30 June 2021	Increase/ (decrease)	Growth rate (%)
Agency commissions	14,140	14,014	126	0.9
Settlement and clearing fees	6,786	7,114	(328)	-4.6
Bank card fees	8,416	7,472	944	12.6
Consultancy and advisory fees	9,309	9,757	(448)	-4.6
Electronic banking service fees	13,786	15,433	(1,647)	-10.7
Custodian and other fiduciary service fees	2,323	2,076	247	11.9
Credit commitment fees	1,192	1,257	(65)	-5.2
Others	275	364	(89)	-24.5
Fee and commission income	56,227	57,487	(1,260)	-2.2
Less: Fee and commission expenses	6,738	9,337	(2,599)	-27.8
Net fee and commission income	49,489	48,150	1,339	2.8

Other Non-interest Income

In the first half of 2022, other non-interest income amounted to RMB37,951 million, representing an increase of RMB3,204 million, as compared to the first half of the previous year. In particular, net trading gain decreased by RMB597 million, primarily due to an increase in net trading loss on foreign exchange derivatives. Net gain on financial investments increased by RMB1,756 million, primarily due to a decrease in net trading loss on financial liabilities designated as at fair value through profit or loss. Other operating income increased by RMB1,945 million, primarily due to an increase in the premium income of the subsidiary.

Composition of Other Non-interest Income

In millions of RMB

Item	Six months ended 30 June 2022	Six months ended 30 June 2021
Net trading gain	7,762	8,359
Net gain on financial investments	3,188	1,432
Net gain on derecognition of financial assets measured at amortized cost	101	1
Other operating income	26,900	24,955
Total	<u>37,951</u>	<u>34,747</u>

Operating Expenses

In the first half of 2022, operating expenses increased by RMB9,280 million to RMB125,971 million as compared to the first half of the previous year; cost-to-income ratio was 24.54% and remained flat 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 2022	Six months ended 30 June 2021	Increase/ (decrease)	Growth rate (%)
Staff costs	63,624	61,993	1,631	2.6
Insurance benefits and claims	26,218	22,722	3,496	15.4
General operating and administrative expenses	21,480	18,032	3,448	19.1
Depreciation and amortization	9,906	9,663	243	2.5
Tax and surcharges	3,399	3,188	211	6.6
Others	1,344	1,093	251	23.0
Total	125,971	116,691	9,280	8.0

Credit Impairment Losses

In the first half of 2022, our credit impairment losses increased by RMB9,392 million to RMB105,530 million. In particular, impairment losses on loans increased by RMB766 million to RMB92,777 million as compared to the first half of the previous year.

Income Tax Expense

In the first half of 2022, our income tax expense decreased by RMB3,384 million, or 11.0%, to RMB27,321 million as compared to the first half of the previous year. The effective tax rate was 17.48%, 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 had been presented in the same manner with that of internal management and reporting. At present, we manage our segments from the aspects of 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 2022		Six months ended 30 June 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking business	146,934	37.9	149,554	40.8
Retail banking business	179,581	46.3	138,226	37.7
Treasury operations	26,962	7.0	46,644	12.8
Other business	34,182	8.8	31,830	8.7
Total operating income	387,659	100.0	366,254	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 2022		Six months ended 30 June 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	3,832	1.0	39,623	10.8
Yangtze River Delta	82,798	21.4	66,292	18.1
Pearl River Delta	59,095	15.2	48,298	13.2
Bohai Rim	53,551	13.8	45,839	12.5
Central China	61,269	15.8	51,106	14.0
Western China	78,798	20.3	71,457	19.5
Northeastern China	12,779	3.3	11,458	3.1
Overseas and others	35,537	9.2	32,181	8.8
Total operating income	387,659	100.0	366,254	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 2022		Six months ended 30 June 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
County Area Banking Business	159,911	41.3	143,230	39.1
Urban Area Banking Business	227,748	58.7	223,024	60.9
Total operating income	387,659	100.0	366,254	100.0

Balance Sheet Analysis

Assets

At 30 June 2022, our total assets amounted to RMB32,426,420 million, representing an increase of RMB3,357,265 million, or 11.5%, as compared to the end of the previous year. In particular, net loans and advances to customers increased by RMB1,581,669 million, or 9.6%; financial investments increased by RMB735,912 million, or 8.9%; cash and balances with central banks increased by RMB348,121 million, or 15.0%; deposits and placements with and loans to banks and other financial institutions increased by RMB258,790 million, or 38.9%, which was primarily due to an increase in cooperative deposits with banks and other financial institutions; and financial assets held under resale agreements increased by RMB269,003 million, or 32.1%, 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 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	18,813,552	—	17,175,073	—
Less: Allowance for impairment losses on loans	777,380	—	720,570	—
Loans and advances to customers, net	18,036,172	55.6	16,454,503	56.6
Financial investments	8,965,955	27.7	8,230,043	28.3
Cash and balances with central banks	2,669,527	8.2	2,321,406	8.0
Deposits and placements with and loans to banks and other financial institutions	924,234	2.9	665,444	2.3
Financial assets held under resale agreements	1,106,640	3.4	837,637	2.9
Others	723,892	2.2	560,122	1.9
Total assets	32,426,420	100.0	29,069,155	100.0

Loans and Advances to Customers

At 30 June 2022, our total loans and advances to customers amounted to RMB18,813,552 million, representing an increase of RMB1,638,479 million, or 9.5%, 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

Item	30 June 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans granted by				
domestic branches	18,345,539	97.7	16,709,573	97.5
Corporate loans	10,254,994	54.6	9,168,032	53.5
Discounted bills	607,121	3.2	424,329	2.5
Retail loans	7,483,424	39.9	7,117,212	41.5
Overseas and others	424,784	2.3	426,179	2.5
Sub-Total	18,770,323	100.0	17,135,752	100.0
Accrued interest	43,229	—	39,321	—
Total	18,813,552	—	17,175,073	—

Distribution of Corporate Loans by Maturity

In millions of RMB, except for percentages

Item	30 June 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Short-term corporate loans	3,104,531	30.3	2,613,749	28.5
Medium- and long-term corporate loans	7,150,463	69.7	6,554,283	71.5
Total	10,254,994	100.0	9,168,032	100.0

Distribution of Corporate Loans by Industry

In millions of RMB, except for percentages

Item	30 June 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Manufacturing	1,805,565	17.6	1,497,847	16.3
Production and supply of electricity, heating, gas and water	1,102,905	10.8	1,017,210	11.1
Real estate ¹	842,866	8.2	830,457	9.1
Transportation, storage and postal services	2,218,049	21.6	2,092,461	22.8
Wholesale and retail	593,113	5.8	493,538	5.4
Water, environment and public utilities management	813,758	7.9	716,090	7.8
Construction	393,778	3.8	291,573	3.2
Mining	190,026	1.9	193,539	2.1
Leasing and commercial services	1,655,801	16.1	1,494,187	16.3
Finance	197,143	1.9	153,577	1.7
Information transmission, software and IT services	72,086	0.7	58,283	0.6
Others ²	369,904	3.7	329,270	3.6
Total	10,254,994	100.0	9,168,032	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 2022, the balance of real estate loans to corporate customers amounted to RMB459,831 million, representing an increase of RMB29,521 million as compared to the end of the previous year.

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

At 30 June 2022, 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) real estate. The loan balance of the top five major industries accounted for 74.3% of our total corporate loans, representing a decrease of 1.3 percentage points 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 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Residential mortgage loans	5,344,446	71.5	5,242,288	73.6
Personal consumption loans	186,230	2.5	175,770	2.5
Loans to private business	550,003	7.3	468,688	6.6
Credit card balances	651,745	8.7	626,783	8.8
Loans to rural households	750,747	10.0	603,392	8.5
Others	253	—	291	—
Total	7,483,424	100.0	7,117,212	100.0

At 30 June 2022, the retail loans increased by RMB366,212 million, or 5.1%, as compared to the end of the previous year. In particular, residential mortgage loans increased by 1.9% as compared to the end of the previous year, which was mainly due to the Bank's implementation of regulatory requirements to support customers to purchase their residential properties for non-investment purpose; personal consumption loans increased by 6.0% as compared to the end of the previous year, which was primarily due to the increase in consumption loans; loans to private business increased by 17.3% as compared to the end of the previous year, primarily due to the increase in inclusive loans; loans to rural households increased by 24.4% as compared to the end of the previous year, primarily due to the sustained 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 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	423,953	2.3	313,295	1.8
Yangtze River Delta	4,548,290	24.2	4,088,464	23.8
Pearl River Delta	3,098,142	16.5	2,839,822	16.6
Bohai Rim	2,688,214	14.3	2,461,253	14.4
Central China	2,928,927	15.5	2,664,937	15.6
Northeastern China	611,149	3.3	592,710	3.5
Western China	4,046,864	21.6	3,749,092	21.8
Overseas and others	424,784	2.3	426,179	2.5
Sub-Total	18,770,323	100.0	17,135,752	100.0
Accrued interest	43,229	—	39,321	—
Total	18,813,552	—	17,175,073	—

Financial Investments

At 30 June 2022, our financial investments amounted to RMB8,965,955 million, representing an increase of RMB735,912 million, or 8.9%, as compared to the end of the previous year. In particular, investments in non-restructuring-related debt securities increased by RMB730,115 million, as compared to the end of the previous year, which was primarily due to an increase in investment in local government bonds.

Distribution of Financial Investments by Product Type

In millions of RMB, except for percentages

Item	30 June 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Non-restructuring-related debt securities	8,230,558	93.3	7,500,443	92.7
Restructuring-related debt securities	384,230	4.4	384,231	4.7
Equity instruments	109,814	1.2	114,544	1.4
Others	98,041	1.1	93,794	1.2
Sub-Total	8,822,643	100.0	8,093,012	100.0
Accrued interest	143,312	—	137,031	—
Total	8,965,955	—	8,230,043	—

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

In millions of RMB, except for percentages

Item	30 June 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	5,381,976	65.4	4,760,965	63.4
Bonds issued by policy banks	1,670,518	20.3	1,557,354	20.8
Bonds issued by other banks and financial institutions	735,490	8.9	710,759	9.5
Bonds issued by entities in public sectors	230,066	2.8	238,604	3.2
Corporate bonds	212,508	2.6	232,761	3.1
Total	8,230,558	100.0	7,500,443	100.0

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

In millions of RMB, except for percentages

Remaining Maturity	30 June 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Overdue	39	—	32	—
Less than 3 months	404,266	4.9	255,381	3.4
3–12 months	812,848	9.9	900,411	12.0
1–5 years	2,884,519	35.0	2,952,095	39.4
More than 5 years	4,128,886	50.2	3,392,524	45.2
Total	8,230,558	100.0	7,500,443	100.0

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

In millions of RMB, except for percentages

Item	30 June 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
RMB	7,897,447	96.0	7,190,104	95.9
USD	257,650	3.1	249,096	3.3
Other foreign currencies	75,461	0.9	61,243	0.8
Total	8,230,558	100.0	7,500,443	100.0

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

In millions of RMB, except for percentages

Item	30 June 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss	459,865	5.2	460,241	5.7
Debt investments at amortized cost	6,811,494	77.2	6,249,598	77.2
Other debt instrument and other equity investments at fair value through other comprehensive income	1,551,284	17.6	1,383,173	17.1
Sub-Total	8,822,643	100.0	8,093,012	100.0
Accrued interest	143,312	—	137,031	—
Total	8,965,955	—	8,230,043	—

Investment in Financial Bonds

Financial bonds refer to securities issued by policy banks, commercial banks and other financial institutions, the principals and interests of which are to be repaid pursuant to a pre-determined schedule. At 30 June 2022, the balance of financial bonds held by the Bank was RMB2,406,008 million, including bonds of RMB1,670,518 million issued by policy banks and bonds of RMB735,490 million issued by commercial 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 2022.

In millions of RMB, except for percentages

Bonds	Face value	Annual interest rate	Maturity date	Allowance ¹
2022 policy bank bond	52,940	3.18%	2032/03/11	—
2021 policy bank bond	50,952	3.38%	2031/07/16	—
2020 policy bank bond	50,562	3.74%	2030/11/16	—
2020 policy bank bond	48,763	3.79%	2030/10/26	—
2021 policy bank bond	46,690	3.30%	2031/11/05	—
2021 policy bank bond	41,632	3.52%	2031/05/24	—
2021 policy bank bond	40,852	3.22%	2026/05/14	—
2021 policy bank bond	34,080	3.48%	2028/02/04	—
2017 policy bank bond	33,110	3.85%	2027/01/06	—
2020 policy bank bond	29,340	3.43%	2025/10/23	—

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 2022, our total liabilities increased by RMB3,252,411 million, or 12.2%, to RMB29,900,207 million as compared to the end of the previous year. In particular, deposits from customers increased by RMB2,212,727 million, or 10.1%; deposits and placements from banks and other financial institutions increased by RMB592,026 million, or 30.9%, mainly due to an increase in deposits from other domestic financial institutions; financial assets sold under repurchase agreements decreased by RMB15,459 million, or 42.9%, which was primarily due to a decrease in debt securities sold under repurchase agreements; debt securities issued increased by RMB267,874 million, or 17.8%, which was primarily due to the increase in issuance of interbank certificates of deposit.

Key Items of Liabilities

In millions of RMB, except for percentages

Item	30 June 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Deposits from customers	24,119,854	80.7	21,907,127	82.2
Deposits and placements from banks and other financial institutions	2,505,497	8.4	1,913,471	7.2
Financial assets sold under repurchase agreements	20,574	0.1	36,033	0.1
Debt securities issued	1,775,531	5.9	1,507,657	5.7
Other liabilities	1,478,751	4.9	1,283,508	4.8
Total liabilities	29,900,207	100.0	26,647,796	100.0

Deposits from Customers

At 30 June 2022, the balance of deposits from customers of the Bank increased by RMB2,212,727 million, or 10.1%, to RMB24,119,854 million as compared to the end of the previous year. In terms of customer structure, the proportion of retail deposits decreased by 0.3 percentage point to 59.6%. In terms of maturity structure, the proportion of demand deposits was 49.6%.

Distribution of Deposits from Customers by Business Type

In millions of RMB, except for percentages

Item	30 June 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic deposits	23,672,562	99.5	21,479,255	99.5
Corporate deposits	8,879,000	37.4	8,037,929	37.3
Time	3,227,371	13.6	2,667,190	12.4
Demand	5,651,629	23.8	5,370,739	24.9
Retail deposits	14,189,829	59.6	12,934,171	59.9
Time	8,042,285	33.8	6,993,575	32.4
Demand	6,147,544	25.8	5,940,596	27.5
Other deposits ¹	603,733	2.5	507,155	2.3
Overseas and others	123,635	0.5	116,198	0.5
Sub-Total	23,796,197	100.0	21,595,453	100.0
Accrued interest	323,657	—	311,674	—
Total	24,119,854	—	21,907,127	—

Note: 1. Include 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 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand	13,215,616	55.6	12,380,970	57.4
Less than 3 months	1,604,204	6.7	1,838,380	8.5
3–12 months	4,088,391	17.2	3,120,029	14.4
1–5 years	4,882,896	20.5	4,240,028	19.6
More than 5 years	5,090	—	16,046	0.1
Sub-Total	23,796,197	100.0	21,595,453	100.0
Accrued interest	323,657	—	311,674	—
Total	24,119,854	—	21,907,127	—

Distribution of Deposits from Customers by Geographic Region

In millions of RMB, except for percentages

Item	30 June 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	68,922	0.3	99,289	0.5
Yangtze River Delta	5,909,978	24.9	5,228,107	24.2
Pearl River Delta	3,406,837	14.3	3,023,021	14.0
Bohai Rim	4,133,485	17.4	3,787,784	17.5
Central China	4,072,838	17.1	3,676,925	17.0
Northeastern China	1,145,477	4.8	1,094,526	5.1
Western China	4,935,025	20.7	4,569,603	21.2
Overseas and others	123,635	0.5	116,198	0.5
Sub-Total	23,796,197	100.0	21,595,453	100.0
Accrued interest	323,657	—	311,674	—
Total	24,119,854	—	21,907,127	—

Shareholders' Equity

At 30 June 2022, our shareholders' equity amounted to RMB2,526,213 million, representing an increase of RMB104,854 million, as compared to the end of the previous year. Net assets per ordinary share were RMB6.03, representing an increase of RMB0.16 as compared to the end of the previous year.

Composition of Shareholders' Equity

In millions of RMB, except for percentages

Item	30 June 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Ordinary shares	349,983	13.9	349,983	14.5
Other equity instruments	409,869	16.2	359,872	14.9
Capital reserve	173,556	6.9	173,556	7.2
Investment revaluation reserve	36,130	1.3	34,927	1.4
Surplus reserve	220,814	8.7	220,792	9.1
General reserve	385,387	15.3	351,616	14.5
Retained earnings	943,837	37.4	925,955	38.2
Foreign currency translation reserve	(80)	—	(2,096)	(0.1)
Non-controlling interests	6,717	0.3	6,754	0.3
Total	2,526,213	100.0	2,421,359	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, guarantees and letters of guarantee, letters of credit and credit card commitments.

Composition of Credit Commitments

In millions of RMB, except for percentages

Item	30 June 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Loan commitments	384,380	17.4	459,900	22.0
Bank acceptances	542,500	24.5	414,934	19.9
Guarantees and letters of guarantee	311,664	14.1	304,238	14.6
Letters of credit	191,302	8.7	165,639	7.9
Credit card commitments	780,636	35.3	743,594	35.6
Total	2,210,482	100.0	2,088,305	100.0

Other Financial Information

Changes in Accounting Policies

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

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

There were no differences between the net profit or shareholders' equity in 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 2022	31 December 2021	31 December 2020
Liquidity ratio ¹ (%)	RMB	≥25	65.29	62.01	59.15
	Foreign Currency	≥25	168.54	138.94	122.98
Percentage of loans to the largest single customer ² (%)		≤10	2.18	2.44	4.07
Percentage of loans to the top ten customers ³ (%)			11.32	11.67	12.58
Loan migration ratio ⁴ (%)	Normal		1.41	1.10	1.39
	Special mention		31.18	20.23	31.86
	Substandard		68.75	57.43	33.92
	Doubtful		6.68	13.66	12.20

- Notes: 1. Calculated by dividing current assets by current liabilities in accordance with the relevant regulations of the CBIRC.
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. Calculated in accordance with the latest indicator definition revised by the CBIRC in 2022. The data on 30 June 2022 was annualized and the data in the comparative periods was adjusted accordingly.

Business Review

Corporate Banking

During the reporting period, in order to promote high-quality development of our corporate banking business, we strictly implemented the national decisions and deployment of stabilizing the overall economy, actively served major national strategies and key areas of the real economy, cultivated new growth drivers of the digital transformation, established a new integrated service model, and improved our comprehensive financial service capability and customer satisfaction. At the end of June 2022, the balance of domestic corporate deposits amounted to RMB8,879,000 million, representing an increase of RMB841,071 million as compared to the end of the previous year. The balance of domestic corporate loans and discounted bills amounted to RMB10,862,115 million, representing an increase of RMB1,269,754 million as compared to the end of the previous year. The loans newly granted to the projects included in our major marketing projects pool amounted to RMB404.2 billion. At the end of June 2022, we had 9,051.0 thousand corporate banking customers, among which 396.2 thousand customers had outstanding loan balances, representing an increase of 35.6 thousand customers as compared to the end of the previous year.

- We provided services to support the national strategy of building a manufacturing power. Persisting in the financial service for manufacturing industry as the key focus to support the real economy, we enhanced relevant top-level designs, ensured that the necessary policies and resources were in place and innovated the product and service model to improve the financial service system continuously. We continued to increase financial supply by focusing on key areas such as advanced manufacturing, high-end equipment manufacturing, optimization and upgrade of traditional industries and quality and efficiency improvement of consumer goods industry. The balance of loans in the manufacturing industry (based on the use of loans) increased by RMB428.3 billion as compared to the end of the previous year, which was 2.18 times of the increase in the same period of the previous year. Among which, the growth rate of medium-and long-term loans in the manufacturing industry reached 34%, while the growth rate of loans to high-tech manufacturing industries such as electronics and communication equipment, computer, pharmaceutical and aerospace equipment was 38%.
- We served major national strategies of regional development. We took advantage of our omni-channel, full range of products and multiple licenses to comprehensively support major strategies of regional development, such as Beijing-Tianjin-Hebei Region, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area and Chengdu-Chongqing Region.
- We enhanced the support to the real economy. We strengthened the construction of key customer groups of the new economy, accelerated the construction of financial service system for science and technology innovation, and maintained the first-mover advantage in the marketing of specialized and sophisticated “little giant” enterprises that produce new and unique products. The balance of loans to strategic emerging industries increased by RMB250.8 billion as compared to the end of the previous year. We introduced policies to break the hidden barriers such as “the difficulty and the high cost in financing” of private enterprises, accelerated the product innovation, strengthened mechanism guarantee, assisted in the bail-outs

of the private enterprises to increase the financial support. At the end of June 2022, the number of private enterprises with outstanding loan balances reached 371.1 thousand, representing an increase of 32.7 thousand as compared to the end of the previous year. The balance of loans was RMB2,873,689 million, representing an increase of RMB406,038 million as compared to the end of the previous year.

- We promoted the digital transformation. We promoted the construction of the middle platform for operation and management of corporate banking and the optimization of the CMM system, and introduced a series of digital marketing management tools focusing on key project research and development, data governance, and targeted chain marketing for corporate customers. We accelerated the layout of scenarios in transportation, tourism and pension finance, and continued to enrich the application of online credit, transaction banking, pension and other products. The number of active customers for corporate online banking and corporate mobile banking increased by 645.4 thousand and 622.1 thousand, respectively.

Transaction Banking

We continued to improve the transaction banking system based on accounts and payment settlement, and accelerated the layout of our online products to promote the high-quality development of our transaction banking business.

- We implemented graded and classified management of corporate accounts, optimized account opening services for enterprises, and improved the ability of branch outlets and online channel in customer acquisition continuously. At the end of June 2022, we had 9,549.4 thousand corporate RMB-denominated settlement accounts.
- We promoted E-guarantee to achieve whole-process online services in terms of domestic non-financing electronic guarantees with low risk. We optimized the smart supervision service to safeguard the capitals of major construction projects. We iteratively upgraded smart guaranteed payment and refined the industries and application scenarios to provide comprehensive financial service to multiple types of customers such as E-commerce platform. At the end of June 2022, we had 3,730.4 thousand active transaction banking customers.

Institutional Banking

We promoted the construction of Smart Customer and continuously improved our comprehensive service capabilities in institutional banking business. At the end of June 2022, we had 598.2 thousand institutional customers, representing an increase of 6.9% as compared to the end of the previous year.

- In terms of financial services provided to the governments, our coverage rate of cooperation with prefecture-level service platforms for government affairs reached 83%. We continued to improve functions such as pandemic prevention and control, rural revitalization and integration of party building on “iXiangyang” APP. We had cooperated with 13 counties in 8 provinces through Smart County, a smart service platform for county government affairs, whose functions and applications were further enriched.
- In terms of services with respect to people’s livelihood, the number of customers with electronic certificates for medical insurance through our mobile banking exceeded 50.82 million. We cooperated with over 30 thousand schools on our smart campus, and over four thousand hospitals on our smart hospital.
- In terms of services to financial institutions, the contracted customers for third-party depository services amounted to 62,080.0 thousand at the end of June 2022, representing an increase of 5,327.4 thousand as compared to the end of the previous year.

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 needs of customers for diversified financing. In the first half of the year, the income from our investment banking business was RMB8,019 million.

- We actively met the needs of customers for diversified financing. By leveraging the advantage of syndicated services, we continued to increase credit support to major projects in transportation, energy, water conservancy and other infrastructure fields, with the balance of syndicated loans exceeding RMB2 trillion. We actively supported M&A transactions related to industrial upgrade and enterprise transformation, and maintained a leading position in the market in terms of the scale of M&A loans. We increased support for direct financing to enterprises and underwrote debt financing instruments of non-financial enterprises with an amount of over RMB200 billion.
- We continuously promoted business innovation. We launched a number of funds for science and technology innovation, accelerated the promotion of the advisory service of stock option arrangement, orderly promoted the enterprise listing cultivation service, and actively promoted the model of investment and loan linkage service for science and technology startups. We underwrote the first batch of science and technology innovation notes, the first batch of transition bonds and the first high-growth asset-backed commercial paper (ABCP) in the market, and led in the market in terms of underwriting volume of rural revitalization bonds and green bonds.

Retail Banking

In the first half of the year, adhering to the customers-centered principle, we further promoted the development strategy of “One Main Body with Two Wings”, improved customer service, strengthened “broad wealth management” and digital transformation, improved financial services to new urban residents and rural revitalization, and promoted the high-quality development of retail banking. At the end of June 2022, the total number of our retail banking customers reached 859 million, maintaining a leading position in banking industry.

- We focused on sophisticated services and upgraded customer management model. To meet customers’ needs, we built a three-dimensional matrix customer management system that is layered, grouped and graded. We strengthened the hierarchical service to accompany the growth of customers by providing them with exclusive rights and interests. We carried out group-based operations to provide targeted financial solutions to different customer groups. We implemented graded management of customer managers to improve customer satisfaction.
- We built an open ecosystem and developed “broad wealth management”. We have extensively cooperated with high-quality companies in wealth management, insurance, fund, precious metals and other industries, and continued to enrich our full-spectrum product pool. We vigorously promoted asset allocation services, focused on accompanying customers during the whole process of pre-sale, sales and after-sale, and duly performed our duty as family finance advisors. We actively promoted the construction of a professional and multi-layered “broad wealth management” service team to improve our professional services capabilities.
- We unleashed data value and promoted the digital transformation. Focusing on data empowerment, we continued to improve the digital transformation infrastructure such as the “smart brain for retail business”, strengthened the “precise identification”, and provided customers with intelligent, accurate and predictable financial services by relying on tools such as “smart customer reception”, “smart customer retention”, “digital people”, and digital customer relationship management system.
- We focused on social concerns and fulfilled our responsibilities in retail banking. We accelerated the promotion of products such as “Gongxin Bao”, “Mingong Xinrong” and “ABC Zhufu Card”, strengthened cooperation with Internet platforms which had attracted many new urban residents to actively serve new urban residents. Relying on digital tools such as the full-scenario marketing service platform for rural revitalization, we extended the service focus to underserved areas, expanded the service coverage, and strengthened the promotion of exclusive products such as rural revitalization cards, Huinong wealth management and Huinong E-loan to improve the rural financial service capabilities.

Retail Loans

- We adhered to the principle that houses are for living in, not for speculation, supported the reasonable housing need of residents and implemented city-specific policies to promote the virtuous cycle and healthy development of the real estate industry. The balance of retail residential mortgage loans increased by 1.9% as compared to the end of the previous year.
- In accordance with the national policy requirements to promote the continuous recovery of consumption, we actively met the comprehensive consumption needs of individuals for car purchase, decoration, home appliances, etc., and continued to increase consumption loans, with the balance of personal consumption loans increased by 6.0% as compared to the end of the previous year.
- We continued to enhance financing supports for the stable production and sufficient supply to market entities in the fields of people's livelihood such as wholesale and retail, accommodation and catering, and resident services, and the balance of loans to private business increased by 17.3% as compared to the end of the previous year.

Retail Deposits

- We continued to enrich product system, optimized service process to meet diversified wealth management needs of customers and achieved sustained and steady growth in retail deposits.
- At the end of June 2022, the balance of domestic retail deposits of the Bank reached RMB14,189,829 million, representing an increase of RMB1,255,658 million as compared to the end of the previous year, maintaining a leading position in the industry.

Bank Card Business

- We improved the innovation and service capabilities of debit cards. We launched the “Jinsui Freight Card” to support the smoothness of freight logistics with financial services. We carried out a variety of debit card marketing activities, and cooperated with UnionPay to organize a number of consumption promotion activities for the benefit of people covering catering and convenience stores. We fully implemented the policies of fee reduction and interest concession, continued to waive inter-bank ATM cash withdrawal fees for all debit cards, and further waived inter-bank fees for cash withdrawal in rural areas. At the end of June 2022, we had 1,052 million existing debit cards, and 22,197.1 thousand debit cards were newly issued in the first half of the year.
- We continuously upgraded products and services of credit cards. We launched key products such as Car Owner Cards, Constellation Cards (China trend version) and Youran Joy Platinum Card, upgraded the customized benefits of card numbers and card design, and improved the experience of customers in their online card application and card use. We established a special preferential business circle and continued to carry out brand marketing activities, such as “Affectionate Companion”, “Affectionate Benefit”, “Automobile Festival” and “Home Decoration Festival” to effectively meet the residents' consumption needs of clothing, food, housing, transportation and entertainment. We actively implemented the policy of benefiting people and protecting enterprises, introduced differentiated repayment services, and implemented preferential transaction fees for certain merchants. In the first half of 2022, the transaction volume of credit cards amounted to RMB1,106,223 million.

Private Banking Business

- We continued to strengthen the marketing for private banking customers, launched the “On-the-Wing Initiative” for private banking business, continued to establish private banking centers at the head office level, and strengthened the construction of key wealth management centers and penetration supervision. We accelerated the development of family trust business, established a four-level linkage mechanism, and responded to customers’ needs for customized wealth inheritance in real time. We deepened the construction of the “Yi Private Banking” public welfare financial laboratory, and launched a number of charitable trusts with strong social influence such as Yuan Longping Charitable Trust. We continued to develop the private banking high-end wealth management business, practiced the concept of long-term and steady asset allocation, and continued to strengthen the sales of steady strategic products, with the scale of agency sales of asset management and private banking exclusive wealth management products steadily increased.
- At the end of June 2022, the number of our private banking customers reached 191 thousand and the balance of assets under management amounted to RMB2,062.4 billion, representing an increase of 21 thousand and RMB215.9 billion, 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 real economy, made contribution to the stabilization of the overall economy and supported 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 remained at a relatively high level in the industry.

Money Market Activities

- We strengthened our 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 2022, the volume of RMB-denominated financing transactions amounted to RMB66,264,247 million, including RMB66,105,285 million in lending and RMB158,962 million in borrowing.

Investment Portfolio Management

At 30 June 2022, our financial investments amounted to RMB8,965,955 million, representing an increase of RMB735,912 million, or 8.9%, as compared to the end of the previous year.

Trading Book Activities

- We maintained a leading position in the industry in terms of the bond market-making business in the inter-bank market. We proactively provided market-making quotation for green bonds to support green and low-carbon development. We focused on serving the opening-up of the bond market, and our market-making transaction volume of Bond Connect approximately increased by 30% on a year-on-year basis.
- We continuously improved the management capability of bond trading portfolio. In the first half of 2022, the overall yields of domestic bond market were range-bound with a downward trend. We dynamically adjusted the portfolio considering the market trend, strictly controlled the portfolio risk exposure and appropriately used derivatives to manage the portfolio market risks.

Banking Book Activities

- We continuously improved the quality and effectiveness of bond investment to serve the real economy and contributed to the stability of the overall economy. We maintained the scale of our investment in local government bonds and optimized the investment structure of credit bonds. We served the national regional strategies and local economic development, and supported the infrastructure construction in water conservancy projects, transportation and other sectors and the financing demands from the industries of the real economy such as public utilities, energy and science and technology.
- We increased our investment in green bonds, proactively supporting the construction of green projects related to sectors such as clean energy and infrastructure green upgrading to assist with the green transformation of the real economy.
- We reasonably seized the investment opportunities and dynamically adjusted the structures of investment portfolios by considering the market rate trend and bond supply. As a result, we reduced portfolio risks and achieved relatively high returns.

Asset Management

Wealth Management

In the first half of 2022, we proactively implemented the requirements for the net worth operation of wealth management products, and steadily carried out wealth management investment. At the end of June 2022, the balance of the Group's wealth management products amounted to RMB1,843,806 million, of which RMB162,221 million was generated from the Bank and RMB1,681,585 million was generated from Agricultural Bank of China Wealth Management Co., Ltd.

➤ Wealth Management Products of the Bank

During the reporting period, our outstanding wealth management products were non-principal guaranteed wealth management products. At the end of June 2022, the balance of non-principal guaranteed wealth management products amounted to RMB162,221 million, representing a decrease of RMB87,101 million as compared to the end of the previous year. In terms of offering approach, the balance of publicly offered wealth management products amounted to RMB162,221 million, representing a decrease of RMB85,995 million as compared to the end of the previous year; the balance of privately offered wealth management products amounted to zero, representing a decrease of RMB1,106 million as compared to the end of the previous year.

The table below presents the issuance, maturity and duration of our wealth management products during the reporting period.

In 100 million of RMB, except for tranches

Item	31 December 2021		Issuance		Maturity		30 June 2022	
	Tranche	Amount	Tranche	Amount	Tranche	Amount	Tranche	Amount
Non-principal guaranteed wealth management	54	2,493.22	—	—	41	871.01	13	1,622.21

Note: The amount of maturity includes redemption and maturity amount of wealth management products during the reporting period.

The table below presents the balances of direct and indirect investment assets under the Bank's wealth management as of the date indicated.

In 100 million of RMB, except for percentages

Item	30 June 2022	
	Amount	Percentage (%)
Cash, deposits and interbank certificates of deposit	118.37	6.6
Placements with and loans to banks and other financial institutions and financial assets held under resale agreements	—	—
Debt securities	993.61	55.1
Non-standardized debt assets	523.83	29.0
Other assets	167.52	9.3
Total	1,803.33	100.0

- Wealth Management Products of Agricultural Bank of China Wealth Management Co., Ltd.

At the end of June 2022, the balance of wealth management products of Agricultural Bank of China Wealth Management Co., Ltd. amounted to RMB1,681,585 million. These were all net worth wealth management products, among which publicly offered wealth management products accounted for 99.45% while privately offered wealth management products accounted for 0.55%.

Custody Service

- In the first half of 2022, we successfully achieved the custodianship of the largest Infrastructure Public Offered REITs in the market, led in the industry in terms of quantity and scale of initial offering of public funds under custody. The scale of pension funds under custody exceeded RMB1 trillion, and breakthrough was achieved in the custody business of wealth management pension. Our market competitiveness was effectively enhanced.
- In the election of the 12th “Golden Pixiu Award” Gold Medal List, we were awarded “Gold Medal Asset Custody Bank of the Year”, and our brand influence was continuously improved.
- At the end of June 2022, our assets under custody amounted to RMB13,567,843 million, representing an increase of 8.9% as compared to the end of the previous year, of which the pension funds under custody amounted to RMB1,006,145 million, representing an increase of 6.9% 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 carried out the overall layout of pension financial services. We were committed to providing annuity asset management services to various types of institutions including micro, small and medium-sized enterprises and individual customers. The increase of the number of entrusted management customers of enterprise annuity and account management customers of enterprise annuity both led in the industry, with the steady growth of business scale.
- At the end of June 2022, our pension funds under entrusted management¹ amounted to RMB187,937 million, representing an increase of RMB17,040 million, or 10.0%, as compared to the end of the previous year.

Precious Metals

- In the first half of 2022, we traded 2,092.96 tons of gold and 10,828.88 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 to entity customers of the precious metal industry chain to guarantee the stable operation of commodities production enterprises. We strengthened due diligence on customers in the areas such as green and low-carbon, and improved the assessment of ESG factors.

¹ Including occupational annuity, enterprise annuity and other pension assets under entrusted management.

Treasury Transactions on Behalf of Customers

- We actively promoted the concept of exchange rate risk neutrality, continued to improve services for customers by optimizing processes and improving online service experience, and assisted enterprises in improving their capabilities in managing exchange rate risk. In the first half of 2022, the transaction volume of foreign exchange sales and settlements as well as foreign exchange trading on behalf of customers amounted to USD274,121 million, representing a year-on-year increase of 18.0%.
- The counter bond (Zhaishibao) business developed steadily. The counter bond customer group steadily expanded, with the amount of distribution of bonds exceeding RMB16 billion in the first half of 2022. We strengthened our efforts to serve the real economy and support major national development strategies by proactively providing quotations of local government bonds and thematic bonds such as rural revitalization bonds. As of the end of June 2022, we provided counter quotations for more than 70 bonds including local government bonds and thematic bonds such as rural revitalization bonds in total.

Agency Insurance Business

- In the first half of 2022, our agency insurance premium reached RMB80.9 billion, maintaining a leading position in the industry, among which the agency regular insurance premium increased by 19.6% as compared to the same period of the previous year, and the business structure continued to be optimized.

Agency Distribution of Fund Products

- We further deepened the cooperation with the leading fund companies to implement “the quality products strategy” in the fund agency distribution. According to the market situation and the customer demands, we strengthened the agency distribution of publicly offered funds with relatively-low risks and actively explored strategic fields, such as pension FOF and publicly offered REITs and provided whole process management of products and customer services. In the first half of 2022, the number of funds distributed by the Bank amounted to 3,428, with sales volume amounted to RMB114,356 million.

Agency Sales of PRC Government Bonds

- In the first half of 2022, we, as an agent, distributed 4 tranches of savings PRC government bonds with the actual sales amount of RMB10,656 million, including 2 tranches of savings PRC government bonds (in certificate form) of RMB4,323 million and 2 tranches of savings PRC government bonds (in electronic form) of RMB6,333 million.

Internet Finance

We implemented the online business philosophy, deeply tapped into the value of traffic, and promoted the high-quality development of Internet Finance business.

Smart Mobile Banking

- The level of intelligence was improved. We launched the 7.3 Version of Mobile Banking, which improved the electronic payroll and other highlight products and provided functions such as adding accounts and real-time LPR query. We optimized the business process to improve the success rate of self-service registration and promote the intelligent interaction of Mobile Banking and interconnection between channels. We upgraded the channels including homepage and life, and optimized the information display of transfer, wealth management and other modules, which continuously improved the customer experience. As of the end of June 2022, we had more than 164 million of monthly active users (MAU) of mobile banking.
- The rural version of Mobile Banking was optimized. We launched exclusive financial products of rural revitalization series and Huinong series, enriched the products of Huinong loan, and optimized the functions of line of credit measurement and loan application, which effectively improved the digitalization of financial services for county areas.

Online Corporate Banking

- Corporate finance service platform was upgraded. We upgraded the technical framework of the platform, optimized configuration center for special versions, and enhanced the capability of the platform for customized service. We launched the Enterprise WeChat Bank to-do task prompt and other functions to improve the channel collaboration service ability. We enriched the deployment of corporate banking functions, optimized corporate financing services, and upgraded the “Inclusive E-Station” channel, which enhanced our mobile financial service capabilities.
- The “Salary Manager” service platform was optimized. We realized the separation of HR and finance of payroll business in financial scenarios of the Bank. We developed and launched hybrid salary function, supporting hybrid payment of salary from digital RMB accounts and basic settlement accounts.

Smart Scene-based Finance

- The scene-based applications with high-frequency transactions were deeply promoted. In terms of campuses, we accelerated the iteration of headquarters' version of smart campus application to provide comprehensive financial and non-financial services such as campus payment, campus access control, notice and announcement, and new student registration. In terms of canteens, we completed the R&D of ABC canteen mini apps to realize meal card query, meal card recharge, dining payment, online ordering and other functions. In terms of government affairs, we promoted the e-government dedicated zone of Mobile Banking and accelerated the cooperation with the e-government platforms of various provinces and cities. In terms of travel, we established the car owner service zone and integrated related products, services and interests, achieving "cooperation with and sharing of external services, and seamless integration of banking products".
- The service capabilities of open banking were improved. We continued to enrich the open banking output products, and provided seven types of output services including user authentication, account services, payment and settlement, fund products, financing services, mobile banking collaboration, and information services through the open banking platform. We improved the interconnection efficiency of internal and external systems, and satisfied the needs of personalized and diversified cooperation through flexible configuration. The number of open banking cooperation projects increased by 32% as compared to the end of the previous year.

Digital RMB Projects

- The digital RMB product functions were improved. We developed finance and capital management functions for group enterprises, and realized the application of corporate "parent-child wallet" across different legal entities, improving the Group's capital settlement efficiency. We upgraded the comprehensive cashier products, realizing quick acceptance of digital RMB business from merchants, so as to support the operation of small and medium-sized merchants. We explored the supply chain applications and exported the digital RMB functions to supply chain platforms, providing "one-stop" digital RMB services for the upstream and downstream enterprises.
- The construction of digital RMB scenarios was promoted. We continued to promote the scene-based construction including supermarket retail, bus, park consumption, public payment and rural tourism to constantly improve the stickiness of digital RMB application.

Cross-border Financial Services

We actively provided services to support the development of the export-oriented economy and high-quality opening up, and supported the Belt and Road Initiative, RMB internationalization, the establishment of pilot free trade zone and Hainan Free Trade Port, the transformation and upgrading of foreign trade and foreign investment. As of the end of June 2022, the total assets of our overseas branches and subsidiaries reached USD162.77 billion, representing an increase of 6.6% as compared to the end of the previous year. In the first half of 2022, the net profit of our overseas branches and subsidiaries amounted to USD0.4 billion. In the first half of 2022, the volume of international settlement by domestic branches reached USD847,655 million and the volume of international trade financing (including financing with domestic letters of credit) reached USD80,412 million.

- We optimized the cross-border integrated financial service system. We implemented integrated operation of RMB and foreign currency businesses to improve our cross-border financial services. We accelerated product innovation and digital transformation, and optimized service process. Three online brands for cross-border business, namely, ABC Cross-border E-Remittance, ABC Cross-border E-Certificate and ABC Cross-border E-Finance, were promoted with our further enhanced customer service capabilities.
- We supported the Belt and Road Initiative and the enterprises' financial demands of "going global". Responding to the foreign trade situation, the customer demands and new development pattern of "double cycle", we effectively marketed and provided services for "going global" projects, with focus on Easy Construction Finance series. In the first half of 2022, the volume of loans, letters of guarantee, overseas bond issuance and other businesses related to "going global" amounted to USD12,407 million, among others, the related businesses in countries along the Belt and Road amounted to USD3,095 million.
- We supported the development of pilot free trade zone and Hainan Free Trade Port. We issued an action plan to support the high-quality development of pilot free trade zone and formulated relevant measures to enhance our financial service in pilot free trade zone and Hainan Free Trade Port. In the first half of 2022, the number of free trade accounts increased by 1,013, representing a year-on-year growth of 36.97%.
- The cross-border RMB business maintained a steady growth, notching a total volume of RMB1,148,288 million in the first half of 2022. Actively playing its role as RMB clearing bank, Dubai Branch handled RMB clearing business amounting to RMB43,460 million in the first half of 2022, representing a year-on-year increase of 146.65%.

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 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. At the end of June 2022, its total assets and net assets amounted to USD39 million and USD25 million, respectively. It recorded a net profit of USD2.18 million for the first half of 2022.

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. At the end of June 2022, its total assets and net assets amounted to USD205 million and USD162 million, respectively. It recorded a net profit of USD1.81 million for the first half of 2022.

In addition, we own Agricultural Bank of China (UK) Limited in the United Kingdom, with a share capital of USD100 million. According to our overseas business development strategy, after the opening of the London branch of the Bank, the financial license of Agricultural Bank of China (UK) Limited was revoked, 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 2022, our six subsidiaries of integrated operation focused on core businesses, delved into respective professional territory and operated prudently regarding the development strategy of the Group. Their market competitiveness was steadily improved and synergy of the Group's integrated operation was achieved gradually.

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 businesses include fund-raising, sales of fund and asset management, and its major products include stock funds, mixed funds, bond funds, monetary funds and FOF funds. At 30 June 2022, its total assets and net assets amounted to RMB4,844 million and RMB4,164 million, respectively. It recorded a net profit of RMB121 million for the first half of 2022.

ABC-CA constantly enhanced its investment and research capabilities, improved its product and business deployment, and strengthened risk management, with its scale of asset under management increased steadily and the structure of asset under management optimized continuously. As of the end of the reporting period, ABC-CA had 67 publicly offered funds, 101 privately offered funds, and the assets under management reached RMB418.6 billion, representing an increase of RMB33.8 billion as compared to the end of the previous year. Its equity fund achieved an absolute yield rate of 4.48% in the past year, ranking 18th among 155 fund companies.

ABC International Holdings Limited

ABC International Holdings Limited was established in Hong Kong SAR in November 2009 with a share capital of HKD4,113 million, 100% of which was held by the Bank. ABC International Holdings Limited is eligible to engage in providing comprehensive and integrated financial services in Hong Kong SAR, including sponsor and underwriter 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 including private fund management, financial consultation, investment in mainland China. At 30 June 2022, its total assets and net assets amounted to HKD47,142 million and HKD10,751 million, respectively. It recorded a net profit of HKD183 million for the first half of 2022.

ABC International maintained its leading position among its comparable peers in terms of core indicators of investment banking business. In the first half of 2022, it completed 2 IPO sponsorship projects and 9 underwriting projects, ranking third among all domestic and foreign investment banks in Hong Kong SAR in terms of the number of underwriting projects. It underwrote 58 overseas bonds, with the underwriting scale increased by 63% compared to the same period of the previous year, ranking first among investment banks controlled by banks in terms of overseas bond underwriting scale issued by Chinese companies.

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 deposits 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 CBIRC. At 30 June 2022, its total assets and net assets amounted to RMB77,502 million and RMB10,853 million, respectively. It recorded a net profit of RMB429 million for the first half of 2022.

Persisting the characteristic development, ABC Financial Leasing achieved positive results in serving the goals of “peak carbon emissions and carbon neutrality” and rural revitalization. As of the end of June, the proportion of the balance of green leasing assets and agriculture-related leasing assets amounted to 66.4% and 25.2%, respectively. ABC Financial Leasing returned to basics of leasing business, with the proportion of the balance of direct lease in the balance of financial leasing amounted to 44.4%.

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 CBIRC. At 30 June 2022, its total assets and net assets amounted to RMB136,579 million and RMB8,540 million, respectively. It recorded a net loss¹ of RMB112 million for the first half of 2022.

Focusing on the primary responsibilities and core businesses in insurance, the business development capability of ABC Life Insurance was significantly improved. In the first half of 2022, the total premium income reached RMB26,252 million, with a year-on-year growth of 13.4%. Among them, regular premium reached RMB4,068 million, with a year-on-year growth of 48.4%. “ABC Quick E-Compensation” won the “Model Case of Customer Service in Insurance Industry” award by *China Banking and Insurance News*.

¹ In order to be consistent with the Group’s disclosure standards, the data is in accordance with the new financial instrument standard, which is different from the data in accordance with the financial instrument standard currently adopted by the insurance industry. Under the financial instruments standard currently adopted by the insurance industry, ABC Life Insurance recorded a net profit of RMB303 million for the first half of 2022.

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 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 banking regulatory authority of the State Council. At 30 June 2022, its total assets and net assets amounted to RMB124,395 million and RMB26,041 million, respectively. It recorded a net profit of RMB1,500 million for the first half of 2022.

ABC Financial Asset Investment focused on the primary responsibilities and core businesses of debt-to-equity swap, actively served the supply-side structural reform and the real economy, and put more emphasis on rural revitalization, green and low-carbon development, risk mitigation, and scientific and technological innovation, with the new investments in above-mentioned fields accounting for more than 70%.

Agricultural Bank of China Wealth Management Co., Ltd.

Agricultural Bank of China 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. The principal scope of business includes public offering of wealth management products to the general public, investment and management of the above-mentioned properties entrusted by the investors; private placement of wealth management products to qualified investors, investment and management of the above-mentioned properties entrusted by the investors; wealth management advisory and consulting services; and other businesses approved by the CBIRC. At 30 June 2022, its total assets and net assets amounted to RMB16,567 million and RMB16,293 million, respectively. It recorded a net profit of RMB1,226 million for the first half of 2022.

2022 was the first year for the full net worth operation of wealth management business after the end of the transition period of the *Guiding Opinions regarding Asset Management Business of Financial Institutions*. ABC Wealth Management maintained a leading position in the industry in terms of assets under management through various measures, such as innovating product design, enriching product functions, improving product deployment and optimizing customer experience.

- Prudently carrying out wealth management investment. It strengthened the study and judgment of market trends, and adjusted the asset allocation strategy in a timely manner to effectively avoid market fluctuations. In the first half of 2022, the monthly performance of multiple fixed income and hybrid products of ABC Wealth Management ranked in the front of the market.

- Actively serving the rural revitalization. The scale of rural vitalization themed wealth management products exceeded RMB50.0 billion, and the balance of county customers accounted for more than 40%.
- Constantly improving the brand image. It won awards such as “Trustworthy Wealth Management Institution of Banks” and “Best Green Wealth Management Company of the Year” held by media such as *Economic Observer* and “Sina Finance”.

Besides, we own China Agricultural Finance Co., Ltd. in Hong Kong SAR with a share capital of HKD589 million, 100% of which was 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 iABC strategy in information technology, and continued to improve our capability of science and technology empowerment.

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 promoted in-depth data integration and common data accumulation and provided one-stop exclusive data services through the big data platform and the middle-end data platform. In addition, we steadily advanced the cloud deployment of data-type applications of our branches.
- Regarding the application of cloud computing technology, we promoted the construction of an integrated cloud platform and completed the construction of the system for technology stack of “one cloud with multiple cores”. The physical nodes of the cloud platform of the Head Office exceeded 25,000 and the cloudification rate of computing resources reached 91%.
- Regarding the application of AI technology, we built a one-stop and whole-process knowledge graph platform, completed the construction and service of a ten-billion-level graphs asset, which were applied to Sannong, credit card, credit and other fields. We built a privacy computing platform to provide privacy computing basic services for AI and BI scenarios. We released 7.3 version of mobile banking, which improved the ability of smart recommendation.
- Regarding the application of distributed architecture, we promoted the transformation of core system to distributed architecture, with the distributed core system accounting for more than 67% of the trading volume during the peak trading period of the Spring Festival. We established the distributed middle-end technology platform to provide technical support of high-availability, high-reliability and high-performance to our product and application.

- Regarding the application of block chain technology, we promoted the construction of the blockchain cloud service platform and established a new trusted certificate system platform, which enabled us to achieve the whole-process traceability of data in the certificate chain, provide blockchain certificate scenario services and support the innovative application of digital collectible and cloud signature.
- Regarding the application of information security technology, we completed the promotion and deployment of the enterprise-level network Security Operation Center (SOC) in the Head Office and 37 tier-1 branches and achieved the overall access of 590 security log sources covering 20 categories, which supported the bank-wide supervision of daily network security situation.
- Regarding the application of network technology, we continued to upgrade the stock domain name to IPv6, explored the innovative application of “IPv6+”, and built end-to-end visual SRv6 network.
- Regarding the application of Internet of Things and virtual technologies, we initiated the bank-wide construction of Internet of Things, and set out a plan to construct Visual Reality (VR) and Augmented Reality (AR) platforms.

Improving the Level of Guarantee of Our Business Continuity

We focused on the construction of a disaster recovery system, promoted the dual-active construction of tier-1 business, improved the take-over scope of disaster recovery business, improved the coverage of emergency drills, and comprehensively improved the level of guarantee business continuity.

- The construction of disaster recovery was promoted. We completed the disaster recovery construction of 537 systems/modules, equipping all the tier-1 businesses, tier-2 businesses and tier-3 businesses with the remote/local disaster recovery capacity.
- Disaster recovery drills were carried out. We carried out the remote disaster recovery drills of the information systems of tier-1 branches in batches, which effectively evidenced the take-over capacity for the production and operation of branch outlets under abnormal conditions.
- We continued to optimize the integrated production, operation and maintenance platform, comprehensively improved the closed-loop management of monitoring and allocation, and launched the emergency working station, further improving the capacity of emergency diagnosis and rapid disposal.
- The transaction volume of production and operation grew rapidly, with the average daily transactions processed by the core system on business days reaching 1,161 million and the daily transaction peak volume reaching 1,353 million. The availability rate during major business hours of the core system was 99.99%.

Strengthening Cyber Security Protection System

- We carried out internal attack and defense drills to improve the practical ability of cyber security. We improved the drill management mechanism, optimized the attack and defense evaluation system, and set up multi-dimensional and comprehensive attack scenarios on financing business, to improve the effect of drills pertinently. We strengthened the governance of vulnerabilities, realizing dynamic zero-vulnerability in the Bank's service domain and channel domain on a quarterly basis.
- We intensified integrated management of cyber security of the Group, and procured the subsidiaries and overseas institutions to improve their cyber security protection.

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 improved the layout of financial market business, and set up the capital operation center in Shanghai, which carried out licensed operation.
- We increased institutional resources in areas such as Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Delta, Xiong'an New Area to seize opportunities from major regional development.
- We implemented digital operation strategy, optimized the function layout of Research and Development Center of the Head Office, and strengthened services to science and technology of branches.
- We optimized the organizational structure for internal supervision to promote the integration of political supervision, business supervision and audit supervision.

Information on Employees

We had a total of 450,299 in-service employees at the end of June 2022. Among them, 722 employees were employed by our overseas branches, subsidiary banks and representative offices, and 9,151 employees were employed by the subsidiaries of integrated operations and the rural banks.

Distribution of Employees by Regions

	30 June 2022	
	Number of Employees	Percentage (%)
Head Office	12,705	2.8
Yangtze River Delta	62,160	13.8
Pearl River Delta	49,379	11.0
Bohai Rim	64,062	14.2
Central China	92,453	20.5
Northeastern China	42,336	9.4
Western China	117,331	26.1
Overseas Branches, Subsidiaries and Representative Offices	722	0.2
Subsidiaries of Integrated Operations and Rural Banks	9,151	2.0
Total	450,299	100.0

Information on Institutions

At the end of June 2022, we had 22,804 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 (including Xinjiang Production and Construction Corps Branch and five branches directly managed by the Head Office), 405 tier-2 branches (including business departments of branches in capital cities of provinces and business departments of provincial branches), 3,340 tier-1 sub-branches (including business departments in municipalities, business departments of branches directly managed by the Head Office and business departments of tier-2 branches), 18,962 foundation-level branch outlets (including 15,430 tier-2 sub-branches) and 50 other establishments. We had a total of 13 overseas branches and four overseas representative offices, including branches in Hong Kong SAR, Singapore, Seoul, New York, Dubai International Financial Centre (DIFC), Dubai, Tokyo, Frankfurt, Sydney, Luxemburg, London, Macao SAR and Hanoi, and representative offices in Vancouver, Chinese Taipei, Sao Paulo and Dushanbe. Besides, we had 16 major controlled subsidiaries, including subsidiaries of integrated operations, overseas subsidiary banks and rural banks. Details referred 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 2022	
	Number of Domestic Branch Outlets	Percentage (%)
Head Office ¹	10	—
Yangtze River Delta	3,008	13.2
Pearl River Delta	2,381	10.5
Bohai Rim	3,283	14.4
Central China	5,151	22.6
Northeastern China	2,195	9.6
Western China	6,776	29.7
Total	22,804	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 the County Areas with comprehensive financial services through all our operating institutions under County Area Banking Division. We refer to such business as the County Area Banking Business or Sannong Banking Business. During the reporting period, focusing on our strategic positioning of building “a leading bank serving rural revitalization”, we steadily promoted financial services for the consolidation and expansion of achievements of poverty alleviation and key areas in rural revitalization, continuously improved the operation mechanism and policy system of the County Area Banking Division, and enhanced the product innovation and digital transformation of Sannong, with our service capabilities and market competitiveness steadily enhanced.

Management Mechanism

- We introduced the work plan for serving rural revitalization. We implemented the national strategic plan for comprehensively promoting rural revitalization, and formulated the work plan for serving rural revitalization during the “14th Five-Year Plan” period, which clarified the ideas, goals, tasks and measures for the Bank to serve rural revitalization during the “14th Five-Year Plan” period.
- We improved differentiated supporting policy. We introduced opinions on supporting policies to optimize systems and mechanisms and strengthen services for rural revitalization, and refined the performance appraisal plan of County Area Banking Division. We implemented the differentiated reserve requirement ratio policy of the PBOC, adopted preferential policies to allocate the credit resources, and separately allocated the economic capital, fixed assets, financial expenses, wages and other resources in County Areas.

- We deepened human resources reform in County Areas. We enhanced the cultivation of cadres and professionals for Sannong, and gave preference to rural revitalization in the allocation of human resources. We carried out the “Financial Talents in Counties to Help Towns and Villages and Enrich People campaign”, further promoted the project to cultivate young talents at the county level, and formulated a plan to select 2,400 young talents in County Areas.
- We optimized the credit policies for Sannong and County Areas. We formulated the Sannong Credit Policy Guideline for 2022 and revised the measures for the management of specialized farmer cooperatives, loans for forest and fruit products, and loans used as pension for farmers.

County Area Corporate Banking Business

We actively implemented the national strategy and arrangement for rural revitalization, accelerated product innovation and digital transformation, and promoted the County Area Corporate Banking Business to a new stage. At the end of June 2022, the balance of loans to corporate customers in the County Areas (excluding discount bills) amounted to RMB3,770.1 billion, representing an increase of RMB401.7 billion as compared to the end of the previous year.

- **We constantly increased the loans to key industries in County Areas.** At the end of June 2022, the balance of loans to manufacturing industry in County Areas amounted to RMB869.8 billion, representing an increase of RMB134.4 billion as compared to the end of the previous year. The balance of loans to transportation, storage and postal services in County Area amounted to RMB780 billion, representing an increase of RMB59.9 billion as compared to the end of the previous year.
- **We accelerated the Digital Transformation of County Area Corporate Banking Business.** We promoted the pilot program of “smart investment attraction”, “smart animal husbandry” and other company financial scene business in County Areas. At the end of June 2022, the balance of online loans to corporate customers in County Areas amounted to RMB242.8 billion, representing an increase of RMB58.4 billion as compared to the end of the previous year.
- **We actively carrying out the innovation of products in County Area Corporate Banking.** We delegated the authority for product innovation to key areas of Sannong, such as agriculture, forestry, animal husbandry and fishery, seed industry, the whole grain industry chain, and rural tourism, to support branches to carry out product innovation for Sannong.

County Area Retail Banking Business

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 was improved steadily. At the end of June 2022, the balance of loans to retail customers in County Areas amounted to RMB2,911.5 billion, representing an increase of RMB232.2 billion as compared to the end of the previous year.

- **We increased the granting of Huinong E-loan.** We vigorously promoted online financial services, actively supported the production and operation of farmers in various forms of business, and effectively satisfied the funding needs for spring ploughing preparation. As of the end of June 2022, the balance of Huinong E-loan amounted to RMB708.1 billion, representing an increase of RMB163.4 billion as compared to the end of the previous year. The number of rural households with credit lines amounted to 4.27 million, representing an increase of 0.59 million as compared to the end of the previous year.
- **We promoted the coverage expansion and credit line increase of “Fumin Loan”.** We promoted the “Fumin Loan” jointly with the National Rural Revitalization Administration, with the pilot program extended to old revolutionary base areas in counties lifted out of poverty. As of the end of June 2022, the balance of “Fumin Loan” amounted to RMB2,783 million, representing an increase of RMB2,728 million as compared to the end of the previous year. The number of rural households with outstanding loan balances amounted to 25 thousand, representing an increase of 24.6 thousand as compared to the end of the previous year.
- **We enhanced the construction of online/offline service channels in county areas.** We optimized the distribution of Huinongtong service centers, enriched their service functions, and increased machinery and tools in the regions lifted out of poverty and the rural areas in the central and western regions. We promoted the relocation and construction of branch outlets to counties, urban-rural fringe, village and towns, and strengthened the iteration and optimization of Mobile Banking rural version. As of the end of June 2022, the MAU of Mobile Banking rural version reached 9.02 million, representing an increase of 5.62 million as compared to the end of the previous year.

Financial Services for Rural Revitalization

Serving the Consolidation and Expansion of Achievements in Poverty Alleviation

- **We improved the supporting policy for the consolidation and expansion of achievements in poverty alleviation.** We introduced the work plan for key counties receiving assistance in pursuing rural revitalization for 2022, specifying 32 work measures in nine areas. We formulated the work plan for designated poverty alleviation in 2022 to continuously promote designated poverty alleviation. We developed a special evaluation plan for serving the consolidation and expansion of achievements in poverty alleviation for tier-1 branches in 2022 to strengthen the assessment and supervision.
- **We maintained a steady increase in loans to areas lifted out of poverty.** As of the end of June 2022, the balance of loans to 832 counties lifted out of poverty amounted to RMB1,605.6 billion, representing an increase of RMB139.8 billion as compared to the end of the previous year.
- **We increased the credit supply to key counties receiving assistance in pursuing rural revitalization.** As of the end of June 2022, the balance of loans to national key counties receiving assistance in pursuing rural revitalization amounted to RMB295.6 billion, representing an increase of RMB29.6 billion or 11.1% as compared to the end of the previous year, which was 1.6 percentage points higher than the growth rate of that of the Bank.

- **We enhanced the credit support for rural revitalization.** We made our best efforts to extend credit to key areas for rural revitalization, such as food security, rural industries, rural construction, stable production and supply of agricultural products, and rural household finance. As of the end of June 2022, the balance of loans to key areas of food amounted to RMB235.1 billion, representing an increase of RMB42.5 billion as compared to the end of the previous year. The balance of loans to rural industry amounted to RMB1,356.9 billion, representing an increase of RMB217.7 billion as compared to the end of the previous year. The balance of loans to rural construction amounted to RMB1,433.9 billion, representing an increase of RMB153.6 billion as compared to the end of the previous year.
- **We strengthened the innovation of products and service models for Sannong.** We formulated working opinions on product innovation for Sannong in 2022, expanded the branch's authority on product innovation, and identified 28 flagship products for promotion. In the first half of 2022, the head office and branches innovatively launched a total of 34 new products such as national reserve forest loan and village collective economic organization loan, with the number of our featured products for Sannong reached 271.
- **We vigorously carried out the construction of digital rural project.** As of the end of June 2022, core scenarios such as rural collective “funds, resources and assets” management, smart animal husbandry, township governance and smart investment attraction were all launched. The “funds, resources and assets” management platform was launched in 1,295 counties (districts), representing an increase of 387 as compared to the end of the previous year. The agriculture-related scenarios deployed by the head office on the cloud covered more than 500 counties (districts).

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 City, Hubei Province, with a registered capital of RMB31.00 million, 50% of which was held by the Bank. As of 30 June 2022, the total assets and net assets of ABC Hubei Hanchuan Rural Bank Limited Liability Company amounted to RMB400 million and RMB64 million, respectively. It recorded a net profit of RMB1,287.3 thousand in the first half of the year.

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 2022, the total assets and net assets of ABC Hexigten Rural Bank Limited Liability Company amounted to RMB231 million and RMB45 million, respectively. It recorded a net profit of RMB2,130.5 thousand in the first half of the year.

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 2022, the total assets and net assets of ABC Ansai Rural Bank Limited Liability Company amounted to RMB578 million and RMB58 million, respectively. It recorded a net profit of RMB1,211.9 thousand in the first half of the year.

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 2022, the total assets and net assets of ABC Jixi Rural Bank Limited Liability Company amounted to RMB389 million and RMB39 million, respectively. It recorded a loss of RMB3,159.4 thousand in the first half of the year.

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 2022, the total assets and net assets of ABC Zhejiang Yongkang Rural Bank Limited Liability Company amounted to RMB740 million and RMB275 million, respectively. It recorded a net profit of RMB4,300.7 thousand in the first half of the year.

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 2022, the total assets and net assets of ABC Xiamen Tong'an Rural Bank Limited Liability Company amounted to RMB979 million and RMB189 million, respectively. It recorded a net profit of RMB2,617.7 thousand in the first half of the year.

Financial Position

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

In millions of RMB, except for percentages

Item	30 June 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	6,935,919	—	6,218,312	—
Allowance for impairment losses on loans	(308,496)	—	(286,111)	—
Loans and advances to customers, net	6,627,423	57.1	5,932,201	56.9
Intra-bank balance ¹	3,912,735	33.7	3,540,949	34.0
Other assets	1,069,433	9.2	946,065	9.1
Total assets	11,609,591	100.0	10,419,215	100.0
Deposits from customers	10,357,801	97.3	9,413,446	97.7
Other liabilities	287,003	2.7	217,721	2.3
Total liabilities	10,644,804	100.0	9,631,167	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 Items of the County Area Banking Business

In millions of RMB, except for percentages

	Six months ended 30 June 2022	Six months ended 30 June 2021	Increase/ (decrease)	Growth rate (%)
External interest income	143,534	124,639	18,895	15.2
Less: External interest expense	79,620	68,445	11,175	16.3
Interest income from intra-bank balance ¹	75,654	68,026	7,628	11.2
Net interest income	139,568	124,220	15,348	12.4
Net fee and commission income	19,375	18,341	1,034	5.6
Other non-interest income	968	669	299	44.7
Operating income	159,911	143,230	16,681	11.6
Less: Operating expenses	45,736	42,544	3,192	7.5
Credit impairment losses	38,459	40,216	(1,757)	-4.4
Impairment losses on other assets	2	5	(3)	-60.0
Total profit before tax	75,714	60,465	15,249	25.2

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.

Key Financial Indicators of the County Area Banking Business

Unit: %

Item	Six months ended 30 June 2022	Six months ended 30 June 2021
Average yield of loans	4.38*	4.47*
Average cost of deposits	1.62*	1.54*
Net fee and commission income to operating income	12.12	12.81
Cost-to-income ratio	27.87	29.03

Item	30 June 2022	31 December 2021
Loan-to-deposit ratio	66.96	66.06
Non-performing loan ratio	1.35	1.42
Allowance to non-performing loans	340.83	332.10
Allowance to loan ratio	4.62	4.71

* Annualized figures.

Risk Management and Internal Control

Risk Management

In the first half of 2022, faced with complex and grim internal and external situations, the Bank continued to improve its comprehensive risk management, actively and prudently prevented and resolved all kinds of risks, and kept the major material risks under control. We revised the Group's risk appetite and comprehensive risk management strategies, and implemented the strategic guidance of serving major national strategies and supporting the development of real economy. 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 strengthened the integrated management and control of market risk across the Group, enhanced the monitoring of market risk exposure limits, so that financial market business operated smoothly. We strengthened the prevention and control of operational risk, continuously improved the management mechanism of prevention and control of cases of violations, enhanced IT risk management, and promoted the overall pandemic prevention and business continuity management. We optimized and upgraded the risk data marts, risk report and management platform, improving the Group's capability for effective aggregation of risk data and risk reporting. We prepared for the implementation of new regulations on capital supervision, and orderly promoted the project construction of new measurement methods for credit risk, market risk and operational risk.

Credit Risk

In the first half of 2022, implementing national macro-control policies, we improved the construction of our credit risk management system. We strengthened the risk prevention and control in key areas, diversified the channels for collection and disposal of non-performing loans, thus maintaining our asset quality stable.

Credit Risk Management Structure

The structure of our credit risk management mainly comprises the Board of Directors and its Risk Management and Consumers' Interests Protection Committee, the senior management and its Risk Management and Internal Control Committee, Credit Approval Committee, Asset Disposal Committee, as well as Credit Management Department, Credit Approval Department, Risk Management Department and various front offices, forming a credit risk management structure characterized with centralized and unified management and multi-level authorization.

We refined the credit policy system. We formulated comprehensive policies such as the annual credit policy guideline, Sannong and Inclusive Finance credit policy guideline. We formulated or revised the credit policies for wind power, solar power, nuclear power, biomass power, real estate, government-subsidized housing, pension and other industries. We introduced differentiated regional credit policies to promote sophisticated management of credit business.

We enhanced the credit risk management in key areas. We maintained the control of “high energy consumption and high pollution” industries, adhered to the principle of ensuring the development of certain sectors while restricting the growth of others and supporting the development of certain sectors while containing the development of others. We satisfied rational financing needs of the coal power, steel, non-ferrous metals and other manufacturers, and would not blindly withdraw or cut off loans. We firmly reduced or cut off loans granted to high energy consumption and high pollution customers which cannot meet or rectify to comply with the energy consumption and emission standards. Adhering to the principle that “houses are for living in, not for speculation”, we implemented the requirements for prudent financing to real estate, actively promoted the development of government-subsidized housing and rental housing, supported the demand for rigid and improved housing, and satisfied the reasonable financing needs of real estate enterprises. We actively supported and cooperated with the local governments to promote the program to “guarantee the delivery of property, the stability of people’s livelihood”, mitigated and disposed the risk through measures such as project mergers and acquisition, so as to promote the virtuous cycle and healthy development of the real estate. We enhanced the management of financial holding groups to prevent risks such as customers’ deviation from real to virtual, deviation from the core businesses and blind expansion, etc.

We enhanced the basic credit risk management. We strengthened the risk classification and impairment management, implemented regulatory requirements, implemented classification standards strictly, and made overall plans to prevent and defuse risks, maintaining asset quality stable and risk compensation adequate and effective. We strengthened the credit risk monitoring and early warning of group customers with large loan balances, small and micro enterprises and key areas, as well as the risk monitoring of overseas branches and subsidiaries. We enhanced the disposal of non-performing loans, focused on independent collection, strengthened the write-off of bad debts and the restructuring and disposal of non-performing loans, improved the disposal management mechanism, and strengthened the disposal of projects in large-amount.

Risk Management of Retail Banking Business

We carried out the assessment and evaluation of the Bank's centralized operation center for retail loans to facilitate its improvement, and promoted the sophisticated management of the centralized operation center for retail loans. We promoted the connection between the retail credit business and the real estate registration system, and took advantage of online processing to improve the level of collateral management. We promoted the digital transformation of retail loan business, launched the real-time collection management function for overdue retail loans, promoted and applied the overdue collection management system, strengthened collection management of overdue loans, and continuously improved the intelligent risk control ability of retail loans. We accelerated disposal of retail non-performing assets, with the quality of retail loans stable in a favorable trend.

Risk Management of Credit Card Business

We continued to promote the construction of an intelligent, differentiated, intensive and integrated credit card smart risk control system. At the pre-loan stage, we deepened differentiated management, promoted iteration and upgrade of strategies to effectively control the incremental risks. At the loan-processing stage, we consolidated the foundation of risk operation and control, optimized the allocation of credit limit resources, and promoted the optimization of asset structure. At the post-disbursement stage, we improved the integrated collection system, continued to promote write-offs and asset securitization, and improved the effectiveness of asset disposal. The quality of credit card assets remained at the forefront of the industry continuously.

Risk Management of Treasury Business

We refined the risk management measures for treasury business, improved the operating procedures of treasury business, optimized the whole-process risk management mechanism and refined the management of credit bonds before, during and after investment. 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 and improved the loan risk classification management system in accordance with the *Guidelines of Credit Risk Classification* issued by the CBIRC. 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, willingness to repay the loan, profitability of the loan project, and the reliability of the secondary repayment sources, etc.

We adopted two classification management systems for loans, being the five-category classification system and the 12-category classification system. Corporate loans were mainly implemented 12-category classification system. We conducted comprehensive evaluations on customer default risk and debt transaction risk to objectively reflect the risk level of loans. Such evaluations were made with more details in formulating the annual classification policies at the beginning of every year to specify the requirements for classification standards and management of loans to key corporate customers and thus improving the foreseeability and sensitivity of risk identification. Retail loans were implemented 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 a more objective risk assessment. Large retail loans to private businesses were classified manually on a quarterly basis to enhance risk sensitivity. In addition, the classification was promptly adjusted based on the risk information collected in the credit management to reflect loan quality objectively.

Credit Risk Analysis

Distribution of Loans by Collaterals

In millions of RMB, except for percentages

Item	30 June 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	8,229,445	43.8	7,963,577	46.5
Loans secured by pledges	2,553,781	13.6	2,269,076	13.2
Guaranteed loans	2,235,897	11.9	1,910,717	11.2
Unsecured loans	5,751,200	30.7	4,992,382	29.1
Sub-Total	18,770,323	100.0	17,135,752	100.0
Accrued interest	43,229	—	39,321	—
Total	18,813,552	—	17,175,073	—

Distribution of Overdue Loans by Overdue Period

In millions of RMB, except for percentages

Item	30 June 2022		31 December 2021	
	Amount	Percentage of total loans (%)	Amount	Percentage of total loans (%)
Overdue for less than 90 days (including 90 days)	74,315	0.40	74,359	0.43
Overdue for 91 to 360 days (including 360 days)	60,642	0.32	52,847	0.31
Overdue for 361 days to 3 years (including 3 years)	38,674	0.21	40,886	0.24
Overdue for more than 3 years	13,937	0.07	16,829	0.10
Total	187,568	1.00	184,921	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	70,334	0.38
Borrower B	Transportation, storage and postal services	44,618	0.24
Borrower C	Transportation, storage and postal services	42,040	0.22
Borrower D	Transportation, storage and postal services	37,727	0.20
Borrower E	Transportation, storage and postal services	37,498	0.20
Borrower F	Transportation, storage and postal services	29,806	0.16
Borrower G	Finance	26,790	0.14
Borrower H	Transportation, storage and postal services	26,389	0.14
Borrower I	Production and supply of electricity, heating, gas and water	26,104	0.14
Borrower J	Production and supply of electricity, heating, gas and water	24,000	0.13
Total		365,306	1.95

As of 30 June 2022, we fulfilled the regulatory requirements as total loans to our largest single borrower represented 2.18% of our net capital and total loans to our ten largest single borrowers represented 11.32% of our net capital.

Large Exposures

During the reporting period, pursuant to the *Administrative Measures for Large Exposures of Commercial Banks* issued by the CBIRC and other relevant regulatory requirements, we further improved the organizational structure and system of large exposures management, consolidated the data basis, optimized the measurement process, carried out 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 measurement and management capability of large exposures.

Distribution of Loans by Five-category Classification

In millions of RMB, except for percentages

Item	30 June 2022		31 December 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Normal	18,232,397	97.13	16,636,899	97.09
Special mention	273,471	1.46	253,071	1.48
Non-performing loans	264,455	1.41	245,782	1.43
Substandard	106,884	0.57	48,712	0.28
Doubtful	133,686	0.71	170,611	1.00
Loss	23,885	0.13	26,459	0.15
Sub-Total	18,770,323	100.00	17,135,752	100.00
Accrued interest	43,229	—	39,321	—
Total	18,813,552	—	17,175,073	—

As of 30 June 2022, the balance of our non-performing loans was RMB264,455 million, representing an increase of RMB18,673 million as compared to the end of the previous year; the non-performing loan ratio was 1.41%, representing a decrease of 0.02 percentage point as compared to the end of the previous year. The balance of special mention loans was RMB273,471 million, representing an increase of RMB20,400 million as compared to the end of the previous year; and the special mention loans accounted for 1.46% 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 2022, the Bank adhered to general principle of pursuing progress while ensuring stability, optimized the allocation of resources, reinforced the risk management and control over the key areas, and made every effort to keep asset quality stable. We optimized the credit structure continuously and reinforced the credit support for key areas such as rural revitalization, infrastructure construction, green development, scientific & technological innovation, industrial structure upgrade, regional development strategies of the state and inclusive finance. We paid close attention to risks in major industries, regions and customers, strengthened the risk monitoring and warning against the key areas such as the real estate sector, credit related to local governments, industries with high energy consumption and high pollution and group customers with large loan balances. In addition, we made pertinent management and control plans, took measures to prevent and mitigate the credit risk, and strictly adhered to the bottom line of avoiding the systematic financial risk. We established the rescue service mechanism to provide differentiated financial services to industries and customers heavily affected by the pandemic, avoided loan restriction, loan withdrawal and loan cutting off against certain industries, and supported distressed entities to work resumption and tide over difficulties. We reinforced the industry limit management, credit business duration management, asset classification and impairment management, and consolidated

the foundation of risk management. We accelerated the construction of digital risk monitoring system, strengthened the whole-process system support for credit risk management and control, and improved the digital and intelligent level of credit risk prevention and control. We actively advanced the work to dispose of non-performing loans, strengthened the disposal of non-performing loans in major areas according to the disposal strategy of more collection, more write-offs, more restructuring and prudent transfer in batches, and improved our ability to proactively defuse risks.

Distribution of Non-Performing Loans by Business Type

In millions of RMB, except for percentages

Item	30 June 2022			31 December 2021		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Corporate loans	219,153	82.9	2.14	203,939	83.0	2.22
Short-term corporate loans	90,062	34.1	2.90	93,620	38.1	3.58
Medium- and long-term corporate loans	129,091	48.8	1.81	110,319	44.9	1.68
Discounted bills	—	—	—	—	—	—
Retail loans	40,135	15.1	0.54	36,246	14.7	0.51
Residential mortgage loans	19,476	7.4	0.36	18,872	7.7	0.36
Credit card balances	8,052	2.9	1.24	6,179	2.5	0.99
Personal consumption loans	2,092	0.8	1.12	2,340	0.9	1.33
Loans to private business	3,308	1.3	0.60	3,009	1.2	0.64
Loans to rural households	7,185	2.7	0.96	5,822	2.4	0.96
Others	22	—	8.70	24	—	8.25
Overseas and others	5,167	2.0	1.22	5,597	2.3	1.31
Total	264,455	100.0	1.41	245,782	100.0	1.43

Distribution of Corporate Non-Performing Loans by Industry

In millions of RMB, except for percentages

Item	30 June 2022			31 December 2021		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Manufacturing	62,096	28.3	3.44	66,402	32.6	4.43
Production and supply of electricity, heating, gas and water	11,156	5.1	1.01	12,269	6.0	1.21
Real estate	33,454	15.3	3.97	28,172	13.7	3.39
Transportation, storage and postal services	17,347	7.9	0.78	17,859	8.8	0.85
Wholesale and retail	15,983	7.3	2.69	18,384	9.0	3.72
Water, environment and public utilities management	7,749	3.5	0.95	3,371	1.7	0.47
Construction	8,428	3.8	2.14	6,558	3.2	2.25
Mining	18,720	8.5	9.85	20,314	10.0	10.50
Leasing and commercial services	32,035	14.6	1.93	24,026	11.8	1.61
Finance	353	0.2	0.18	362	0.2	0.24
Information transmission, software and IT services	2,630	1.2	3.65	1,024	0.5	1.76
Others	9,202	4.3	2.49	5,198	2.5	1.58
Total	219,153	100.0	2.14	203,939	100.0	2.22

Distribution of Non-Performing Loans by Geographic Region

In millions of RMB, except for percentages

Item	30 June 2022			31 December 2021		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Head Office	1,199	0.5	0.28	1,297	0.5	0.41
Yangtze River Delta	25,149	9.5	0.55	26,265	10.7	0.64
Pearl River Delta	29,202	11.0	0.94	17,463	7.1	0.61
Bohai Rim	60,571	22.9	2.25	58,562	23.8	2.38
Central China	50,892	19.2	1.74	49,632	20.2	1.86
Northeastern China	13,466	5.1	2.20	12,258	5.0	2.07
Western China	78,809	29.8	1.95	74,708	30.4	1.99
Overseas and others	5,167	2.0	1.22	5,597	2.3	1.31
Total	264,455	100.0	1.41	245,782	100.0	1.43

Changes in the Allowance for Impairment Losses on Loans

In millions of RMB

Item	Six months ended 30 June 2022			Total
	Stage I 12-month expected credit losses	Stage II Lifetime expected credit losses	Stage III	
1 January 2022	516,225	57,503	162,959	736,687
Transfer ¹				
Stage I to stage II	(6,216)	6,216	—	—
Stage II to stage III	—	(15,971)	15,971	—
Stage II to stage I	4,716	(4,716)	—	—
Stage III to stage II	—	3,041	(3,041)	—
Originated or purchased financial assets	138,590	—	—	138,590
Remeasurement	4,229	22,956	18,756	45,941
Repayment or transfer-out	(75,392)	(6,679)	(9,388)	(91,459)
Write-offs	—	—	(23,408)	(23,408)
30 June 2022	582,152	62,350	161,849	806,351

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 2022, we formulated the market risk management policy, clarifying the market risk management requirements and access standards for trading and investment business of the Bank. We continuously improved the capital measurement and limit calculation functions of market risk management system, carried out comprehensive verification of Internal Models Approach, and optimized the market risk measurement model and system. We focused on conducting access review for new products to ensure that risks of new products are controllable before they are launched.

Our market risk exposure limits are classified into mandatory limits and instructive 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 positions in the financial instruments and commodities 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, 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 of the trading book of the Head Office and domestic and overseas branches of the Bank.

VaR Analysis for the Trading Book

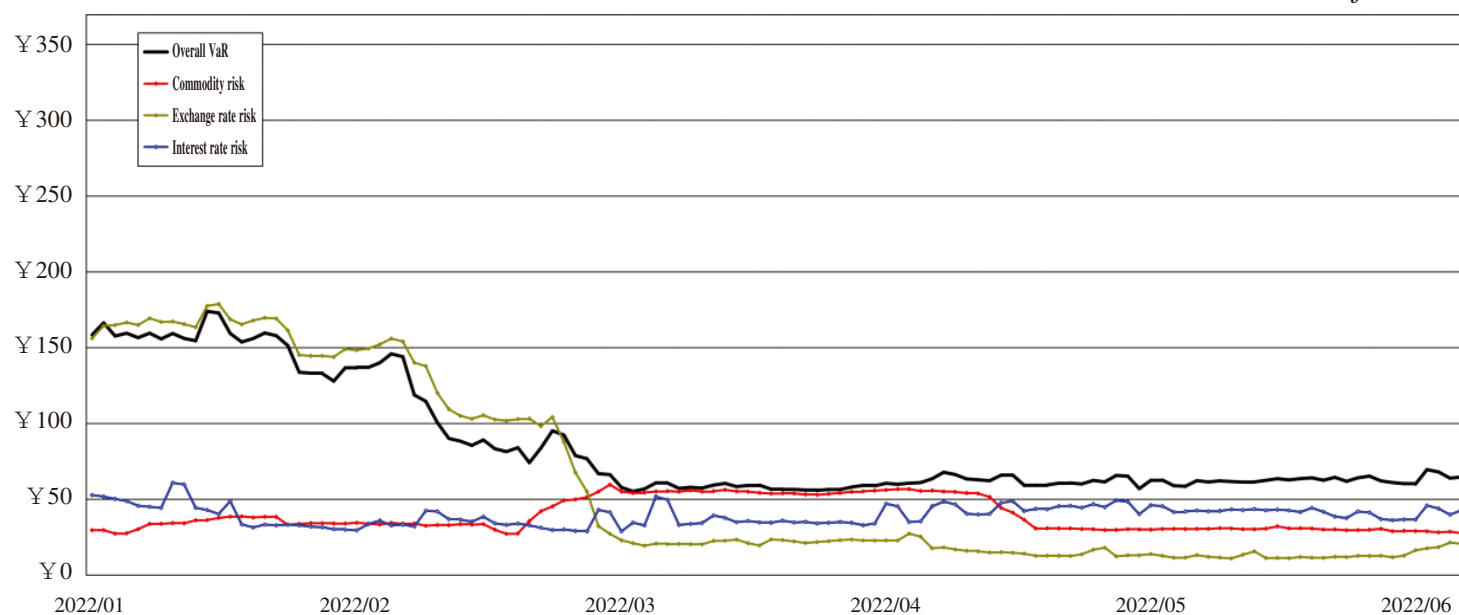
In millions of RMB

Item	Six months ended 30 June 2022				Six months ended 30 June 2021			
	At the end of the period	Average	Maximum	Minimum	At the end of the period	Average	Maximum	Minimum
Interest rate risk	39	40	61	29	64	76	99	58
Exchange rate risk ¹	24	62	179	11	278	172	284	35
Commodity risk	27	39	60	27	110	105	136	64
Overall VaR	62	86	174	55	296	205	302	87

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

Change in VaR of Trading Book in the first half of 2022

In millions of RMB



During the reporting period, since the scale of bond portfolio decreased slightly as compared to the same period of the previous year, the VaR of interest rate risk was lower than that of the same period of the previous year. As the exposure of gold portfolio was controlled within a small scale, the VaR of exchange rate risk was lower than that of the same period of the previous year. As the exposure of silver portfolio was lower than that of the same period of the previous year, the VaR of commodity risk declined slightly.

Market Risk Management for Banking Book

We manage 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

In the first half of 2022, we paid close attention to the macro economy and the trend of interest rates, and made forward-looking deployment of the term structure and duration management of assets and liabilities. We continuously optimized the internal and external pricing management mechanisms to guide the smooth and orderly development of various businesses. We optimized the interest rate risk limit system in due course to strengthen the interest rate risk management and control of business lines and investment portfolios. 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.

Interest Rate Risk Analysis

At 30 June 2022, the accumulative negative gap with interest rate sensitivity due within one year of the Bank amounted to RMB683,998 million, representing a decrease of RMB160,392 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 2022	(7,651,711)	1,383,814	5,583,899	(683,998)	(1,436,894)	4,212,995	111,744
31 December 2021	(6,739,001)	1,022,100	4,872,511	(844,390)	(554,215)	3,539,307	2,949

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

	30 June 2022		31 December 2021	
	Movements in net interest income	Movements in other comprehensive income	Movements in net interest income	Movements in other comprehensive income
Movements in basis points				
Increased by 100 basis points	(40,857)	(53,310)	(37,792)	(39,264)
Decreased by 100 basis points	<u>40,857</u>	<u>53,310</u>	<u>37,792</u>	<u>39,264</u>

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 yield curve 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 at 30 June 2022, 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 RMB40,857 million and RMB53,310 million, respectively.

Exchange Rate Risk Management

In the first half of 2022, we regularly carried out foreign exchange risk exposure monitoring, exchange rate sensitivity analysis and stress testing, continued to improve the measurement of exchange rate risk and flexibly adjusted the trading exchange rate risk exposures, while maintaining non-trading exchange rate risk exposures stable. Therefore, our bank-wide exchange rate risk exposure 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 2022, the mid-point rate of RMB against USD depreciated accumulatively by 3,357 basis points or 5%. At 30 June 2022, the net foreign exchange exposure of on- and off-balance sheet financial assets/liabilities of the Bank was USD10,920 million.

Foreign Exchange Exposure

In millions of RMB (USD)

	30 June 2022		31 December 2021	
	RMB	USD equivalent	RMB	USD equivalent
Net foreign exchange exposure of on-balance sheet financial assets/liabilities	100,922	15,037	66,079	10,364
Net foreign exchange exposure of off-balance sheet financial assets/liabilities	(27,629)	(4,117)	(3,454)	(542)

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 2022	31 December 2021
USD	+5%	300	224
	-5%	(300)	(224)
HKD	+5%	1,489	1,484
	-5%	(1,489)	(1,484)

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 RMB300 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 comprises liquidity management department, asset and liability business department and information and technology department, etc.; 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 fulfil the liquidity needs of assets, liabilities and off-balance sheet businesses and perform the 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, and constantly monitored 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 liability 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

We set liquidity risk stress testing scenarios based on the market condition and operation practice and full consideration of 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 2022, the internal and external liquidity situations faced by the Bank were complicated and ever-changing. The monetary policies in major developed economies were tightened, overseas inflationary pressures continued to rise, and domestic economic performance experienced certain fluctuations. The volatility of the Bank's 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. At the end of June 2022, we fulfilled the regulatory requirements with liquidity ratios for RMB and foreign currency of 65.29% and 168.54%, respectively. The average of the liquidity coverage ratio over the second quarter in 2022 increased by 9.9 percentage points to 135.5% as compared to the previous quarter. At the end of June 2022, the net stable funding ratio was 129.0%, with available stable funding of RMB22,638.9 billion in numerator and the required stable funding of RMB17,556 billion in denominator.

Liquidity Gap Analysis

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

<i>In millions of RMB</i>									
	Past due	On demand	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	Total
30 June 2022	22,872	(14,231,338)	1,307,669	(430,104)	(585,486)	1,376,424	12,370,885	2,372,925	2,203,847
31 December 2021	22,689	(13,368,709)	899,919	(663,272)	(428,608)	2,013,118	11,388,711	2,279,803	2,143,651

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 2022, we re-examined operational risk appetite and operational risk management strategy, revised the operational risk monitoring and reporting rule, initiated the upgrade of the operational risk management system, carried out the assessment and identification of operational risk events, and improved the operational risk management system. We deepened the application of operational risk management tools, formulated annual operational risk assessment plans, carried out operational risk assessment for new businesses, new products and new systems on a regular basis, improved the system of key risk indicators, and strengthened the operational risk events reporting

and analysis reporting. We strengthened the operational risk management in key areas, highlighting preventive control, and continuing to enhance case risk governance. We strengthened IT risk management, and formulated new business continuity plan. We revised the management measures for business outsourcing and detailed rules for the implementation of science and technology outsourcing to standardize outsourcing risk management.

Legal Risk

In the first half of 2022, we continued to deepen the construction of Agricultural Bank of China under the rule of law to further promote law-based governance. We improved the “three lines of defense” of legal risk management, and optimized the process and mechanism of legal risk management. We strengthened legal services and support in areas such as digital transformation, rural revitalization, Green Finance, privacy and data security and inclusive finance. We prevented the risk of intellectual property infringement, and ensured business and product innovation. We made best efforts to ensure that “bring all legal actions so long as they meet the threshold for standing”, improved the diversified dispute resolution mechanism, and strengthened the rights protection of collection. We prudently handled sensitive and major legal disputes, prevented and mitigated major risks and actively safeguarded the rights and interests of the Bank. We enhanced legal risk management in comprehensive and international business, and built an integrated domestic and overseas legal risk management mechanism for the Group. We comprehensively promoted the publicity and implementation of the Civil Code, the Personal Information Protection Law and other important laws, and made corresponding adjustments to our systems, contracts and products in a timely manner. We promoted the construction of the rule of law culture, carried out various forms of rule of law publicity, focusing on strengthening the criminal legal risk education of employees, and enhancing the rule of law awareness of all staff.

Reputational Risk

In the first half of 2022, we steadily promoted the normalized construction of reputational risk, improved the management basics system, established the pre-evaluation mechanism of reputational risk, improved the linkage mechanism, organized and carried out the reputational risk simulation drill, in order to improve the reputational risk management level of the Group. We proactively monitored and addressed the public sentiment at important time points and key events, and promptly investigated and rectified the prominent problems.

Country Risk

We adopted country risk rating, limit control, exposure monitoring, provision for asset impairment, stress testing and other tools and methods to manage country risk. In the first half of 2022, we strengthened country risk monitoring, and made sufficient provisions for country risk impairment by taking into account the impact of country risk on asset quality, in light of changes in the external situation.

Risk Consolidated

In the first half of 2022, we continued to improve the risk consolidation management of the Group, and promoted the integration of risk management of the Bank and subsidiaries. We guided the subsidiaries to revise and refine the risk appetite statements and risk management

policies, optimized the quantitative indicators system for risk appetite, and clarified the risk limit management requirements. We carried out performance evaluation of members of the senior management in charge of risk management of subsidiaries and enhanced the independence of risk management of subsidiaries. We organized the subsidiaries to carry out impact analysis and risk investigation of market fluctuations, and improved risk response ability. We organized affiliates to conduct risk isolation self-assessment to identify and improve weak areas.

Internal Control

During the reporting period, the Bank further optimized the environment of internal control, organized the activity of “Year of Education of Compliance”, cultivated the concept of comprehensive compliance, continuously improved the internal control and compliance system and enhanced the compliance operation level in accordance with laws and regulations.

Our risk identification and assessment were enhanced. We persisted in carrying out compliance review and risk assessment for new businesses, new products, new rules and new systems.

The control actions were organized. We evaluated the rules and pushed forward the formulation, revision and abolition of rules. We completed annual general authorization in accordance with the management system of “the five-category classification”. We enhanced the compliance management of overseas institutions and subsidiaries and implemented the new regulations on related party transactions to strengthen the compliance capability of the Group.

The management of information communication was strengthened. We initiated the construction of digital compliance platform, and facilitated the coordination of internal control, compliance, prevention of cases of violations and operational risk management. We fulfilled the responsibility of “Dual Reporting” system to enhance cooperation in management. We strengthened the management of data compliance and the protection of personal information.

Our internal supervision and assessment were improved. We formulated annual internal control evaluation plan, intensified daily monitoring of anticipated indicators to improve the internal control evaluation system. We organized and carried out supervision and inspection in key areas and targeted ratification on regulatory penalties, strengthened overall management of rectification of problems and facilitated business improvement and enhancement. We promoted the reform of the accountability system covering all risks and established a precise, robust and effective accountability system.

Anti-money Laundering and Sanctions Risk Management

During the reporting period, we earnestly implemented regulatory requirements, gave full play to the role of the anti-money laundering compliance management committee on top-level promotion and strengthened the performance of three lines of defense, to fully promote the construction of anti-money laundering and sanctions risk system of the Bank.

We strengthened the overall management of the Group's anti-money laundering, established a regular reporting and communication mechanism covering the Bank's anti-money laundering and sanctions risks. We continued to enhance training for anti-money laundering and sanctions risks, and constantly broadened the transmission channels of knowledge of anti-money laundering.

We formulated and continuously pushed forward the comprehensive rectification plan for anti-money laundering problems identified in regulatory inspection, audit and compliance test, conducted eight batches of supervision and guidance covering all entities responsible for rectification in a timely manner, and achieved preliminary results in the systemic and fundamental rectification of all kinds of problems.

We orderly promoted the research, development and operation of the intelligent management and control platform for sanctions risks, properly disposed of and defused major foreign-related sanction risk events, and completed the centralization of early warning of sanctions risk for 16 branches by batches, so as to enhance the Head Office's ability to directly manage and control sanctions risks.

We strengthened the governance of customer information, and enhanced the construction of the customer due diligence system and systematic functions. We pushed forward the implementation of new regulations on customer due diligence in an orderly manner, and carried out the upgrade of the relevant systems for tax-related information of financial accounts owned by non-residents.

We carried out comprehensive data governance and strengthened the comprehensiveness and effectiveness of monitoring for anti-money laundering model, so as to reduce the burden on foundation-level branches and improve satisfaction of regulatory authority. We established standards for key data elements of anti-money laundering and continuously monitored and tracked the anti-money laundering data of the Bank.

Anti-corruption and Anti-bribery

We continuously promoted the 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 the key minority and the critical areas while maintaining a high-pressure and deterrent posture. We intensified the monitoring of employee's abnormal behavior, iteratively optimized the monitoring model of employee's abnormal behavior to achieve the accurate profiling of employee's abnormal behavior. We continuously deepened warning education, organized and convened multiple warning education conferences across the Bank, reported typical cases of violation of laws and disciplines, cultivated concept of compliance with laws and disciplines for all employees, and improved awareness of compliance operation in accordance with laws and regulations for all employees.

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)*, gave full play to the restriction and guidance functions of capital on business, enhanced internal and external capital replenishment capacity, improved our long-term mechanism of capital management, maintained prudent capital adequacy, and continued to enhance the ability to serve the real economy.

As one of the Global Systemically Important Banks and National Systemically Important Banks, we followed the regulatory requirements, gradually refined the retest mechanism for the recovery and disposal plan, and constantly improved risk warning and crisis management capabilities to reduce our risk spillover in the crises and strengthen the foundation for financial stability. We closely kept track of regulatory policies, enhanced the planning and research on meeting the requirements for Total Loss Absorption Capacity (TLAC), consolidated the basis to meet regulatory requirements and enhanced our abilities of resisting the risks. We continued to improve the internal capital adequacy assessment process (ICAAP), completed the internal capital adequacy assessment for 2022, optimizing the working mechanism and strengthening the foundation for capital management.

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 CBIRC.

Management of Capital Financing

During the reporting period, we enhanced the capital replenishment system. On the basis of capital replenishment with retained profits, we proactively developed external resources for capital replenishment. The capital strength was continuously enhanced, and capital structure was further optimized while capital cost was reasonably controlled.

In February 2022, we issued write-down undated capital bonds of RMB50 billion in the national inter-bank bond market, with the net proceeds after deducting the issuance expenses fully used to replenish our additional Tier 1 capital.

In June 2022, we issued Tier 2 capital bonds of RMB60 billion in the national inter-bank bond market, with the net proceeds after deducting the issuance expenses fully used to replenish our Tier 2 capital.

For details of the bonds issuance, please refer to our announcements published on the website of Shanghai Stock Exchange (www.sse.com.cn) and the website of Hong Kong Stock Exchange (www.hkexnews.hk).

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 control of economic capital, improved the efficiency of economic capital monitoring 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.

Environment and Social Responsibility

Green Finance

The Bank closely focused on the decisions and plans of the CPC Central Committee and the State Council on reaching goals of peak carbon emissions and carbon neutrality, listed Green Finance as one of the three major strategies of the Bank during the 14th Five-Year Plan period, adhered to the path of ecological priority and green and low-carbon development and strived to build a distinctive and widely recognized dominant brand in Green Finance.

During the reporting period, the Bank formulated relevant working rules of the Green Finance Committee, held the Green Finance Committee Promotion Meeting regularly, issued the key points of Green Finance for 2022, and actively promoted the implementation of the green Finance Strategy. The Bank continued to optimize the green credit policy, promoted diversified innovation of our green financial products, and increased financial support in the field of green industry, achieving rapid growth in Green Finance business. The Bank released the first Green Finance special report in Chinese and English, demonstrating an overall perspective of the Bank's Green Finance development.

Green Credit

- We strengthened policy guidance and optimized resource allocation. We incorporated green and low-carbon requirements into the annual credit policy guideline, Sannong credit policy guideline and inclusive finance credit policy guideline, revised credit policies for new energy fields such as wind power, solar power, nuclear power and biomass power, and actively guided the investment of green funds. We implemented the latest national energy efficiency requirements in industrial policies for industries including steel, petrochemical and electric power to guide the transformation and upgrade of relevant industries. We implemented differentiated policy arrangements in areas such as authorization, rating, industry limit and product innovation for qualified green credit business.
- We enhanced the product and service innovation. We innovatively launched Green Finance products such as reserve forest loan, rural living environment loan, pledge loan of new plant variety rights, rural revitalization “Lucid Waters and Lush Mountains Loan”, ecological co-wealth loan, and Forest (Bamboo) Carbon Exchange Loan.
- We promoted the construction of the major project pool. We built a pool of major Green Finance projects, a pool of key projects in energy sectors and a pool of ecological and environmental protection marketing reserve projects. We participated in the construction of “Financial Support Project Management System for Ecological and Environmental Protection” of the Ministry of Ecology and Environment as one of the first batch of cooperative financial institutions.
- We actively use the carbon emission reduction supporting tools. In the first half of the year, a total of nearly RMB28 billion of carbon emission reduction loans were applied to the PBOC. Since the implementation of the carbon emission reduction supporting tools in the second half of 2021, a total of over RMB60 billion of carbon emission reduction loans had been granted.

- We enhanced the granting of green credit. We enhanced credit supply in key areas such as green upgrade in infrastructure and clean energy. As of the end of June 2022, the balance of green credit was RMB2,374.3 billion, representing an increase of 20.0% as compared to the end of the previous year.

Green Investment and Financing

- We continued to increase our investment in green bonds in primary and secondary market, and supported innovative products such as blue bonds and sustainability-linked bonds. At the end of June 2022, the green bonds invested for our own account reached RMB104.3 billion¹, representing an increase of 18.1% as compared to the end of the previous year.
- ABC-CA actively promoted green transformation. Based on the national goals of “peak carbon emissions and carbon neutrality”, ABC-CA constantly improved the green product deployment, promoted the issuance of ESG indexes funds and green energy-related funds, and increased the green investment. As of the end of June 2022, the proportion of green investment in stock assets increased by six percentage points as compared to the end of last year, and the scale of green bond investment increased by RMB0.47 billion as compared to the end of last year.
- Adhering to the business concept of “green leasing”, ABC Financial Leasing Co., Ltd. built its distinctive features of green leasing, established and improved a sound green leasing product system. It actively expanded the field of green leasing services, explored the establishment of various business models, such as “leasing + credit”, “leasing + equity investment” and “direct leasing + EPC”, to provide diversified financial services to various entities in the industry chain. At the end of June 2022, its balance of green leasing assets was RMB51.59 billion, representing an increase of 5.6% as compared to the end of the previous year, accounting for 66.4% of its total leasing assets.
- ABC Life Insurance Co., Ltd. made comprehensive use of diversified investment methods such as stocks and debts to directly or indirectly meet the financial needs of green and low-carbon fields through investing in stocks, funds, equity investment plans, bonds and other products, and effectively enhanced its green financial service capability. In the first half of the year, green investment focused on green environmental protection, clean energy and other fields, of which RMB0.5 billion was invested in the form of equity investment plan products to support the development of clean energy projects of State Power Investment Corporation Limited.
- ABC Investment regarded green and low-carbon investment as a key business direction, and proactively built a brand of green for debt-to-equity swap investment. It focused on investment in clean energy fields such as new energy power stations, photovoltaic module manufacturing, power batteries and natural gas, and effectively assisted the Group to implement the national goals of peak carbon emissions and carbon neutrality. As of the end of June 2022, the balance of the green investment for its own account was RMB25.44 billion, including RMB17.45 billion in clean energy, RMB3.67 billion in green upgrade of infrastructure and RMB3.19 billion in energy conservation and environmental protection.

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

- Agricultural Bank of China Wealth Management Co., Ltd. strengthened the concept of green investment and further increased investment in green bonds. As of the end of June 2022, the balance of wealth management funds invested in green bonds was RMB5.647 billion. It steadily promoted the issuance of green wealth management products and continuously improved the product layout. As of the end of June 2022, the balance of wealth management products under ABC Anxin – ESG-themed, ABC Tongxin – ESG-themed and ABC Jiangxin – ESG-themed was RMB27.7 billion.

Green Investment Banking

By adhering to the green concept in all categories of products and services of our investment banking business, we were committed to developing a leading bank in green investment banking.

- In the first half of the year, over RMB140 billion was provided to enterprises by way of green syndicated loans, green M&A loans and green bonds, which were invested into areas such as environmental governance, clean energy and transportation.
- We underwrote the first batch of transformation bonds, the first blue bond of Guangdong-Hong Kong-Macao Greater Bay Area in the market, the first pledge of carbon's income right bond in the market, the first RMB sustainability-linked international syndicate loan in the market, and the first “framework issuance” sustainable development bond in the market.
- As a shareholder of the National Green Development Fund, we actively participated in the operation of the fund and project investment.

Green Bonds

- On 11 January 2022, our green bonds of USD0.3 billion were listed on the Hong Kong Stock Exchange. The net proceeds will be used to finance or refinance the eligible green assets under the green financing framework of ABC New York Branch. According to the opinion issue by Standard & Poor, ABC New York Branch's green financing framework used for this issuance is consistent with *Green Bond Principles (GBP)*, *ICMA, 2021* and *Green Loan Principles (GLP)*, *LMA/LSTA/APLMA, 2021*, and the core factor “use of proceeds” was rated as “strong”.
- On 2 March 2022, our green bonds of USD0.6 billion were listed on the Hong Kong Stock Exchange. The net proceeds will be used to finance or refinance the eligible green assets under the Sustainability Bond framework of ABC Hong Kong Branch. The Sustainability Bond Framework of ABC Hong Kong Branch has been granted the Second Party Certification by Sustainalytics and certified as Green Finance by Hong Kong Quality Assurance Agency.

ESG Risk Management

- We strengthened the whole-process management and control of environmental and social risk in credit business, continued to optimize the system management functions, improved the management of high-carbon industry credit limits, formulated management objectives of high-carbon industry credit limits, and strengthened the industry risk prevention and control.
- We strengthened the analysis of our green bond investment. As the pre-investment work, we focused on the green nature, economic and environmental benefits, fund escrow and information disclosure of the green bond investment projects, and reviewed the issuer's environmental and social risk performances in due diligence investigation. As the post-investment management, we paid close attention to industry policies and market changes, and continued to track the use of proceeds from green bonds and project progress.
- We strengthened the policy guidelines on the environmental and climate-related financial risk management, and strengthened the management requirements for Green Finance, environmental and climate-related risks in the Group's risk appetite and comprehensive risk management strategy. We conducted the research on climate-related financial risk management of commercial banks, and analyzed the impact of climate factors on credit risk, market risk, liquidity risk, operational risk, etc.

Promoting our Green and Low-carbon Development

We promoted our green and low-carbon development in a steady and orderly manner. We earnestly implemented the *Guidelines on Green Finance for the Banking and Insurance Industries*, gave full play to the overall planning and organizational leadership role of the "Carbon Neutrality" Working Committee, took various measures to promote energy conservation and carbon reduction, and improved the management of our carbon footprint. We continued to launch the pilot program of regional "carbon neutrality". The Si'an branch in Huzhou, Zhejiang Province was the first green sub-branch to build the "carbon neutrality" branch outlets in the local area. We further promoted the concept of Green Finance development, organized a series of activities with the theme of "green travel and low-carbon lifestyle", and improved green and environmental protection volunteer services to create a strong atmosphere of green and low-carbon.

Improving the Image of Green Bank

- We made great efforts on the international communication and cooperation. During the reporting period, we attended the second Sustainable Finance Summit of the Institute of International Finance (IIF) and the International Summit of Global Asset Management Forum (GAMF), actively participated in the work of the Global Investors for Sustainable Development (GISD) Alliance of the United Nations, working actively with relevant parties to address climate change.

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 strived to cultivate a pool of competent and professional employees, and actively implemented the strategy of leveraging talent to empower the Bank's operations.

- We enhanced the construction of talent team in key areas such as “Sannong” and county areas, inclusive finance, Green Finance, digital operations and risk compliance. We improved the “dual channel” for talent promotion and development, and organized the selection and recruitment of professional talents to continuously stimulated the innovation and creation potential of talents.
- We enhanced the selection and appointment of cadres for assisting in pursuing rural revitalization, promoted the young talent development projects in county areas and the “Hundred, Thousand and Ten Thousand” project for outstanding young cadres, optimized the leadership team structure and strengthened echelon construction. We held the EMT for the young leaders born in 1980s.
- We strengthened the education policy support for on-the-job training of employees, formulated the education and training working plan for the year, and carried out special training sessions on “rural revitalization”, “Green Finance” and “digital operation” and training for the key staffs and talents such as customer managers.
- We promoted the construction of “smart classrooms” and “smart broadcast centers”, optimized and upgraded “ABC E-Learning” (an online learning platform), and launched high-quality learning resources including 4,310 video courses and 1,594 audio books to promote the systematic construction of training resources.

Caring for Employees

- We continuously proceeded with the “Five Actions” of caring for employees in foundation-level institutions. We proceeded with the upgrade project of construction for staff home facilities, completed the renovation and upgrading of staff home facilities in 850 branch outlets, and built 1,976 new “five small” facilities, such as small canteens and small activity rooms.
- We cared for employees' physical and psychological health. We offered health checkup for all employees across the Bank at least once a year, incorporated mental health education into the general curriculum of staff training, and opened the “Sunshine e-station” psychological counseling column in the ABC E-Learning platform to help employees improve their psychological immunity. We built a special platform for capabilities improvement and empowerment of female employees, and created the course brand “Yueshu School”. Four courses have been broadcast, attracting more than 0.47 million people accumulatively to learn and watch.

- We provided targeted support and expressed condolences to employees in difficulties. In the first half of 2022, we helped 14 thousand employees in difficulty accumulatively and offered condolences to 22 thousand advanced model workers, grassroots front-line workers, employees on overtime duty, employees dispatched for village assistance, and dispatched and exchanged employees, etc.

Consumers' Interests Protection

- We continuously enhanced training for employees on consumers' interests protection. We developed the financial knowledge publicity and training plan for 2022, and continuously improved employees' awareness and ability of consumers' interests protection through special training, line training, induction training for new employee, and special lectures, etc.
- We further promoted the popularization of financial knowledge. Focusing on the key areas of consumer concern and the difficult problems that need to be solved, we carried out special publicity 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. We carried out a total of 76.4 thousand online and offline education and publicity activities, reaching 583 million consumers.
- We improved customer complaint monitoring. We regularly analyzed and reported complaints, implemented classified policies, carried out governance on reduction of classified complaints, and established a mechanism for complaint tracing and rectification, in order to timely identify and improve the problems and risks in products, systems, processes, services and other aspects found in complaint handling. We formulated targeted rectification and risk control measures, and formed a complete closed loop of "complaint acceptance — complaint handling — tracing and rectification — business improvement".
- We enhanced customer compliant handling. We continuously optimized the direct connection between the customer service centre with "E-Shi Tong" system and our foundation-level branch outlets and standardized the process, so as to improve the efficiency of customer complaint handling. We continuously optimized the handling process of credit card complaints and actively introduced the mechanism of neutral evaluation for perplexing cases and fast mediation to properly handle customer disputes.
- We improved the review mechanism for consumers' interests protection. We conducted consumers' interests protection reviews on products and services provided to consumers, promptly identified and eliminated potential risks that may harm consumers' interests, and move the risk threshold forward.

Privacy and Data Security

Privacy Policy

- The privacy policy is a general privacy policy used uniformly by the Bank. The personal version applies to the products and services for individual customers, and the corporate version applies to the products and services for corporate customers.
- The privacy policy fully protects customers' right to know and consent, 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 and scope of processing, the retention period and protection measures), and presents the rights of the customer in the processing of personal information and the way to realize the relevant rights.
- 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 the customers. The above documents and the Privacy Policy constitute our complete privacy policy on the products and services for customers.

Customer Information Protection

- We revised and improved a series of systems and measures such as the *Management Measures for Customer Information Protection*, and further regulated the handling of sensitive information of individual customers, the provision of individual customer information to third parties and other activities that have significant impacts on the rights and interests of individual customers.
- Regarding customer information collection, we complied with the principles of legality, legitimacy, necessity, and integrity, specified the rules, purposes, methods, scope and procedures of collection, collected customer information in accordance with laws, administrative regulations and business requirements within the minimum range for achieving the purpose of processing. We used customer information strictly in accordance with the scope of use authorized by customers and agreed purposes.

Data Security Management

- We enhanced the construction of cyber security and data security team. We optimized and improved the setting of cyber security and data security posts, and added “network security and data security management” posts in tier-1 branches to enhance the strength of professionals.

- We carried out data security remediation activities. We completed the R&D and bank-wide deployment of the new version of terminal data leakage prevention system, formulated the centralized remediation strategy for personal sensitive data of office terminals, carried out special activities for centralized remediation of sensitive data across the bank, to investigate and eliminate potential risks of customer information security. We enhanced the publicity and education of data security and personal information protection, and promoted the continuous improvement of staff's data security awareness.

Accessibility of Finance Services

Inclusive Finance

Based on the positioning of “a major bank serving the real economy”, we focused on enhancing the willingness, ability and sustainability of serving small and micro enterprises and other market entities, and helped stabilize market entities, employment and entrepreneurship, and economic growth. As of the end of June 2022, the balance of our inclusive loans to small and micro enterprises reached RMB1,697,305 million, representing an increase of RMB375,343 million or 28.4% as compared to the end of the previous year. The number of customers with outstanding loan balance was 2,415.8 thousand, representing an increase of 500.3 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 3.95%, representing a decrease of 15 BPs as compared to the previous year.

- We optimized construction of inclusive finance service system. We leveraged the advantage of extensive coverage to further decentralize the business focus. We established a two-level inclusive financial specialized institution system at head office and branches to strengthen the professional service to small and micro enterprises. We continued to build a digital customer service platform for inclusive finance, and improved the financial service functions of “inclusive E station”.
- We innovated the online product system of inclusive finance business. We improved the hierarchical and classified product innovation mechanism, enriched the financing scenarios, and created a series of “ABC E-Loan” products to meet the financing needs of small and micro enterprises, individual industrial and commercial households, farmers and other inclusive customers.
- We improved the long-term service mechanism of inclusive finance. We established differentiated policies and systems for inclusive finance business, provided preferential economic capital assessment and internal fund transfer pricing for inclusive loans, and maintained the proportion of inclusive business assessment at more than 10%. We set up a special incentive strategy expense and matched the incentive wages separately, and specified policy for liability exemption conditional on due diligence.
- We improved the digital risk control capability for inclusive finance business. We optimized the risk identification system, made full use of data cross-validation, and implemented the whole-process risk prevention and control, controlling the non-performing rate of inclusive loans within the tolerance range.

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 at the branch outlets level. We strengthened the marketing team at the branch outlet level and conduct special trainings on the diversified marketing capacity. We continuously reinforced the empowerment of science and technology, made greater efforts for research, development and promotion and enhanced system and tool support for marketing of the branch outlets. We introduced innovative marketing patterns of the branch outlets, perfect the marketing mechanism and enhanced the marketing function of the branch outlets.
- We enhanced service capabilities of branch outlets. We continued to promote the “more humanized branch outlet service project” and carried out the “providing financial services to the countryside” project to extend the service reach and enrich the personalized, special and differentiated service contents. We promoted smart devices and large-print self-service cash terminal APP, and provided door-to-door services by reservation for special groups such as elderly customers with mobility difficulties, so as to improve the inclusiveness and convenience of financial services.

Online Channels

- Mobile Banking. As of the end of June 2022, the total number of personal mobile banking registered customers reached 434 million, representing an increase of 24 million as compared to the end of the previous year, and the transaction volume in the first half of 2022 was RMB39.4 trillion. The total number of corporate mobile banking customers reached 4,762 thousand, representing an increase of 612 thousand as compared to the end of the previous year.
- Online Banking. As of the end of June 2022, the number of registered customers in personal online banking reached 422 million, increased by 21 million as compared to the end of the previous year. The number of customers of our corporate financial service platforms reached 10.13 million, increased by 0.66 million as compared to the end of the previous year, and the transaction volume in the first half of 2022 was RMB143.5 trillion.

Remote Channels

- In the first half of 2022, our all-media customer service (including voice, text, video and new media) reached a total of 176 million customers, representing an increase of 30.4% as compared to the same period of the previous year, among which, 31.95 million calls were handled by customer service staff, with a customer satisfaction rate of 99.73%.
- We improved customer experience of remote services. In areas affected by COVID-19 and disasters, we launched “green channel” to provide one-click access to manual services through voice and text channels, and provided application services for changing the grace period of individual loan repayment. Leveraging the advantage of new media customer service in access, we carried out the publicity and popularization of financial knowledge, and provided customers with high-quality and convenient online service experience.
- We enhanced remote collaboration service capabilities. We strengthened the construction of remote video customer service, launched scenarios such as remote interview for supply chain financing of “Supply Chain Quick Loan”, and gradually expanded the pilot scope of “cloud expert” video service. We steadily expanded the scenario of intelligent outbound calls, and carried out service-based intelligent outbound calls such as information verification of disconnected customers with individual loans, collection and repayment of ETC advances, etc.
- We deepened digital transformation. We optimized the prediction policy of all-voice portal intent, pushed the hot business guidance tips, and improved the customer experience of multiple rounds of interaction with intelligent robots. We expanded the online service scenarios and improved the “one-stop” problem solving ability.

Corporate Governance

Operation of Corporate Governance

During the reporting period, we continued to promote the modernization of corporate governance and enhance our governance capacities in strict compliance with the laws and regulations 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 our policy systems, 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. The proposal of amendments to the Articles of Association has been considered and approved by the shareholders' general meeting, and will become effective upon CBIRC's approval.

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.

<i>Shareholders' General Meetings</i>	
Items	Details
One Extraordinary General Meeting	On 18 March 2022, two proposals were considered, including Capital Plan for 2022–2024, at the 2022 first extraordinary general meeting.
One Annual General Meeting	On 29 June 2022, 13 proposals were considered, including the 2021 work report of the Board of the Bank, etc., and three debriefing sessions in respect of listening to the 2021 work report of independent directors of the Bank, etc., were conducted at the 2021 Annual General Meeting.

The above shareholders' general meetings were convened or held in strict compliance with the laws, regulations and listing rules of mainland China and Hong Kong SAR. The Directors, Supervisors and senior management of the Bank attended the meetings and discussed with shareholders about matters they concerned. We published the poll results announcements and legal opinions on the above shareholders' general meetings in a timely manner in accordance with regulatory requirements. Such poll results announcements were published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) on 18 March 2022 and 29 June 2022, respectively, 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 19 March 2022 and 30 June 2022, respectively.

<i>Meetings of the Board of Directors</i>	
Items	Details
Number of regular meetings held	2
Number of extraordinary meetings held	4
Total number of meetings held	6
Particulars of considering proposals or listening to reports	The Board of Directors considered 44 proposals including periodic reports, profit distribution, and nominating candidates of Directors, and listened to 17 debriefing sessions in respect of the establishment of ESG management system for 2021, the implementation of the “14th Five-Year Plan” and evaluation report on strategic risk for 2021, consumers’ interests protection for 2021 and work plan for 2022, etc.

<i>Meetings of the Board of Supervisors</i>	
Items	Details
Number of regular meetings held	2
Number of extraordinary meetings held	2
Total number of meetings held	4
Particulars of considering proposals or listening to reports	The Board of Supervisors reviewed 15 proposals including the 2021 work report of the Board of Supervisors of the Bank, and listened to 22 debriefing sessions in respect of the report on the due diligence interviews by the Board of Supervisors for 2021, etc.

Internal Audit

During the reporting period, we adopted a risk-oriented approach to conduct risk and management audits with a focus on important 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, financial management, financial market transactions, IT management, consolidated management, fee reduction and interest concession, overseas institutions, and implemented audit on economic responsibilities of senior management members. We continued to conduct off-site monitoring and 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 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 this interim results announcement being considered and approved by the Board of Directors, 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 14 Directors, including four Executive Directors, namely Mr. GU Shu, Mr. ZHANG Qingsong, Mr. ZHANG Xuguang and Mr. LIN Li; five Non-executive Directors, namely Mr. LIAO Luming, Mr. LI Wei, Ms. ZHOU Ji, Mr. LIU Xiaopeng and Mr. XIAO Xiang; and five Independent Non-executive Directors, namely Mr. WANG Xinxin, Mr. HUANG Zhenzhong, Ms. LEUNG KO May Yee, Margaret, Mr. LIU Shouying and Mr. WU Liansheng.

The Board of Supervisors of the Bank consisted of eight Supervisors, including two Supervisor Representing Shareholders, namely Mr. WANG Jingdong and Ms. DENG Lijuan; three Supervisors Representing Employees, namely Mr. WU Gang, 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 seven members, namely Mr. ZHANG Qingsong, Mr. ZHANG Xuguang, Mr. LIN Li, Mr. XU Han, Mr. ZHANG Yi, Mr. LI Zhicheng and Mr. HAN Guoqiang.

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 of the Bank.

Departure of Directors, Supervisors and Senior Management

As at the date of this interim results announcement being considered and approved by the Board of Directors, the departure of the Directors, the Supervisors and senior management of the Bank were as follows:

On 10 May 2022, Mr. SHAO Lihong resigned as a Supervisor Representing Employees of the Bank and a member of the Finance and Internal Control Supervision Committee of the Board of Supervisors of the Bank due to work arrangements.

On 13 June 2022, Mr. FAN Jianqiang resigned as a Supervisor Representing Shareholders of the Bank, 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 work arrangements.

On 9 August 2022, Mr. CUI Yong resigned as the Executive Vice President of the Bank due to the adjustment in work arrangements.

Changes in Personal Information of Directors and Supervisors

Ms. LEUNG KO May Yee, Margaret, our Independent Non-executive Director, has served as an Independent Non-executive Director of China Mobile Limited since May 2022, and a member of the Executive Council of the Hong Kong Special Administrative Region since July 2022.

Mr. Wu Liansheng, our Independent Non-executive Director, has served as Associate Dean of Business School, Southern University of Science and Technology since June 2022.

Details of Ordinary Shares

Changes in Share Capital of Ordinary Shares

Details of Changes in Share Capital

Unit: Share

	31 December 2021		Increase/decrease during the reporting period (+, -)			30 June 2022	
	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 the Huijin and MOF. “Foreign-invested shares listed overseas” refer 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 2022.

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

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

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 2022, the Bank had a total of 487,509 shareholders, including 466,239 holders of A Shares and 21,270 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)

Unit: Share

Total number of shareholders

487,509 (as set out in the registers of shareholders of A Shares and H Shares as at 30 June 2022)

Particulars of shareholdings of the top 10 shareholders (the information below is based on the registers of shareholders as at 30 June 2022)

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	-4,767,256	8.73	30,538,375,747	—	Unknown
SSF	State-owned	A Shares	—	6.72	23,520,968,297	—	None
Hong Kong Securities Clearing Company Limited	Overseas legal entity	A Shares	+807,028,116	0.73	2,543,301,940	—	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
China Life Insurance Company Limited — Traditional — General insurance products — 005L — CT001 Hu	Others	A Shares	-1,270,797,100	0.30	1,057,878,700	—	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 2022.
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 for 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. 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 and Shanghai Haiyan Investment Management Company Limited amounted to 3,778,337,530 in aggregate, accounting for 1.08% 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 margin trading and short selling or refinancing, among which HKSCC Nominees Limited held the H Shares as a nominee and it was not engaged in the business of margin trading and short selling or refinancing.

Particulars of shareholdings 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 2022)

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	30,538,375,747	H Shares
SSF	23,520,968,297	A Shares
Hong Kong Securities Clearing Company Limited	2,543,301,940	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
China Life Insurance Company Limited	1,057,878,700	A Shares
— Traditional — General insurance products		
— 005L — CT001 Hu		

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 2022.
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 for and on behalf of investors from Hong Kong SAR 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. 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 margin trading and short selling or refinancing, among which HKSCC Nominees Limited held the H Shares as a nominee and it was not engaged in the business of margin trading and short selling 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

Interests and Short Positions Held by Substantial Shareholders and Other Persons¹

				<i>Unit: Share</i>	
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

Name	Capacity	Interests and short positions	Nature	Percentage of issued class shares (%)	Percentage of total issued shares (%)
BlackRock, Inc.	Interest of controlled entity	1,872,249,132 (H Shares) ⁵	Long position	6.09	0.53
		10,396,000 (H Shares)	Short position	0.03	0.00
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 2022, 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 2022, 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, respectively.
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 1,872,249,132 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.
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 Shares¹ and Their Shareholdings

As at 30 June 2022, 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 2022)

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
Bank of Communications Schroder Fund Management Co., Ltd.	Others	Domestic preference shares	—	67,000,000	16.75	None
China Merchants Fund Management Co., Ltd.	Others	Domestic preference shares	—	49,000,000	12.25	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
Sun Life Everbright Asset Management Co., Ltd.	Others	Domestic preference shares	—	25,110,000	6.28	None
Shanghai Everbright Securities Asset Management Co., Ltd.	Others	Domestic preference shares	+3,980,000	19,980,000	5.00	None
China Merchants Securities Asset Management Co., Ltd.	Others	Domestic preference shares	+3,200,000	16,800,000	4.20	None
BNB Wealth Management Co., Ltd	Others	Domestic preference shares	+10,830,000	15,720,000	3.93	None
Bank Of Beijing Scotiabank Asset Management Co., Ltd.	Others	Domestic preference shares	—	12,000,000	3.00	None
CITIC Securities Company Limited	Others	Domestic preference shares	-6,000,000	12,000,000	3.00	None

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.

Notes:

1. *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 holders”. Except for the entities which hold shares on behalf of the states and foreign holders, 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).*

As at 30 June 2022, the Bank had a total of 36 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 2022)

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
Bank of Communications Schroder Fund Management Co., Ltd.	Others	Domestic preference shares	—	20,000,000	5.00	None
China National Tobacco Corporation Jiangsu Province 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
BNB Wealth Management Co., Ltd.	Others	Domestic preference shares	+10,830,000	15,120,000	3.78	None

Notes:

1. *China National Tobacco Corporation Jiangsu Province 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. “China Life Insurance Company Limited — Traditional — General insurance products — 005L — CT001 Hu” is under the management of China Life Insurance Company Limited. 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 shareholders 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 holders”. Except for the entities which hold shares on behalf of the states and foreign holders, 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 sale, 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 11 March 2022, 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 2022.

On 29 August 2022, the Board of Directors of the Bank considered and approved the Dividend Payment Scheme of the First Tranche of the Preference Shares. On 7 November 2022, 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 4 November 2022.

Please refer to our relevant announcements published on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and 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*, *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 *International Financial Reporting Standard 9 — Financial Instruments* and *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.

Significant Events

Profit and Dividends Distribution

As approved by the 2021 Annual General Meeting, we paid cash dividends of RMB0.2068 (tax inclusive) per ordinary share or RMB72,376 million (tax inclusive) in aggregate to holders of ordinary shares whose names appeared on the registers of members at the close of business on 14 July 2022. We did not propose to declare or pay any interim dividends for 2022 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 2022, 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 RMB2,815 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 2022, we continuously standardized management of related party transactions, in strict compliance with the regulations issued by the CSRC, the CBIRC, as well as the listing rules of Shanghai and Hong Kong SAR. 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 its minority shareholders were identified.

In the first half of 2022, we conducted a series of related party transactions with the connected persons (as defined in the Hong Kong Listing Rules) of the Bank in the ordinary course of business. Such transactions fell under 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 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 strengthen 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 course of business. 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 CBIRC.

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 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 2022, 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 2022, 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 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 — Details of Ordinary Shares”.

Interim Review

The 2022 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 interim results announcement of the Bank has been reviewed and approved by the Board of Directors of the Bank and its Audit and Compliance Committee.

Issue 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 Information on Capital Adequacy Ratio

As of 30 June 2022, given relevant rules were in 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 17.09%, 13.28% and 11.11%, respectively, and were in compliance with the regulatory requirements. The Bank's capital adequacy ratio, Tier 1 capital adequacy ratio and CET 1 capital adequacy ratio decreased by 0.04 percentage point, 0.18 percentage point and 0.33 percentage point respectively as compared to 31 December 2021.

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 2022, 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, the 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

Item	30 June 2022		31 December 2021	
	The Group	The Bank	The Group	The Bank
CET 1 capital, net	2,097,365	2,033,149	2,042,480	1,981,375
Additional Tier 1 capital, net	409,878	409,869	359,881	359,872
Tier 1 capital, net	2,507,243	2,443,018	2,402,361	2,341,247
Tier 2 capital, net	719,175	711,844	655,506	648,253
Total capital, net	3,226,418	3,154,862	3,057,867	2,989,500
Risk-weighted assets	18,880,455	18,293,702	17,849,566	17,248,186
Credit risk-weighted assets	17,563,815	16,981,731	16,564,562	15,988,871
Portion covered by IRB	11,696,198	11,696,198	11,148,032	11,148,033
Portion uncovered by IRB	5,867,617	5,285,533	5,416,530	4,840,838
Market risk-weighted assets	124,597	118,571	133,419	127,142
Portion covered by IMA	114,760	114,760	121,552	121,552
Portion uncovered by IMA	9,837	3,811	11,867	5,590
Operational risk-weighted assets	1,151,585	1,132,173	1,151,585	1,132,173
Additional risk-weighted assets due to the requirement of the capital floor	40,458	61,227	—	—
CET 1 capital adequacy ratio	11.11%	11.11%	11.44%	11.49%
Tier 1 capital adequacy ratio	13.28%	13.35%	13.46%	13.57%
Capital adequacy ratio	17.09%	17.25%	17.13%	17.33%

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

Item	30 June 2022		31 December 2021	
	Risk exposure	Risk-weighted assets	Risk exposure	Risk-weighted assets
Credit Risk Covered by IRB Approach¹	20,714,610	11,034,149	18,883,603	9,977,599
Non-retail credit risk	14,128,988	9,340,046	12,418,182	8,287,357
Retail credit risk	6,522,632	1,665,104	6,402,148	1,662,216
Counterparty credit risk	62,990	28,999	63,273	28,026

Note: 1. Regulatory calibration is not included.

In millions of RMB

Item	30 June 2022		31 December 2021	
	Risk exposure	Risk-weighted assets	Risk exposure	Risk-weighted assets
Credit Risk Uncovered by IRB Approach	14,173,226	5,867,617	12,970,324	5,416,530
On-balance sheet credit risk	13,362,328	5,349,798	11,968,720	4,780,749
of which: asset securitization	18,752	117,190	24,866	119,505
Off-balance sheet credit risk	759,511	459,640	977,440	607,586
Counterparty credit risk	51,387	58,179	24,164	28,195

As of the end of June 2022, the balance of non-performing loans of the Bank amounted to RMB264.5 billion, representing an increase of RMB18.7 billion as compared to the beginning of the year. The non-performing loan ratio was 1.41%, representing a decrease of 0.02 percentage point as compared to the beginning of the year; overdue loans amounted to RMB187.6 billion, representing an increase of RMB2.6 billion as compared to the beginning of the year. The overdue ratio was 1.00%, representing a decrease of 0.08 percentage point as compared to the beginning of the year. The balance of allowance for impairment losses on loans amounted to RMB806.4 billion, representing an increase of RMB69.7 billion as compared to the beginning of the year. The allowance to non-performing loans was 304.91%, representing an increase of 5.18 percentage points as compared to the beginning of the year. The allowance to loan ratio was 4.30%, remaining stable 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 approach. As of 30 June 2022, 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 2022	31 December 2021
Portion Covered by IMA	9,181	9,724
Portion Covered by standardized measurement approach	787	949
Interest rate risk	305	447
Equity risk	—	—
Foreign exchange risk	482	502
Commodity risk	—	—
Option risk	—	—
Total	9,968	10,673

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 2022.

In millions of RMB

Item	30 June 2022			
	Average	Highest	Lowest	Period end
Value at Risk (VaR)	858	978	733	923
Stressed Value at Risk (Stressed VaR)	1,964	2,158	1,721	2,029

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

In millions of RMB

Types of the invested entity	Risk exposures of publicly traded equity ¹		Risk exposures of non-publicly traded equity ¹		Unrealized profit or loss on potential risk ²	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Financial institutions	2,232	3,168	4,352	3,318	1,817	2,162
Companies	3,135	3,125	109,719	108,183	(2,786)	(2,160)
Total	5,367	6,293	114,071	111,501	(969)	2

Notes: 1. Risk exposures of publicly traded equity refer to the risk exposures of listed companies, and risk exposures of non-publicly traded equity refer to the 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 “Discussion and Analysis — Risk Management and Internal Control”.

(3) Operational Risk

The Bank adopted standardized approach to measure the regulatory capital for operational risk. As of 30 June 2022, the regulatory capital requirement for the Group was RMB92.127 billion, and for the Bank was RMB90.574 billion.

For details of the operational risk of the Bank, please refer to “Discussion and Analysis — Risk Management and Internal Control”.

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 2022		31 December 2021		Code
	Financial Statement ¹	Regulatory Consolidation	Financial Statement ¹	Regulatory Consolidation	
Assets					
Cash and balances with central banks	2,669,527	2,669,503	2,321,406	2,321,358	A01
Deposits with banks and other financial institutions	382,388	368,193	218,500	205,005	A02
Placements with and loans to banks and other financial institutions	541,846	541,846	446,944	446,944	A03
Financial assets at fair value through profit or loss	459,865	404,941	460,241	416,028	A04
Derivative financial assets	33,174	33,174	21,978	21,978	A05
Financial assets held under resale agreements	1,106,640	1,106,640	837,637	837,129	A06
Loans and advances to customers	18,036,172	18,034,376	16,454,503	16,452,832	A07
Debt instrument investments at amortized cost	6,938,657	6,911,745	6,372,522	6,347,765	A08
Other debt instrument and other equity investments at fair value through other comprehensive income	1,567,433	1,539,169	1,397,280	1,365,609	A09
Long-term equity investments	8,691	12,519	8,297	12,129	A10
Fixed assets	139,716	139,068	143,817	143,332	A11
Construction in progress	9,599	9,497	9,482	9,259	A12
Land use rights	20,278	20,278	20,384	20,384	A13
Deferred tax assets	148,034	148,034	143,027	143,032	A14
Goodwill	1,381	—	1,381	—	A15
Intangible assets	6,286	6,039	6,188	5,915	A16
Other assets	356,733	362,674	205,568	210,740	A17
Total assets	32,426,420	32,307,696	29,069,155	28,959,439	A00

Item	30 June 2022		31 December 2021		Code
	Financial Statement ¹	Regulatory Consolidation	Financial Statement ¹	Regulatory Consolidation	
Liabilities					
Borrowings from central banks	939,268	939,268	747,213	747,213	L01
Deposits from banks and other financial institutions	2,156,237	2,170,602	1,622,366	1,634,669	L02
Placements from banks and other financial institutions	349,260	349,260	291,105	291,105	L03
Financial liabilities at fair value through profit or loss	11,840	11,840	15,860	15,860	L04
Financial assets sold under repurchase agreements	20,574	17,923	36,033	30,879	L05
Due to customers	24,119,854	24,119,873	21,907,127	21,907,156	L06
Derivative financial liabilities	23,410	23,410	19,337	19,337	L07
Debt securities issued	1,775,531	1,770,367	1,507,657	1,502,382	L08
Staff costs payable	54,881	54,566	59,736	59,300	L09
Taxes payable	39,758	39,749	72,210	72,194	L10
Dividends payable	72,377	72,377	—	—	L11
Deferred tax liabilities	532	246	655	213	L12
Provisions	41,865	41,865	33,809	33,809	L13
Other liabilities	294,820	175,311	334,688	229,379	L14
Total liabilities	29,900,207	29,786,657	26,647,796	26,543,496	L00
Equity					
Ordinary shares	349,983	349,983	349,983	349,983	E01
Other equity instruments	409,869	409,869	359,872	359,872	E02
of which: Preference shares	79,899	79,899	79,899	79,899	E03
Perpetual bonds	329,970	329,970	279,973	279,973	E04
Capital reserve	173,556	173,557	173,556	173,556	E05
Surplus reserve	220,814	220,812	220,792	220,791	E06
General reserve	385,387	385,387	351,616	351,616	E07
Undistributed profits	943,837	943,233	925,955	925,259	E08
Non-controlling interests	6,717	2,465	6,754	2,401	E09
Other comprehensive income	36,050	35,733	32,831	32,465	E10
of which: foreign currency translation differences	(80)	(80)	(2,096)	(2,096)	E11
Total equity	2,526,213	2,521,039	2,421,359	2,415,943	E00

Note: 1. For more information, please refer to the balance sheet of the Bank's 2022 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 2022	31 December 2021	Code
CET 1 capital			
1 Paid-in capital	349,983	349,983	E01
2 Retained earnings	1,549,432	1,497,666	
2a Surplus reserve	220,812	220,791	E06
2b General reserve	385,387	351,616	E07
2c Undistributed profits	943,233	925,259	E08
3 Accumulated other comprehensive income and disclosed reserve	209,290	206,021	
3a Capital reserve	173,557	173,556	E05
3b Others	35,733	32,465	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	69	67	
6 CET 1 capital before regulatory adjustments	2,108,774	2,053,737	
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)	6,039	5,915	A16
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	16	6	
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	—	—	

Item	30 June 2022	31 December 2021	Code
18 Deductible amount of the CET 1 capital from insignificant minority capital investment of the financial institutions outside the scope of consolidation	—	—	
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	5,354	5,336	
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	11,409	11,257	
29 CET 1 capital	2,097,365	2,042,480	
Additional Tier 1 capital			
30 Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	409,869	359,872	E02
31 of which: classified as equity	409,869	359,872	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	409,878	359,881	

Item	30 June 2022	31 December 2021	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	409,878	359,881	
45 Tier 1 capital (CET 1 capital + Additional Tier 1 capital)	2,507,243	2,402,361	
Tier 2 capital			
46 Directly issued qualifying Tier 2 instruments plus related stock surplus	299,935	254,931	
47 of which: directly issued capital instruments subject to phase out from Tier 2	—	15,000	
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	419,222	400,557	
51 Tier 2 capital before regulatory adjustments	719,175	655,506	

Item	30 June 2022	31 December 2021	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	719,175	655,506	
59 Total capital (Tier 1 capital + Tier 2 capital)	3,226,418	3,057,867	
60 Total risk weighed assets	18,880,455	17,849,566	
Capital adequacy ratios and reserve capital requirements			
61 CET 1 capital adequacy ratio	11.11%	11.44%	
62 Tier 1 capital adequacy ratio	13.28%	13.46%	
63 Capital adequacy ratio	17.09%	17.13%	
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)	6.11%	6.44%	
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	154,197	147,213	
73 Significant minority investments in the common stock of unconsolidated financial institutions	692	638	
74 Mortgage servicing rights (net of related tax liability)	N/A	N/A	
75 Other net deferred tax assets relying on the Bank's future profitability (net of deferred tax liability)	147,772	142,813	

Item	30 June 2022	31 December 2021	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	121,102	102,194	
77 Excess loan loss provisions eligible for inclusion in Tier 2 capital under the Weighting Approach	72,440	66,871	
78 Excess loan loss provisions actually provided under the Internal Ratings-Based Approach	428,546	391,006	
79 Excess loan loss provisions eligible for inclusion in Tier 2 capital under the Internal Ratings-Based Approach	346,782	333,686	
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	—	15,000	
85 Amount excluded from Tier 2 capital due to phase-out arrangements	50,000	35,000	

VII. Main Features of Eligible Capital Instruments

As of 30 June 2022, 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. All of the raised funds from preference shares after deducting issuance expenses were used 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. All of the raised funds after deducting issuance expenses were used to replenish CET 1 capital. In August and September 2019, the Bank completed the two tranches of perpetual bonds in the total amount of RMB120 billion. All of the raised funds after deducting issuance expenses were used to replenish Additional Tier 1 capital. In May and August 2020, the Bank completed the two tranches of perpetual bonds in the total amount of RMB120 billion. All of the raised funds after deducting issuance expenses were used to replenish Additional Tier 1 capital. In November 2021, the Bank completed the perpetual bonds in the total amount of RMB40 billion. All of the raised funds after deducting issuance expenses were used to replenish Additional Tier 1 capital. In February 2022, the Bank completed the perpetual bonds in the total amount of RMB50 billion. All of the raised funds after deducting issuance expenses were used to replenish Additional Tier 1 capital.

The Bank issued Tier 2 capital bonds amounting to RMB80 billion in the PRC inter-bank bond market in two tranches in October 2017 and April 2018 respectively, and the raised funds after deducting issuance expenses were all included into Tier 2 capital. Besides, 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. In June 2022, the Bank issued Tier 2 capital bonds amounting to RMB60 billion in the PRC inter-bank bond market, and the raised funds after deducting issuance expenses were all included into Tier 2 capital.

As of 30 June 2022, 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 <i>Capital Rules for Commercial Banks (Provisional)</i> transitional rules	CET 1 capital	CET 1 capital	Additional Tier 1 capital	Additional Tier 1 capital
5	of which: Application of <i>Capital Rules for Commercial Banks (Provisional)</i> 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	39,944	39,955

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
9	Par value	RMB1	RMB1	RMB100	RMB100
10	Accounting classification	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	Subject to call	Subject to call
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
17	Bonus or Dividends 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

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
22	of which: Cumulative or non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Convertible	Convertible
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.	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.	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.

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
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, partial or full	—	—	—	—
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.

Main Features of Eligible Tier 1 Capital Instruments (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
2	Unique code	1928021	1928023	2028017	2028032	2228011
3	Governing laws	“Company Law of the People’s Republic of China”, “Securities Law of the People’s Republic of China”, “Capital Rules for Commercial Banks (Provisional)”, etc.	“Company Law of the People’s Republic of China”, “Securities Law of the People’s Republic of China”, “Capital Rules for Commercial Banks (Provisional)”, etc.	“Company Law of the People’s Republic of China”, “Securities Law of the People’s Republic of China”, “Capital Rules for Commercial Banks (Provisional)”, etc.	“Company Law of the People’s Republic of China”, “Securities Law of the People’s Republic of China”, “Capital Rules for Commercial Banks (Provisional)”, etc.	“Company Law of the People’s Republic of China”, “Securities Law of the People’s Republic of China”, “Capital Rules for Commercial Banks (Provisional)”, etc.
Regulatory treatments						
4	of which: Application of <i>Capital Rules for Commercial Banks (Provisional)</i> transitional rules	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 <i>Capital Rules for Commercial Banks (Provisional)</i> post-transitional rules	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
7	Instrument type	Perpetual bonds	Perpetual bonds	Perpetual bonds	Perpetual bonds	Perpetual bonds
8	Recognized in regulatory capital (in millions of RMB, most recent reporting date)	84,991	34,996	84,992	34,997	49,997
9	Par value	RMB100	RMB100	RMB100	RMB100	RMB100
10	Accounting classification	Equity	Equity	Equity	Equity	Equity

Main Features of Eligible Tier 1 Capital Instruments (Perpetual Bonds)

		Perpetual Bonds	Perpetual Bonds	Perpetual Bonds	Perpetual Bonds	Perpetual Bonds
11	Original date of issuance	2019-8-16	Subject to call	Subject to call	Subject to call	Subject to call
12	Dated or perpetual	Perpetual	No maturity date	No maturity date	No maturity date	No maturity date
13	of which: Original maturity date	No maturity date	Subject to call	Subject to call	Subject to call	Subject to call
14	Issuer call subject to prior regulatory approval	Subject to call	Subject to call	Subject to call	Subject to call	Subject to call
15	of which: Optional call dates, contingent call dates and redemption amount	The first call date shall be 20 August 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
16	of which: Subsequent call dates, if applicable	20 August 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
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
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 16 November 2021, the coupon rate is 3.76%	Within 5 years from 22 February 2022, the coupon rate is 3.49%
19	of which: Existence of a dividend stopper	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
21	of which: Existence of step up or other incentives to redeem	No	No	No	No	No

Main Features of Eligible Tier 1 Capital Instruments (Perpetual Bonds)

		Perpetual Bonds	Perpetual Bonds	Perpetual Bonds	Perpetual Bonds	Perpetual Bonds	Perpetual Bonds
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
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	Non-viability trigger event	Non-viability trigger event	Non-viability trigger event	Non-viability trigger event
32	of which: If write-down, partial or full	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

Main Features of Eligible Tier 1 Capital Instruments (Perpetual Bonds)

		Perpetual Bonds	Perpetual Bonds	Perpetual Bonds	Perpetual Bonds	Perpetual Bonds
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, prior to all classes of shares held by shareholders of the issuer; the payout order of the bonds issued is <i>pari passu</i> with that of the issuer's other Tier 1 capital instruments. If the subsequent amendments to the <i>Law of the People's Republic of China on Enterprise Bankruptcy</i> or relevant laws and regulations are applicable to the issuer's payout order, they shall prevail	Subordinate to the depositors, creditors, and junior debt that are above the bonds in rank, prior to all classes of shares held by shareholders of the issuer; the payout order of the bonds issued is <i>pari passu</i> with that of the issuer's other Tier 1 capital instruments. If the subsequent amendments to the <i>Law of the People's Republic of China on Enterprise Bankruptcy</i> or relevant laws and regulations are applicable to the issuer's payout order, they shall prevail	Subordinate to the depositors, creditors, and junior debt that are above the bonds in rank, prior to all classes of shares held by shareholders of the issuer; the payout order of the bonds issued is <i>pari passu</i> with that of the issuer's other Tier 1 capital instruments. If the subsequent amendments to the <i>Law of the People's Republic of China on Enterprise Bankruptcy</i> or relevant laws and regulations are applicable to the issuer's payout order, they shall prevail	Subordinate to the depositors, creditors, and junior debt that are above the bonds in rank, prior to all classes of shares held by shareholders of the issuer; the payout order of the bonds issued is <i>pari passu</i> with that of the issuer's other Tier 1 capital instruments. If the subsequent amendments to the <i>Law of the People's Republic of China on Enterprise Bankruptcy</i> or relevant laws and regulations are applicable to the issuer's payout order, they shall prevail	Subordinate to the depositors, creditors, and junior debt that are above the bonds in rank, prior to all classes of shares held by shareholders of the issuer; the payout order of the bonds issued is <i>pari passu</i> with that of the issuer's other Tier 1 capital instruments. If the subsequent amendments to the <i>Law of the People's Republic of China on Enterprise Bankruptcy</i> or relevant laws and regulations are applicable to the issuer's payout order, they shall prevail
36	Non-eligible transitioned features	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

		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	1728018	1828002	1928003	1928004	1928008	1928009
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 <i>Capital Rules for Commercial Banks (Provisional)</i> 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 <i>Capital Rules for Commercial Banks (Provisional)</i> 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

Main Features of Eligible Tier 2 Capital Instruments

		Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments
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	Tier 2 capital bonds	Tier 2 capital bonds
8	Recognized in regulatory capital (in millions of RMB, most recent reporting date)	39,989	39,987	49,987	19,995	39,991	39,994	39,997	19,998
9	Par value	RMB100	RMB100	RMB100	RMB100	RMB100	RMB100	RMB100	RMB100
10	Accounting classification	Liability	Liability	Liability	Liability	Liability	Liability	Liability	Liability
11	Original date of issuance	2017-10-17	2018-4-27	2019-3-19	2019-4-11	2019-4-11	2020-5-6	2022-6-21	2022-6-21
12	Dated or perpetual	Dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	of which: Original maturity date	2027-10-17	2028-4-27	2029-3-19	2034-4-11	2029-4-11	2030-5-6	2032-6-21	2037-6-21
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)	Yes (subject to prior regulatory approval)
15	of which: Optional call date, contingent call dates and redemption amount (in millions of RMB)	2022-10-17, redemption amount 40,000	2023-4-27, redemption amount 40,000	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	2027-6-21, redemption amount 40,000	2032-6-21, redemption amount 20,000
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	Fixed	Fixed
18	of which: Coupon rate and any related index	4.45%	4.45%	4.28%	4.63%	4.30%	3.10%	3.45%	3.65%
19	of which: Existence of a dividend stopper	No	No	No	No	No	No	No	No

Main Features of Eligible Tier 2 Capital Instruments

		Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments
		Without discretionary	Without discretionary	Without discretionary	Without discretionary	Without discretionary	Without discretionary	Without discretionary	Without discretionary
		No	No	No	No	No	No	No	No
20	of which: Whether fully discretionary in cancellation of bonus or dividends								
21	of which: Existence of step up or other incentives to redeem	No	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	Non-cumulative
23	Convertible or non-convertible	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	—	—	—	—	—	—	—	—

Main Features of Eligible Tier 2 Capital Instruments

		Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments
30	Write-down feature	Yes	Yes	Yes	Yes	Yes	Yes
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 CBIRC 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 CBIRC 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 CBIRC 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 CBIRC 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 CBIRC 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 CBIRC 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

Main Features of Eligible Tier 2 Capital Instruments

		Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments
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 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	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	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 China Banking and Insurance Regulatory Commission.

Regulatory Requirements of Liquidity Coverage Ratio

In accordance with the *Rules on Liquidity Risk Management of Commercial Banks* issued by the CBIRC, 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 calculation requirements. The average of daily liquidity coverage ratio of the Bank was 135.5% in the second quarter of 2022, representing an increase of 9.9 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*.

The averages of the daily liquidity coverage ratio and individual line items over the second quarter in 2022 are as follows:

In millions of RMB, except for percentages

Item		Total unweighted value	Total weighted value
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		6,071,075
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	14,519,443	1,368,410
3	<i>Stable deposits</i>	1,670,550	83,521
4	<i>Less stable deposits</i>	12,848,893	1,284,889
5	Unsecured wholesale funding, of which:	10,263,372	3,917,936
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	3,664,699	901,533
7	<i>Non-operational deposits (all counterparties)</i>	6,545,803	2,963,533
8	<i>Unsecured debt</i>	52,870	52,870
9	Secured funding		1,541
10	Other items, of which:	2,865,296	945,233
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	779,542	779,542
12	<i>Outflows related to loss of funding on debt products</i>	266	266
13	<i>Credit and liquidity facilities</i>	2,085,488	165,425
14	Other contractual funding obligations	140,317	140,317
15	Other contingent funding obligations	2,189,286	21,107
16	TOTAL CASH OUTFLOWS		6,394,544
CASH INFLOWS			
17	Secured lending (e.g. reverse repos and borrowed securities)	1,025,538	1,025,538
18	Inflows from fully performing exposures	1,307,869	693,352
19	Other cash inflows	837,028	837,028
20	TOTAL CASH INFLOWS	3,170,435	2,555,918
			Total Adjusted Value
21	TOTAL HIGH-QUALITY LIQUID ASSETS (HQLA)		5,205,011
22	TOTAL NET CASH OUTFLOWS		3,838,627
23	LIQUIDITY COVERAGE RATIO (%)		135.5%

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 China Banking and Insurance Regulatory Commission.

Regulatory Requirements of Net Stable Funding Ratio

In accordance with the *Rules on Liquidity Risk Management of Commercial Banks* issued by the CBIRC, 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 net stable funding ratio in accordance with the *Rules on Liquidity Risk Management of Commercial Banks* and applicable statistical requirements. In the first quarter of 2022, the net stable funding ratio of the Bank increased by 0.2 percentage point to 127.3% as compared to the previous quarter, with a weighted value of RMB21,915.3 billion for available stable funds and a weighted value of RMB17,220.2 billion for required stable funds. In the second quarter of 2022, the net stable funding ratio increased by 1.7 percentage points to 129.0% as compared to the previous quarter, with a weighted value of RMB22,638.9 billion for available stable funds and a weighted value of RMB17,556.0 billion for required stable funds.

The net stable funding ratios of the first quarter of 2022 and the second quarter of 2022 and all related individual items were set out in the following table:

Net Stable Funding Ratio of the First Quarter of 2022

(Unit: In millions of RMB)

No.		Total unweighted value				Total weighted value
		No maturity	<6 months	6–12 months	≥1 year	
Available stable funding (ASF) item						
1	Capital	2,490,784	—	—	269,957	2,760,741
2	Regulatory capital	2,490,784	—	—	239,957	2,730,741
3	Other capital instruments	—	—	—	30,000	30,000
4	Retail deposits and deposits from small business customers	7,055,335	7,844,083	167	139	13,501,600
5	Stable deposits	1,836,691	—	—	—	1,744,856
6	Less stable deposits	5,218,644	7,844,083	167	139	11,756,744
7	Wholesale funding	5,785,803	4,454,749	1,146,008	381,543	5,428,581
8	Operational deposits	2,998,642	—	—	—	1,499,321
9	Other wholesale funding	2,787,161	4,454,749	1,146,008	381,543	3,929,260
10	Liabilities with matching interdependent assets	—	—	—	—	—
11	Other liabilities	87	1,655,293	125,406	182,310	224,427
12	NSFR derivative liabilities		20,586			—
13	All other liabilities and equity not included in the above categories	87	1,655,293	125,406	161,724	224,427
14	Total ASF					21,915,348
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					1,082,960
16	Deposits held at other financial institutions for operational purpose	3,016	190,123	195,459	—	194,299
17	Performing loans and securities	2,556	3,738,519	3,019,999	12,191,299	13,254,140
18	Performing loans to financial institutions secured by Level 1 HQLA	—	8,521	50	70,935	72,238
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	1,289	1,389,821	167,025	48,699	340,878

No.		Total unweighted value				Total weighted value
		No maturity	<6 months	6–12 months	≥1 year	
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	10	2,171,941	2,685,527	6,672,664	8,081,718
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	10	72,392	30,341	148,153	143,546
22	Performing residential mortgages, of which:	—	109,297	112,269	5,122,240	4,464,675
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	—	2	2	62	43
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	1,257	58,939	55,128	276,761	294,631
25	Assets with matching interdependent liabilities	—	—	—	—	—
26	Other assets	171,580	712,148	760,186	1,031,930	2,567,082
27	Physical traded commodities, including gold	—				—
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				1,514	1,287
29	NSFR derivative assets				21,742	1,156
30	NSFR derivative liabilities before deduction of variation margin posted				5,387	5,387
31	All other assets not included in the above categories	171,580	712,148	760,186	1,008,674	2,559,252
32	Off-balance sheet items				4,085,533	121,755
33	Total RSF					17,220,235
34	Net stable funding ratio (%)					127.3%

Net Stable Funding Ratio of the Second Quarter of 2022

(Unit: In millions of RMB)

No.		Total unweighted value				Total weighted value
		No maturity	<6 months	6–12 months	≥1 year	
Available stable funding (ASF) item						
1	Capital	2,484,627	—	—	329,935	2,814,562
2	Regulatory capital	2,484,627	—	—	299,935	2,784,562
3	Other capital instruments	—	—	—	30,000	30,000
4	Retail deposits and deposits from small business customers	7,100,476	8,086,485	225	114	13,758,382
5	Stable deposits	1,796,037	—	—	—	1,706,235
6	Less stable deposits	5,304,439	8,086,485	225	114	12,052,147
7	Wholesale funding	6,249,794	4,926,240	1,322,104	376,853	5,817,850
8	Operational deposits	3,417,728	—	—	—	1,708,864
9	Other wholesale funding	2,832,066	4,926,240	1,322,104	376,853	4,108,986
10	Liabilities with matching interdependent assets	—	—	—	—	—
11	Other liabilities	238	1,726,348	153,453	191,737	248,093
12	NSFR derivative liabilities		20,370			—
13	All other liabilities and equity not included in the above categories	238	1,726,348	153,453	171,367	248,093
14	Total ASF					22,638,887
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					1,031,119
16	Deposits held at other financial institutions for operational purpose	1,851	248,820	130,172	—	190,422
17	Performing loans and securities	2,434	3,953,453	3,477,790	12,323,861	13,653,183
18	Performing loans to financial institutions secured by Level 1 HQLA	—	11,012	50	77,971	79,648
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	1,298	1,532,913	216,457	48,699	387,059

No.		Total unweighted value				Total weighted value
		No maturity	<6 months	6–12 months	≥1 year	
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	10	2,244,905	3,102,328	6,807,835	8,441,525
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	10	73,134	30,330	145,946	141,741
22	Performing residential mortgages, of which:	—	110,191	112,611	5,113,346	4,457,734
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	—	2	2	66	47
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	1,126	54,432	46,344	276,010	287,217
25	Assets with matching interdependent liabilities	—	—	—	—	—
26	Other assets	174,342	712,072	760,588	1,025,335	2,563,744
27	Physical traded commodities, including gold	—				—
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				1,514	1,287
29	NSFR derivative assets				22,600	2,230
30	NSFR derivative liabilities before deduction of variation margin posted				5,343	5,343
31	All other assets not included in the above categories	174,342	712,072	760,588	1,001,221	2,554,884
32	Off-balance sheet items				4,135,929	117,573
33	Total RSF					17,556,040
34	Net stable funding ratio (%)					129.0%

Appendix IV Leverage Ratio Information

As at 30 June 2022, 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 CBIRC, was 7.40%, higher than the regulatory requirement.

In millions of RMB, except for percentages

Item	30 June 2022	31 March 2022	31 December 2021	30 September 2021
Tier 1 capital, net	2,507,243	2,509,511	2,402,361	2,307,222
Adjusted on-and off-balance sheet assets	33,877,627	32,701,400	30,678,596	30,918,813
Leverage ratio	7.40%	7.67%	7.83%	7.46%

In millions of RMB

No.	Item	Balance
1	Total consolidated assets	32,426,420
2	Adjustment for consolidation	(118,724)
3	Adjustment for clients' assets	—
4	Adjustment for derivatives	47,343
5	Adjustment for securities financing transactions	1,872
6	Adjustment for off-balance sheet items	1,532,125
7	Other adjustments	(11,409)
8	Adjusted on-and off-balance sheet assets	33,877,627

In millions of RMB, except for percentages

No.	Item	Balance
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	31,167,882
2	Less: Deductions from Tier 1 capital	(11,409)
3	Adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)	31,156,473
4	Replacement cost of all derivatives (net of eligible margin)	30,411
5	Potential risk exposure of all derivatives	50,110
6	Gross-up of collaterals deducted from the balance sheet	—
7	Less: receivables assets resulting from providing eligible margin	(4)
8	Less: Derivative assets resulting from transactions with the central counterparty when providing clearance services to client	—

No.	Item	Balance
9	Notional principal amount of written credit derivatives	—
10	Less: Deductible amounts of written credit derivative assets	—
11	Derivative assets	80,517
12	Securities financing transaction assets for accounting purpose	1,106,640
13	Less: Deductible amounts of securities financing transaction assets	—
14	Counterparty credit risk exposure for securities financing transaction	1,872
15	Securities financing transaction assets resulting from agent transaction	—
16	Securities financing transaction assets	1,108,512
17	Off-balance sheet items	2,730,920
18	Less: Adjustments for conversion to credit equivalent amounts	(1,198,795)
19	Adjusted off-balance sheet items	1,532,125
20	Tier 1 capital, net	2,507,243
21	Adjusted on-and off-balance sheet assets	33,877,627
22	Leverage ratio	7.40%

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

Interim Financial Information (Unaudited)
For the six months ended 30 June 2022

Report on review of Interim Financial Information 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 1 to 151, 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 2022 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 enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with 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.

Report on review of Interim Financial Information
To the Board of Directors of
Agricultural Bank of China Limited (continued)
(Incorporated in the People's Republic of China with Limited Liability)

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 2022 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
29 August 2022

Agricultural Bank of China Limited

Condensed consolidated interim income statement

For the six months ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2022 (Unaudited)	2021 (Unaudited)
Interest income	6	542,773	493,471
Interest expense	6	(242,554)	(210,114)
Net interest income	6	300,219	283,357
Fee and commission income	7	56,227	57,487
Fee and commission expense	7	(6,738)	(9,337)
Net fee and commission income	7	49,489	48,150
Net trading gain	8	7,762	8,359
Net gain on financial investments	9	3,188	1,432
Net gain on derecognition of financial assets measured at amortized cost		101	1
Other operating income	10	26,900	24,955
Operating income		387,659	366,254
Operating expenses	11	(125,971)	(116,691)
Credit impairment losses	12	(105,530)	(96,138)
Impairment losses on other assets		(17)	(3)
Operating profit		156,141	153,422
Share of results of associates and joint ventures		130	116
Profit before tax		156,271	153,538
Income tax expense	13	(27,321)	(30,705)
Profit for the period		128,950	122,833

Agricultural Bank of China Limited
Condensed consolidated interim income statement
For the six months ended 30 June 2022 (continued)
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	<i>Six months ended 30 June</i>	
		<i>2022</i> <i>(Unaudited)</i>	<i>2021</i> <i>(Unaudited)</i>
Attributable to:			
Equity holders of the Bank		128,945	122,278
Non-controlling interests		5	555
		<u>128,950</u>	<u>122,833</u>
Earnings per share attributable to the ordinary equity holders of the Bank (expressed in RMB yuan per share)			
- Basic and diluted	15	<u>0.35</u>	<u>0.34</u>

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

Agricultural Bank of China Limited
Condensed consolidated interim
statement of comprehensive income
For the six months ended 30 June 2022
(Amounts in millions of Renminbi, unless otherwise stated)

	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit for the period	128,950	122,833
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on other debt instrument investments at fair value through other comprehensive income	(11,728)	2,189
Loss allowance on other debt instrument investments at fair value through other comprehensive income	13,666	(3,620)
Income tax impact for fair value changes and loss allowance on other debt instrument investments at fair value through other comprehensive income	(808)	406
Foreign currency translation differences	2,013	(651)
Subtotal	3,143	(1,676)
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	47	186
Income tax impact for fair value changes on other equity investments designated at fair value through other comprehensive income	(13)	(46)
Subtotal	34	140
Other comprehensive income, net of tax	3,177	(1,536)
Total comprehensive income for the period	132,127	121,297
Total comprehensive income attributable to:		
Equity holders of the Bank	132,164	120,732
Non-controlling interests	(37)	565
	132,127	121,297

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

Agricultural Bank of China Limited

Condensed consolidated interim statement of financial position

As at 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Assets			
Cash and balances with central banks	16	2,669,527	2,321,406
Deposits with banks and other financial institutions	17	382,388	218,500
Precious metals		181,386	96,504
Placements with and loans to banks and other financial institutions	18	541,846	446,944
Derivative financial assets	19	33,174	21,978
Financial assets held under resale agreements	20	1,106,640	837,637
Loans and advances to customers	21	18,036,172	16,454,503
Financial investments	22		
Financial assets at fair value through profit or loss		459,865	460,241
Debt instrument investments at amortized cost		6,938,657	6,372,522
Other debt instrument and other equity investments at fair value through other comprehensive income		1,567,433	1,397,280
Investment in associates and joint ventures	23	8,691	8,297
Property and equipment	24	149,315	153,299
Goodwill		1,381	1,381
Deferred tax assets	25	148,034	143,027
Other assets	26	201,911	135,636
Total assets		32,426,420	29,069,155

Agricultural Bank of China Limited

Condensed consolidated interim statement of financial position

As at 30 June 2022 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Liabilities			
Borrowings from central banks	27	939,268	747,213
Deposits from banks and other financial institutions	28	2,156,237	1,622,366
Placements from banks and other financial institutions	29	349,260	291,105
Financial liabilities at fair value through profit or loss	30	11,840	15,860
Derivative financial liabilities	19	23,410	19,337
Financial assets sold under repurchase agreements	31	20,574	36,033
Due to customers	32	24,119,854	21,907,127
Dividends payable	14	72,377	-
Debt securities issued	33	1,775,531	1,507,657
Deferred tax liabilities	25	532	655
Other liabilities	34	431,324	500,443
Total liabilities		<u>29,900,207</u>	<u>26,647,796</u>

Agricultural Bank of China Limited

Condensed consolidated interim statement of financial position

As at 30 June 2022 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Equity			
Ordinary shares	35	349,983	349,983
Other equity instruments	36	409,869	359,872
Preference shares		79,899	79,899
Perpetual bonds		329,970	279,973
Capital reserve	37	173,556	173,556
Investment revaluation reserve	38	36,130	34,927
Surplus reserve	39	220,814	220,792
General reserve	40	385,387	351,616
Retained earnings		943,837	925,955
Foreign currency translation reserve		(80)	(2,096)
		<hr/>	<hr/>
Equity attributable to equity holders of the Bank		2,519,496	2,414,605
Non-controlling interests		6,717	6,754
		<hr/>	<hr/>
Total equity		2,526,213	2,421,359
		<hr/>	<hr/>
Total equity and liabilities		32,426,420	29,069,155
		<hr/>	<hr/>

Approved and authorized for issue by the Board of Directors on 29 August 2022.

Gu Shu
Chairman

Zhang Xuguang
Executive Director

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

Agricultural Bank of China Limited
Condensed consolidated interim statement of changes in equity
For the six months ended 30 June 2022
(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	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total
As at 31 December 2021 (Audited)		349,983	359,872	173,556	34,927	220,792	351,616	925,955	(2,096)	2,414,605	6,754	2,421,359
Profit for the period		-	-	-	-	-	-	128,945	-	128,945	5	128,950
Other comprehensive income		-	-	-	1,203	-	-	-	2,016	3,219	(42)	3,177
Total comprehensive income for the period		-	-	-	1,203	-	-	128,945	2,016	132,164	(37)	132,127
Capital contribution from equity holders		-	49,997	-	-	-	-	-	-	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 instrument holders	14	-	-	-	-	-	-	(4,894)	-	(4,894)	-	(4,894)
As at 30 June 2022 (Unaudited)		349,983	409,869	173,556	36,130	220,814	385,387	943,837	(80)	2,519,496	6,717	2,526,213

Agricultural Bank of China Limited
Condensed consolidated interim statement of changes in equity
For the six months ended 30 June 2022 (continued)
(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	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total	
As at 31 December 2020 (Audited)		349,983	319,875	173,556	25,987	196,071	311,449	828,240	(372)	2,204,789	5,957	2,210,746	
Profit for the period		-	-	-	-	-	-	122,278	-	122,278	555	122,833	
Other comprehensive income		-	-	-	(894)	-	-	-	(652)	(1,546)	10	(1,536)	
Total comprehensive income for the period		-	-	-	(894)	-	-	122,278	(652)	120,732	565	121,297	
Appropriation to surplus reserve	39	-	-	-	-	283	-	(283)	-	-	-	-	
Appropriation to general reserve	40	-	-	-	-	-	40,155	(40,155)	-	-	-	-	
Dividends paid to ordinary equity holders	14	-	-	-	-	-	-	(64,782)	-	(64,782)	-	(64,782)	
Dividends paid to other equity instrument holders	14	-	-	-	-	-	-	(4,894)	-	(4,894)	-	(4,894)	
As at 30 June 2021 (Unaudited)		349,983	319,875	173,556	25,093	196,354	351,604	840,404	(1,024)	2,255,845	6,522	2,262,367	
Profit for the period		-	-	-	-	-	-	118,905	-	118,905	198	119,103	
Other comprehensive income		-	-	-	9,834	-	-	-	(1,072)	8,762	94	8,856	
Total comprehensive income for the period		-	-	-	9,834	-	-	118,905	(1,072)	127,667	292	127,959	
Capital contribution from equity holders		-	39,997	-	-	-	-	-	-	39,997	37	40,034	
Appropriation to surplus reserve	39	-	-	-	-	24,438	-	(24,438)	-	-	-	-	
Appropriation to general reserve	40	-	-	-	-	-	12	(12)	-	-	-	-	
Dividends paid to other equity instrument holders	14	-	-	-	-	-	-	(8,904)	-	(8,904)	-	(8,904)	
Dividends paid to non-controlling equity holders	14	-	-	-	-	-	-	-	-	-	(97)	(97)	
As at 31 December 2021 (Audited)		349,983	359,872	173,556	34,927	220,792	351,616	925,955	(2,096)	2,414,605	6,754	2,421,359	

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

Agricultural Bank of China Limited

Condensed consolidated interim statement of cash flows

For the six months ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

Notes	<i>Six months ended 30 June</i>	
	<i>2022</i> <i>(Unaudited)</i>	<i>2021</i> <i>(Unaudited)</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	156,271	153,538
Adjustments for:		
Amortization of intangible assets and other assets	1,539	1,039
Depreciation of property, equipment and right-of-use assets	8,618	8,624
Credit impairment losses	105,530	96,138
Impairment losses on other assets	17	3
Interest income arising from investment securities	(133,313)	(123,643)
Interest expense on debt securities issued	20,181	19,082
Revaluation (gain) / loss on financial instruments at fair value through profit or loss	(4,751)	4,269
Net gain on investment securities	(922)	(218)
Share of results of associates and joint ventures	(130)	(116)
Net gain on disposal of property, equipment and other assets	(385)	(500)
Net foreign exchange (gain) / loss	(13,587)	5,577
	<u>139,068</u>	<u>163,793</u>

Agricultural Bank of China Limited

Condensed consolidated interim statement of cash flows

For the six months ended 30 June 2022 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	<i>Six months ended 30 June</i>	
		<i>2022</i> <i>(Unaudited)</i>	<i>2021</i> <i>(Unaudited)</i>
Net changes in operating assets and operating liabilities:			
Net (increase) / decrease in balances with central banks, deposits with banks and other financial institutions		(260,018)	94,187
Net (increase) / decrease in placements with and loans to banks and other financial institutions		(27,180)	24,627
Net (increase) / decrease in financial assets held under resale agreements		(950)	17,104
Net increase in loans and advances to customers		(1,632,860)	(1,388,244)
Net increase / (decrease) in borrowings from central banks		183,191	(42,136)
Net increase / (decrease) in placements from banks and other financial institutions		58,080	(40,563)
Net increase in due to customers and deposits from banks and other financial institutions		2,730,991	1,556,652
Increase in other operating assets		(192,148)	(42,706)
Decrease in other operating liabilities		(22,286)	(124,216)
Cash from operations		975,888	218,498
Income tax paid		(67,103)	(57,333)
NET CASH FROM OPERATING ACTIVITIES		908,785	161,165

Agricultural Bank of China Limited

Condensed consolidated interim statement of cash flows

For the six months ended 30 June 2022 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

		<i>Six months ended 30 June</i>	
	<i>Notes</i>	<i>2022</i>	<i>2021</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal/redemption of investment securities		989,979	726,134
Cash received from investment income		127,180	121,088
Cash received from disposal of investment in associates and joint ventures		302	530
Cash received from disposal of property, equipment and other assets		3,232	2,255
Cash paid for purchase of investment securities		(1,724,331)	(978,522)
Increase in investment in associates and joint ventures		(1,000)	(809)
Cash paid for purchase of property, equipment and other assets		(8,712)	(9,288)
NET CASH USED IN INVESTING ACTIVITIES		(613,350)	(138,612)
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		1,100,679	841,711
Cash payments for transaction cost of debt securities issued		(10)	(15)
Repayments of debt securities issued		(828,466)	(766,922)
Cash payments for interest on debt securities issued		(28,341)	(22,907)
Cash payments for principal portion and interest portion of the lease liability		(2,277)	(2,103)
Dividends paid		(4,894)	(68,271)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		286,688	(18,507)

Agricultural Bank of China Limited

Condensed consolidated interim statement of cash flows

For the six months ended 30 June 2022 (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

		<i>Six months ended 30 June</i>	
	<i>Notes</i>	<i>2022</i>	<i>2021</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
NET INCREASE IN CASH AND CASH EQUIVALENTS		582,123	4,046
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		1,124,762	1,175,153
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		5,727	(5,776)
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	41	<u>1,712,612</u>	<u>1,173,423</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		374,858	353,192
Interest paid		<u>(197,838)</u>	<u>(170,285)</u>

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

Agricultural Bank of China Limited

Notes to the condensed consolidated interim financial statements

For the six months ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

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 China Banking and Insurance Regulatory Commission (the “CBIRC”), 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 the Chinese mainland are referred to as “Domestic Institutions”. Branches and subsidiaries registered and operating outside of the Chinese mainland are referred to as “Overseas Institutions”.

2 BASIS OF PREPARATION

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

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. 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 2021.

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

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Standards and amendments effective in 2022 relevant to and adopted by the Group

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

			<i>Effective for annual periods beginning on or after</i>	<i>Note</i>
(1)	Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022	(i)
(2)	Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022	(i)
(3)	Amendments to IAS 16	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022	(i)
(4)	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	IASB Annual Improvements 2018 - 2020 cycle	1 January 2022	(i)
(i)	Description of these standards and amendments were disclosed in the Group's annual financial information for the year ended 31 December 2021. The adoption of these standards and amendments does not have a significant impact on the financial information of the Group.			

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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 2021.

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 2022:

<u>Name of entity</u>	<u>Notes</u>	<u>Date of incorporation/ establishment</u>	<u>Place of incorporation/ establishment</u>	<u>Authorized/ paid-in capital</u>	<u>Percentage of equity interest (%)</u>	<u>Percentage of voting rights (%)</u>	<u>Principal activities</u>
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)

For the six months ended 30 June 2022, 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"). 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 2022, there was no objective evidence noted for any goodwill impairment.

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

(2) Investment in associates

<u>Name of entity</u>	<u>Notes</u>	<u>Date of establishment</u>	<u>Place of incorporation/ business</u>	<u>Authorized capital</u>	<u>Percentage of equity interest (%)</u>	<u>Percentage of voting rights (%)</u>	<u>Principal activities</u>
Sino-Congolese Bank of Africa	(i)	2015	Brazzaville, Congo	XAF 53,342,800,000	50.00	50.00	Bank
Shenzhen Yuanzhifuhai No.6 Investment Enterprise (Limited Partnership)	(ii)	2015	Guangdong, PRC	RMB 1,110,854,000	9.00	20.00	Equity investment, investment management and investment advisory service
Beijing Guofa Aero Engine Industry Investment Fund Center (Limited Partnership)	(ii)	2018	Beijing, PRC	RMB 6,343,200,000	15.61	20.00	Non-securities investment activities and related advisory services
Jilin Hongqizhiwang New Energy Automobile Fund Investment Management Center (Limited Partnership)	(ii)	2019	Jilin, PRC	RMB 3,885,500,000	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	RMB 6,000,000,000	15.67	14.29	Equity investment
National Green Development Fund Co.,Ltd.	(iii)	2020	Shanghai, PRC	RMB 88,500,000,000	9.04	9.04	Equity investment, project investment and investment management
National Social Endowment Insurance Co.,Ltd.	(iv)	2022	Beijing, PRC	RMB 11,150,000,000	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.

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

- (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.

(3) Investment in joint ventures

<u>Name of entity</u>	<u>Date of establishment</u>	<u>Place of incorporation/ business</u>	<u>Authorized capital</u>	<u>Percentage of equity interest (%)</u>	<u>Percentage of voting rights (%)</u>	<u>Principal activities</u>
Jiangsu Jiequansuihe State-owned Enterprise Mixed Ownership Reform Fund (Limited Partnership)	2018	Jiangsu, PRC	RMB 1,000,000,000	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	RMB 500,000,000	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	RMB 1,500,000,000	66.67	50.00	Industrial investment and equity investment
Zhejiang New Power Fund (Limited Partnership)	2018	Zhejiang, PRC	RMB 2,000,000,000	50.00	50.00	Industrial investment and equity investment
Inner Mongolia Mengxingzhuli Development Fund Investment Center (Limited Partnership)	2018	Inner Mongolia, PRC	RMB 2,000,000,000	50.00	50.00	Equity investment, investment management and investment advisory service
Shanghai Guohua Oil&Gas Equity Investment Fund, Ltd.	2019	Shanghai, PRC	RMB 1,800,000,000	66.67	50.00	Equity investment, project investment, investment advisory and asset management
Nongyizihuan (Jiaxing) Equity Investment Partnership (Limited Partnership)	2019	Zhejiang, PRC	RMB 400,000,000	70.00	50.00	Equity investment
Jianxinjintou Infrastructure Equity Investment (Tianjin) Fund (Limited Partnership)	2019	Tianjin, PRC	RMB 3,500,000,000	20.00	20.00	Equity investment and investment management
Shaanxi Suihe Equity Investment Fund Partnership (Limited Partnership)	2019	Shaanxi, PRC	RMB 1,000,000,000	50.00	50.00	Equity investment

The Bank's wholly-owned subsidiary, 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.

6 NET INTEREST INCOME

	<u>Six months ended 30 June</u>	
	<u>2022</u>	<u>2021</u>
Interest income		
Loans and advances to customers	377,037	336,144
Including: Corporate loans and advances	203,905	184,426
Personal loans and advances	173,132	151,718
Financial investments		
Debt instrument investments at amortized cost	110,860	100,320
Other debt instrument investments at fair value through other comprehensive income	22,453	23,323
Balances with central banks	16,532	18,150
Financial assets held under resale agreements	9,154	6,986
Deposits with banks and other financial institutions	3,652	5,266
Placements with and loans to banks and other financial institutions	3,085	3,282
Subtotal	<u>542,773</u>	<u>493,471</u>
Interest expense		
Due to customers	(184,124)	(159,674)
Deposits from banks and other financial institutions	(24,124)	(19,046)
Debt securities issued	(20,181)	(19,082)
Borrowings from central banks	(12,083)	(10,205)
Placements from banks and other financial institutions	(1,890)	(1,907)
Financial assets sold under repurchase agreements	(152)	(200)
Subtotal	<u>(242,554)</u>	<u>(210,114)</u>
Net interest income	<u>300,219</u>	<u>283,357</u>

7 NET FEE AND COMMISSION INCOME

	<u>Six months ended 30 June</u>	
	<u>2022</u>	<u>2021</u>
Fee and commission income		
Agency services	14,140	14,014
Electronic banking services	13,786	15,433
Consultancy and advisory services	9,309	9,757
Bank cards	8,416	7,472
Settlement and clearing services	6,786	7,114
Custodian and other fiduciary	2,323	2,076
Credit commitment	1,192	1,257
Others	275	364
	<hr/>	<hr/>
Subtotal	56,227	57,487
	<hr/>	<hr/>
Fee and commission expense		
Bank cards	(3,911)	(6,277)
Electronic banking services	(1,678)	(1,701)
Settlement and clearing services	(739)	(762)
Others	(410)	(597)
	<hr/>	<hr/>
Subtotal	(6,738)	(9,337)
	<hr/>	<hr/>
Net fee and commission income	<u>49,489</u>	<u>48,150</u>

8 NET TRADING GAIN

	Note	<u>Six months ended 30 June</u>	
		2022	2021
Net gain on debt instruments held for trading		8,040	2,259
Net gain on precious metals	(1)	1,389	2,737
Net (loss) / gain on foreign exchange rate derivatives		(1,578)	3,167
Net gain on interest rate derivatives		86	478
Others		(175)	(282)
Total		<u>7,762</u>	<u>8,359</u>

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

9 NET GAIN ON FINANCIAL INVESTMENTS

	Note	<u>Six months ended 30 June</u>	
		2022	2021
Net loss on debt instruments designated as at fair value through profit or loss		(25)	(132)
Net gain on other debt instruments and equity investments measured at fair value through profit or loss		2,931	6,907
Net loss on financial liabilities designated as at fair value through profit or loss	(1)	(363)	(6,089)
Net gain on other debt instrument and other equity investments measured at fair value through other comprehensive income		829	218
Net gain on underlying assets and liabilities related to principal guaranteed wealth management products designated as at fair value through profit or loss		-	639
Others		(184)	(111)
Total		<u>3,188</u>	<u>1,432</u>

(1) Net loss on financial liabilities designated as at fair value through profit or loss consists of the payable amount upon the maturity of structured deposits measured at fair value through profit or loss.

10 OTHER OPERATING INCOME

	<u>Six months ended 30 June</u>	
	2022	2021
Insurance premium	25,863	22,703
Rental income	595	505
Gain on disposal of property and equipment	376	511
Government grant	302	465
Net loss on foreign exchange	(767)	(5)
Others	531	776
Total	<u>26,900</u>	<u>24,955</u>

11 OPERATING EXPENSES

		<u>Six months ended 30 June</u>	
	Notes	2022	2021
Staff costs	(1)	63,624	61,993
Insurance benefits and claims		26,218	22,722
General operating and administrative expenses		21,480	18,032
Depreciation and amortization		9,906	9,663
Tax and surcharges	(2)	3,399	3,188
Others		1,344	1,093
Total		<u>125,971</u>	<u>116,691</u>

11 OPERATING EXPENSES (CONTINUED)

(1) Staff costs

	<i>Six months ended 30 June</i>	
	2022	2021
Short-term employee benefits		
Salaries, bonuses, allowance and subsidies	41,634	40,520
Housing funds	4,722	4,558
Social insurance	3,055	2,939
Including: Medical insurance	2,883	2,751
Maternity insurance	92	111
Employment injury insurance	80	77
Labor union fees and staff education expenses	1,827	1,805
Others	3,564	3,648
Subtotal	54,802	53,470
Defined contribution benefits	8,809	8,526
Early retirement benefits	13	(3)
Total	63,624	61,993

- (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

	<u>Six months ended 30 June</u>	
	2022	2021
Loans and advances to customers	92,777	92,011
Financial investments		
Debt instrument investments at amortized cost	2,197	1,703
Other debt instrument investments at fair value through other comprehensive income	1,251	7
Provision for guarantees and commitments	8,384	3,372
Placements with and loans to banks and other financial institutions	178	(16)
Deposits with banks and other financial institutions	678	(418)
Financial assets held under resale agreements	166	(725)
Others	(101)	204
Total	<u>105,530</u>	<u>96,138</u>

13 INCOME TAX EXPENSE

	<u>Six months ended 30 June</u>	
	2022	2021
Current income tax		
- PRC Enterprise Income Tax	32,865	31,102
- Hong Kong SAR Income Tax	308	268
- Other jurisdictions Income Tax	99	213
Subtotal	<u>33,272</u>	<u>31,583</u>
Deferred tax (Note 25)	<u>(5,951)</u>	<u>(878)</u>
Total	<u>27,321</u>	<u>30,705</u>

PRC Enterprise 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.

13 INCOME TAX EXPENSE (CONTINUED)

The tax charges for the six months ended 30 June 2022 and 30 June 2021 can be reconciled to the profit per the condensed consolidated interim income statement as follows:

	Note	<u>Six months ended 30 June</u>	
		2022	2021
Profit before tax		156,271	153,538
Tax calculated at applicable PRC statutory tax rate of 25%		39,068	38,385
Tax effect of income not taxable for tax purpose	(1)	(22,201)	(19,999)
Tax effect of costs, expenses and losses not deductible for tax purpose		11,196	13,115
Tax effect of perpetual bond interest expense		(740)	(740)
Effect of different tax rates in overseas institutions		(2)	(56)
Income tax expense		<u>27,321</u>	<u>30,705</u>

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

14 DIVIDENDS

	Notes	<u>Six months ended 30 June</u>	
		2022	2021
Dividends on ordinary shares declared			
Cash dividend related to 2021	(2)	72,376	-
Cash dividend related to 2020	(3)	-	64,782
		<u>72,376</u>	<u>64,782</u>
Dividends on preference shares declared and paid	(4)	1,936	1,936
Interest on perpetual bonds declared and paid	(5)	2,958	2,958

- (1) No dividends on ordinary shares related to the period from 1 January 2022 to 30 June 2022 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 2022.
- (2) Distribution of final dividend for 2021

A cash dividend of RMB 0.2068 per ordinary share related to 2021, amounting to RMB 72,376 million 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 enterprises (the "PRC GAAP"), at the annual general meeting held on 29 June 2022.

14 DIVIDENDS (CONTINUED)

The general reserve and dividend unpaid were recognized as at 30 June 2022 and the dividend was paid in July 2022.

(3) Distribution of final dividend for 2020

A cash dividend of RMB0.1851 per ordinary share related to 2020, amounting to RMB64,782 million in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2020 as determined in accordance with the PRC GAAP, at the annual general meeting held on 27 May 2021.

The above dividend was recognized as distribution and distributed during the year ended 31 December 2021.

(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 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 4.84% per annum related to the second tranche of preference shares for the period of 2020 to 2021 amounting to RMB1,936 million in total was approved at the Board of Directors' Meeting held on 27 January 2021 and distributed on 11 March 2021.

A cash dividend at the dividend rate of 5.32% per annum related to the first tranche of preference shares for the period of 2020 to 2021 amounting to RMB2,128 million in total was approved at the Board of Directors' Meeting held on 30 August 2021 and distributed on 5 November 2021.

(5) Distribution of interest on perpetual bonds

An interest at the interest rate of 3.48% per annum related to the 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 3.48% per annum related to the first tranche of perpetual bonds of RMB85 billion amounting to RMB2,958 million in total was declared on 7 May 2021 and distributed on 12 May 2021.

An interest at the interest rate of 4.39% per annum related to the first tranche of perpetual bonds of RMB85 billion amounting to RMB3,732 million in total was declared on 17 August 2021 and distributed on 20 August 2021.

An interest at the interest rate of 4.50% per annum related to the second tranche of perpetual bonds of RMB35 billion amounting to RMB1,575 million in total was declared on 19 August 2021 and distributed on 24 August 2021.

An interest at the interest rate of 4.20% per annum related to the second tranche of perpetual bonds of RMB35 billion amounting to RMB1,470 million in total was declared on 2 September 2021 and distributed on 6 September 2021.

15 EARNINGS PER SHARE

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

	<i>Six months ended 30 June</i>	
	2022	2021
Earnings:		
Profit for the period attributable to equity holders of the Bank	128,945	122,278
Less: profit for the period attributable to other equity instruments holders of the Bank	(4,894)	(4,894)
Profit for the period attributable to ordinary equity holders of the Bank	<u>124,051</u>	<u>117,384</u>
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)	<u>0.35</u>	<u>0.34</u>

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.

For the six months ended 30 June 2022 and for the year ended 31 December 2021, 2020 and 2019, the Bank issued six non-cumulative undated tier 1 capital bonds, respectively, 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 2022, cash dividends and interest of RMB4,894 million of non-cumulative preference shares and non-cumulative undated tier 1 capital bonds declared and distributed were deducted from the profit for the period attributable to equity holders of the Bank (six months ended 30 June 2021: cash dividends 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 2022 and 30 June 2021, and therefore the conversion feature of preference shares has no dilutive effect on earnings per share calculation.

16 CASH AND BALANCES WITH CENTRAL BANKS

	Notes	30 June 2022	31 December 2021
Cash		71,848	74,610
Mandatory reserve deposits with central banks	(1)	2,080,404	1,973,077
Surplus reserve deposits with central banks	(2)	355,402	101,010
Other deposits with central banks	(3)	160,898	171,765
Subtotal		2,668,552	2,320,462
Accrued interest		975	944
Total		2,669,527	2,321,406

- (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 2022, 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 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 2022	31 December 2021
Deposits with:		
Domestic banks	336,700	184,968
Other domestic financial institutions	10,647	10,345
Overseas banks	34,646	22,507
	<hr/>	<hr/>
Subtotal	381,993	217,820
Accrued interest	2,538	2,140
Allowance for impairment losses	(2,143)	(1,460)
	<hr/>	<hr/>
Deposits with banks and other financial institutions, net	<u>382,388</u>	<u>218,500</u>

18 PLACEMENTS WITH AND LOANS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2022	31 December 2021
Placements with and loans to:		
Domestic banks	284,032	250,953
Other domestic financial institutions	115,849	93,315
Overseas banks and other financial institutions	143,324	104,295
	<hr/>	<hr/>
Subtotal	543,205	448,563
Accrued interest	1,588	1,080
Allowance for impairment losses	(2,947)	(2,699)
	<hr/>	<hr/>
Placements with and loans to banks and other financial institutions, net	<u>541,846</u>	<u>446,944</u>

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 settlement arrangements or similar agreements. The agreements 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 net settlement 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 2022 and 31 December 2021, the Group does not hold any other financial assets or liabilities, other than derivatives, that are subject to master net settlement arrangements or similar agreements.

		30 June 2022	
		Contractual/ notional amount	Fair value
			Assets Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross - currency interest rate swaps	2,037,946	23,483	(20,054)
Currency options	70,537	1,093	(453)
Subtotal		24,576	(20,507)
Interest rate derivatives			
Interest rate swaps	219,453	2,126	(1,053)
Precious metal contracts	253,427	6,472	(1,850)
Total derivative financial assets and liabilities		33,174	(23,410)

19 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

		31 December 2021	
		Contractual/ notional amount	Fair value
			Assets Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross - currency interest rate swaps	2,145,080	18,983	(14,402)
Currency options	51,631	1,133	(332)
Subtotal		20,116	(14,734)
Interest rate derivatives			
Interest rate swaps	271,371	1,141	(2,366)
Precious metal contracts	145,374	721	(2,237)
Total derivative financial assets and liabilities		21,978	(19,337)

Credit risk weighted amount for derivative transaction counterparties represents the counterparty credit risk associated with derivative transactions and is calculated in accordance with the “Capital Rules for Commercial Banks (Provisional)” issued by the CBIRC which was effective from 1 January 2013 and “Measurement Rule of Counterparty Default Risk Weighted Assets on Derivatives” issued by the CBIRC 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 2022 and 31 December 2021, the credit risk weighted amount for derivative transaction counterparties was measured under the Internal Ratings-Based approach.

	30 June 2022	31 December 2021
Counterparty credit default risk-weighted assets	78,426	49,277
Credit value adjustment risk-weighted assets	8,753	6,943
Total	87,179	56,220

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:

	<i>Contractual/ notional amount</i>	<i>30 June 2022</i>	
		<i>Fair value</i>	
		<i>Assets</i>	<i>Liabilities</i>
Interest rate swaps	39,944	816	(70)

	<i>Contractual/ notional amount</i>	<i>31 December 2021</i>	
		<i>Fair value</i>	
		<i>Assets</i>	<i>Liabilities</i>
Interest rate swaps	48,716	33	(1,104)

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, other debt instrument investments at fair value through other comprehensive income.

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

	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
Net gain/(loss) on hedging instruments	1,988	(702)
hedged items	(2,012)	662

The gain and loss arising from the ineffective portion of fair value hedges were immaterial for the six months ended 30 June 2022 and the six months ended 30 June 2021.

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

	<i>Fair value hedges</i>					<i>Total</i>
	<i>Less than 1 month</i>	<i>Between 1 and 3 months</i>	<i>Between 3 and 12 months</i>	<i>Between 1 and 5 years</i>	<i>Over 5 years</i>	
30 June 2022	544	1,268	8,410	25,437	4,285	39,944
31 December 2021	861	3,958	9,203	30,412	4,282	48,716

19 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

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

30 June 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	38,895	-	-	-	Other debt instrument investments at fair value through other comprehensive income
Loans	2,668	-	-	(120)	Loans and advances to customers
Total	41,563	-	-	(120)	

31 December 2021					
	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	51,356	-	-	-	Other debt instrument investments at fair value through other comprehensive income
Loans	2,551	-	52	-	Loans and advances to customers
Total	53,907	-	52	-	

(2) Cash Flow Hedges

The Group uses interest rate swaps to hedge against exposures to cash flow variability primarily from interest rate risks of debt security issued.

For the six months ended 30 June 2022, no cash flow hedge had occurred. The Group's cash flow hedge that existed on 30 June 2021 had all expired in September 2021 (six months ended 30 June 2021: net gain of RMB18 million was recognized in other comprehensive income and there exists no ineffective portion of cash flow hedge).

20 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	30 June 2022	31 December 2021
Analyzed by collateral type:		
Debt securities	1,046,995	780,571
Bills	62,488	59,378
	<hr/>	<hr/>
Subtotal	1,109,483	839,949
Accrued interest	232	597
Allowance for impairment losses	(3,075)	(2,909)
	<hr/>	<hr/>
Financial assets held under resale agreements, net	<u>1,106,640</u>	<u>837,637</u>

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 2022	31 December 2021
Measured at amortized cost	(1)	17,310,039	15,951,755
Measured at fair value through other comprehensive income	(2)	726,133	502,748
		<hr/>	<hr/>
Total		<u>18,036,172</u>	<u>16,454,503</u>

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(1) Measured at amortized cost:

	30 June 2022	31 December 2021
Corporate loans and advances		
Loans and advances	10,539,909	9,496,436
Personal loans and advances	7,504,281	7,136,568
Subtotal	18,044,190	16,633,004
Accrued interest	43,229	39,321
Allowance for impairment losses	(777,380)	(720,570)
Carrying amount of loans and advances to customers measured at amortized cost	<u>17,310,039</u>	<u>15,951,755</u>

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

	30 June 2022	31 December 2021
Corporate loans and advances		
Loans and advances	119,012	78,419
Discounted bills	607,121	424,329
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	<u>726,133</u>	<u>502,748</u>

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

21.2 Analyzed by assessment method of ECL

	30 June 2022			Total
	<u>Stage I</u> <u>12m ECL</u>	<u>Stage II</u> <u>Lifetime ECL</u>	<u>Stage III</u>	
Gross loans and advances measured at amortized cost	17,530,981	291,983	264,455	18,087,419
Allowance for impairment losses	(553,206)	(62,325)	(161,849)	(777,380)
Carrying amount of loans and advances to customers measured at amortized cost	<u>16,977,775</u>	<u>229,658</u>	<u>102,606</u>	<u>17,310,039</u>
Loans and advances measured at fair value through other comprehensive income	<u>726,002</u>	<u>131</u>	<u>-</u>	<u>726,133</u>
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	<u>(28,946)</u>	<u>(25)</u>	<u>-</u>	<u>(28,971)</u>
	31 December 2021			Total
	<u>Stage I</u> <u>12m ECL</u>	<u>Stage II</u> <u>Lifetime ECL</u>	<u>Stage III</u>	
Gross loans and advances measured at amortized cost	16,157,097	269,446	245,782	16,672,325
Allowance for impairment losses	(500,117)	(57,494)	(162,959)	(720,570)
Carrying amount of loans and advances to customers measured at amortized cost	<u>15,656,980</u>	<u>211,952</u>	<u>82,823</u>	<u>15,951,755</u>
Loans and advances measured at fair value through other comprehensive income	<u>502,701</u>	<u>47</u>	<u>-</u>	<u>502,748</u>
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	<u>(16,108)</u>	<u>(9)</u>	<u>-</u>	<u>(16,117)</u>

The expected credit loss ("ECL") for corporate loans and advances in stage I and stage II, as well as personal loans and advances, 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 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

21.3 Analyzed by movements in loss allowance

The movements of loss allowance is 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.

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

	Six months ended 30 June 2022			
Corporate loans and advances	Stage I	Stage II	Stage III	Total
	12m ECL	Lifetime ECL		
1 January 2022	352,237	50,260	140,884	543,381
Transfer:				
Stage I to stage II	(4,495)	4,495	-	-
Stage II to stage III	-	(12,322)	12,322	-
Stage II to stage I	2,290	(2,290)	-	-
Stage III to stage II	-	1,934	(1,934)	-
Originated or purchased financial assets	92,864	-	-	92,864
Remeasurement	(2,396)	17,002	10,881	25,487
Repayment or transfer out	(41,503)	(4,998)	(8,749)	(55,250)
Write-offs	-	-	(16,356)	(16,356)
30 June 2022	398,997	54,081	137,048	590,126

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

<i>Personal loans and advances</i>	<i>Six months ended 30 June 2022</i>			<i>Total</i>
	<i>Stage I</i>	<i>Stage II</i>	<i>Stage III</i>	
	<u><i>12m ECL</i></u>	<u><i>Lifetime ECL</i></u>		
1 January 2022	163,988	7,243	22,075	193,306
Transfer:				
Stage I to stage II	(1,721)	1,721	-	-
Stage II to stage III	-	(3,649)	3,649	-
Stage II to stage I	2,426	(2,426)	-	-
Stage III to stage II	-	1,107	(1,107)	-
Originated or purchased financial assets	45,726	-	-	45,726
Remeasurement	6,625	5,954	7,875	20,454
Repayment or transfer out	(33,889)	(1,681)	(639)	(36,209)
Write-offs	-	-	(7,052)	(7,052)
30 June 2022	<u>183,155</u>	<u>8,269</u>	<u>24,801</u>	<u>216,225</u>
<i>Year ended 31 December 2021</i>				
<i>Corporate loans and advances</i>	<i>Stage I</i>	<i>Stage II</i>	<i>Stage III</i>	<i>Total</i>
	<u><i>12m ECL</i></u>	<u><i>Lifetime ECL</i></u>		
1 January 2021	282,549	53,699	135,634	471,882
Transfer:				
Stage I to stage II	(6,338)	6,338	-	-
Stage II to stage III	-	(21,124)	21,124	-
Stage II to stage I	2,448	(2,448)	-	-
Stage III to stage II	-	1,151	(1,151)	-
Originated or purchased financial assets	115,643	-	-	115,643
Remeasurement	19,839	29,179	50,760	99,778
Repayment or transfer out	(61,904)	(16,535)	(19,730)	(98,169)
Write-offs	-	-	(45,753)	(45,753)
31 December 2021	<u>352,237</u>	<u>50,260</u>	<u>140,884</u>	<u>543,381</u>

21 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

<i>Personal loans and advances</i>	<i>Year ended 31 December 2021</i>			<i>Total</i>
	<i>Stage I</i>	<i>Stage II</i>	<i>Stage III</i>	
	<i>12m ECL</i>	<i>Lifetime ECL</i>		
1 January 2021	128,414	7,003	23,907	159,324
Transfer:				
Stage I to stage II	(1,899)	1,899	-	-
Stage II to stage III	-	(4,141)	4,141	-
Stage II to stage I	2,320	(2,320)	-	-
Stage III to stage II	-	1,269	(1,269)	-
Originated or purchased financial assets	69,982	-	-	69,982
Remeasurement	13,434	6,830	11,106	31,370
Repayment or transfer out	(48,263)	(3,297)	(2,311)	(53,871)
Write-offs	-	-	(13,499)	(13,499)
31 December 2021	163,988	7,243	22,075	193,306

22 FINANCIAL INVESTMENTS

	<i>Notes</i>	<i>30 June 2022</i>	<i>31 December 2021</i>
Financial assets at fair value through profit or loss	22.1	459,865	460,241
Debt instrument investments at amortized cost	22.2	6,938,657	6,372,522
Other debt instrument and other equity investments at fair value through other comprehensive income	22.3	1,567,433	1,397,280
Total		8,965,955	8,230,043

22 FINANCIAL INVESTMENTS (CONTINUED)

22.1 Financial assets at fair value through profit or loss

	Notes	30 June 2022	31 December 2021
Financial assets held for trading	(1)	149,154	159,382
Financial assets designated at fair value through profit or loss	(2)	1,235	2,313
Other financial assets at fair value through profit or loss	(3)	309,476	298,546
Total		<u>459,865</u>	<u>460,241</u>
Analyzed as:			
Listed in Hong Kong		4,657	5,409
Listed outside Hong Kong	(i)	304,832	306,454
Unlisted		150,376	148,378
Total		<u>459,865</u>	<u>460,241</u>

- (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 2022	31 December 2021
Debt securities issued by:		
Governments	12,495	8,925
Public sector and quasi-governments	54,705	25,144
Financial institutions	22,960	68,800
Corporates	29,401	25,268
Subtotal of debt securities	<u>119,561</u>	<u>128,137</u>
Precious metal contracts	18,735	21,389
Equity	6,381	5,279
Fund and others	4,477	4,577
Total	<u>149,154</u>	<u>159,382</u>

22 FINANCIAL INVESTMENTS (CONTINUED)

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

	30 June 2022	31 December 2021
Debt securities issued by:		
Financial institutions	615	1,009
Corporates	620	1,304
	<hr/>	<hr/>
Total	<u>1,235</u>	<u>2,313</u>

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

	30 June 2022	31 December 2021
Debt securities issued by:		
Public sector and quasi-governments	23,062	22,636
Financial institutions	138,117	131,578
Corporates	948	645
	<hr/>	<hr/>
Subtotal of debt securities	162,127	154,859
Equity	98,870	104,676
Fund and others	48,479	39,011
	<hr/>	<hr/>
Total	<u>309,476</u>	<u>298,546</u>

- (ii) Other financial assets at fair value through profit or loss refer to financial assets that do not qualify for measurement at amortized cost nor 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.

22 FINANCIAL INVESTMENTS (CONTINUED)

22.2 Debt instrument investments at amortized cost

	Notes	30 June 2022	31 December 2021
Debt securities issued by:			
Governments		4,620,255	4,117,564
Public sector and quasi-governments		1,588,416	1,506,965
Financial institutions		146,495	145,826
Corporates		79,782	100,576
Subtotal of debt securities		6,434,948	5,870,931
Receivable from the MOF	(i)	290,891	290,891
Special government bond	(ii)	93,339	93,340
Others	(iii)	13,069	13,463
Subtotal		6,832,247	6,268,625
Accrued interest		127,163	122,924
Allowance for impairment losses		(20,753)	(19,027)
Debt instrument investments at amortized cost, net		6,938,657	6,372,522
Analyzed as:			
Listed in Hong Kong		26,127	19,994
Listed outside Hong Kong	(iv)	6,511,333	5,882,053
Unlisted		401,197	470,475
Total		6,938,657	6,372,522

- (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 prior 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 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".

22 FINANCIAL INVESTMENTS (CONTINUED)

(1) Analyzed by assessment method of ECL

	30 June 2022			Total
	Stage I	Stage II	Stage III	
	<u>12m ECL</u>	<u>Lifetime ECL</u>		
Gross debt instrument investments at amortized cost	6,957,778	337	1,295	6,959,410
Allowance for impairment losses	(19,478)	-	(1,275)	(20,753)
Debt instrument investments at amortized cost, net	<u>6,938,300</u>	<u>337</u>	<u>20</u>	<u>6,938,657</u>
	31 December 2021			Total
	Stage I	Stage II	Stage III	
	<u>12m ECL</u>	<u>Lifetime ECL</u>		
Gross debt instrument investments at amortized cost	6,389,720	548	1,281	6,391,549
Allowance for impairment losses	(17,764)	-	(1,263)	(19,027)
Debt instrument investments at amortized cost, net	<u>6,371,956</u>	<u>548</u>	<u>18</u>	<u>6,372,522</u>

Debt instrument investments at amortized cost in stage II and stage III mainly included corporate bond and other debt instrument investments of the Group.

22 FINANCIAL INVESTMENTS (CONTINUED)

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

	Six months ended 30 June 2022			
	Stage I	Stage II	Stage III	Total
	12m ECL	Lifetime ECL		
1 January 2022	17,764	-	1,263	19,027
Originated or purchased financial assets	2,387	-	-	2,387
Remeasurement	1,023	-	12	1,035
Maturities or transfer out	(1,696)	-	-	(1,696)
30 June 2022	19,478	-	1,275	20,753

	Year ended 31 December 2021			
	Stage I	Stage II	Stage III	Total
	12m ECL	Lifetime ECL		
1 January 2021	14,850	190	1,064	16,104
Transfer:				
Stage I transfer to stage II	(1)	1	-	-
Stage I transfer to stage III	(1)	-	1	-
Stage II transfer to stage III	-	(7)	7	-
Stage II transfer to stage I	30	(30)	-	-
Originated or purchased financial assets	3,996	-	-	3,996
Remeasurement	586	(1)	191	776
Maturities or transfer out	(1,696)	(153)	-	(1,849)
31 December 2021	17,764	-	1,263	19,027

- (v) As at 30 June 2022, the increases of the Group's loss allowance of debt instrument investments at amortized cost were mainly due to the increase of debt instrument investments and the remeasurement of existing debt instrument investments during the period.

22 FINANCIAL INVESTMENTS (CONTINUED)

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

30 June 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
Debt instruments	(1)	1,553,324	1,562,870	9,546	(11,612)
Equity instruments	(2)	3,517	4,563	1,046	N/A
Total		1,556,841	1,567,433	10,592	(11,612)

31 December 2021					
	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
Debt instruments	(1)	1,373,040	1,392,691	19,651	(10,761)
Equity instruments	(2)	3,480	4,589	1,109	N/A
Total		1,376,520	1,397,280	20,760	(10,761)

22 FINANCIAL INVESTMENTS (CONTINUED)

(1) Debt instruments

(a) Analyzed by measurement basis

	Note	30 June 2022	31 December 2021
Debt securities issued by:			
Governments		766,309	649,753
Public sector and quasi-governments		235,082	241,828
Financial institutions		428,096	364,339
Corporates		102,407	105,803
		<hr/>	<hr/>
Subtotal of debt instruments		1,531,894	1,361,723
Others	(i)	14,827	16,861
		<hr/>	<hr/>
Subtotal		1,546,721	1,378,584
Accrued interest		16,149	14,107
		<hr/>	<hr/>
Total		1,562,870	1,392,691
		<hr/> <hr/>	<hr/> <hr/>
Analyzed as:			
Listed in Hong Kong		121,893	131,184
Listed outside Hong Kong		1,359,492	1,186,801
Unlisted		81,485	74,706
		<hr/>	<hr/>
Total		1,562,870	1,392,691
		<hr/> <hr/>	<hr/> <hr/>

- (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.

22 FINANCIAL INVESTMENTS (CONTINUED)

(b) Analyzed by assessment method of ECL

	30 June 2022			Total
	Stage I	Stage II	Stage III	
	<u>12m ECL</u>	<u>Lifetime ECL</u>		
Carrying amount of other debt instrument investments at fair value through other comprehensive income	1,561,618	503	749	1,562,870
Allowance for impairment losses	(11,276)	(19)	(317)	(11,612)
	31 December 2021			Total
	Stage I	Stage II	Stage III	
	<u>12m ECL</u>	<u>Lifetime ECL</u>		
Carrying amount of other debt instrument investments at fair value through other comprehensive income	1,390,789	1,870	32	1,392,691
Allowance for impairment losses	(10,457)	(189)	(115)	(10,761)

Other debt instrument investments at fair value through other comprehensive income in stage II and stage III mainly included corporate bond and financial institutions bond investments of the Group.

22 FINANCIAL INVESTMENTS (CONTINUED)

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

	<i>Six months ended 30 June 2022</i>			<i>Total</i>
	<i>Stage I</i>	<i>Stage II</i>	<i>Stage III</i>	
	<i>12m ECL</i>	<i>Lifetime ECL</i>		
1 January 2022	10,457	189	115	10,761
Transfer:				
Stage I transfer to stage II	(5)	5	-	-
Stage I transfer to stage III	(189)	-	189	-
Stage II transfer to stage I	117	(117)	-	-
Originated or purchased financial assets	3,238	-	-	3,238
Remeasurement	931	2	13	946
Maturities or transfer out	(3,273)	(60)	-	(3,333)
30 June 2022	11,276	19	317	11,612
<i>Year ended 31 December 2021</i>				
	<i>Stage I</i>	<i>Stage II</i>	<i>Stage III</i>	<i>Total</i>
	<i>12m ECL</i>	<i>Lifetime ECL</i>		
1 January 2021	9,536	432	106	10,074
Transfer:				
Stage I transfer to stage II	(188)	188	-	-
Stage II transfer to stage I	307	(307)	-	-
Originated or purchased financial assets	4,809	-	-	4,809
Remeasurement	(50)	2	9	(39)
Maturities or transfer out	(3,957)	(126)	-	(4,083)
31 December 2021	10,457	189	115	10,761

(ii) As at 30 June 2022, the increases of the Group's loss allowance of other debt instrument investments at fair value through other comprehensive income were mainly due to the increase of debt instrument investments and the remeasurement of existing debt instrument investments during the period.

22 FINANCIAL INVESTMENTS (CONTINUED)

(2) Equity instruments

	30 June 2022	31 December 2021
Financial institutions	4,421	4,448
Other enterprises	142	141
	<hr/>	<hr/>
Total	4,563	4,589
	<hr/>	<hr/>

23 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	30 June 2022	31 December 2021
Investment in associates	4,758	3,658
Investment in joint ventures	4,022	4,728
	<hr/>	<hr/>
Subtotal	8,780	8,386
Allowance for impairment losses - investment in associates	(89)	(89)
	<hr/>	<hr/>
Carrying amount	8,691	8,297
	<hr/>	<hr/>

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

	<i>Buildings</i>	<i>Machinery and equipment</i>	<i>Motor vehicles</i>	<i>Construction in progress</i>	<i>Total</i>
Cost:					
1 January 2022	189,309	65,906	16,398	9,516	281,129
Additions	1,549	1,337	637	1,798	5,321
Transfers in/(out)	1,179	439	-	(1,618)	-
Other movements	(2,516)	(2,090)	(321)	(63)	(4,990)
30 June 2022	<u>189,521</u>	<u>65,592</u>	<u>16,714</u>	<u>9,633</u>	<u>281,460</u>
Accumulated depreciation:					
1 January 2022	(77,605)	(45,724)	(4,110)	-	(127,439)
Charge for the period	(3,356)	(2,994)	(387)	-	(6,737)
Other movements	603	1,811	8	-	2,422
30 June 2022	<u>(80,358)</u>	<u>(46,907)</u>	<u>(4,489)</u>	<u>-</u>	<u>(131,754)</u>
Allowance for impairment losses:					
1 January 2022	(270)	(6)	(81)	(34)	(391)
Impairment loss	(2)	-	-	-	(2)
Other movements	7	-	(5)	-	2
30 June 2022	<u>(265)</u>	<u>(6)</u>	<u>(86)</u>	<u>(34)</u>	<u>(391)</u>
Carrying value:					
1 January 2022	<u>111,434</u>	<u>20,176</u>	<u>12,207</u>	<u>9,482</u>	<u>153,299</u>
30 June 2022	<u>108,898</u>	<u>18,679</u>	<u>12,139</u>	<u>9,599</u>	<u>149,315</u>

24 PROPERTY AND EQUIPMENT (CONTINUED)

	<i>Buildings</i>	<i>Machinery and equipment</i>	<i>Motor vehicles</i>	<i>Construction in progress</i>	<i>Total</i>
Cost:					
1 January 2021	185,794	66,118	14,721	7,349	273,982
Additions	4,820	6,161	1,864	7,443	20,288
Transfers in/(out)	4,482	592	194	(5,268)	-
Other movements	(5,787)	(6,965)	(381)	(8)	(13,141)
31 December 2021	<u>189,309</u>	<u>65,906</u>	<u>16,398</u>	<u>9,516</u>	<u>281,129</u>
Accumulated depreciation:					
1 January 2021	(72,476)	(46,282)	(3,718)	-	(122,476)
Charge for the year	(6,801)	(5,951)	(771)	-	(13,523)
Other movements	1,672	6,509	379	-	8,560
31 December 2021	<u>(77,605)</u>	<u>(45,724)</u>	<u>(4,110)</u>	<u>-</u>	<u>(127,439)</u>
Allowance for impairment losses:					
1 January 2021	(262)	(9)	(47)	(34)	(352)
Impairment loss	(8)	-	(36)	-	(44)
Other movements	-	3	2	-	5
31 December 2021	<u>(270)</u>	<u>(6)</u>	<u>(81)</u>	<u>(34)</u>	<u>(391)</u>
Carrying value:					
1 January 2021	<u>113,056</u>	<u>19,827</u>	<u>10,956</u>	<u>7,315</u>	<u>151,154</u>
31 December 2021	<u>111,434</u>	<u>20,176</u>	<u>12,207</u>	<u>9,482</u>	<u>153,299</u>

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 2022, the registration transfer process of these transferred properties and other certain properties have 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 2022	31 December 2021
Deferred tax assets	148,034	143,027
Deferred tax liabilities	(532)	(655)
Net	<u>147,502</u>	<u>142,372</u>

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

	<i>Allowance for impairment losses</i>	<i>Accrued but unpaid staff cost</i>	<i>Early retirement benefits</i>	<i>Provision</i>	<i>Fair value changes of financial instruments</i>	<i>Others</i>	<i>Total</i>
1 January 2022	136,059	11,844	272	8,452	(14,437)	182	142,372
Credit/(charge) to the consolidated income statement	6,868	(1,232)	(43)	2,014	(1,769)	113	5,951
Credit to other comprehensive income	-	-	-	-	(821)	-	(821)
30 June 2022	<u>142,927</u>	<u>10,612</u>	<u>229</u>	<u>10,466</u>	<u>(17,027)</u>	<u>295</u>	<u>147,502</u>

	<i>Allowance for impairment losses</i>	<i>Accrued but unpaid staff cost</i>	<i>Early retirement benefits</i>	<i>Provision</i>	<i>Fair value changes of financial instruments</i>	<i>Others</i>	<i>Total</i>
1 January 2021	121,944	10,426	388	10,525	(10,718)	456	133,021
Credit/(charge) to the consolidated income statement	14,115	1,418	(116)	(2,073)	(969)	(274)	12,101
Credit to other comprehensive income	-	-	-	-	(2,750)	-	(2,750)
31 December 2021	<u>136,059</u>	<u>11,844</u>	<u>272</u>	<u>8,452</u>	<u>(14,437)</u>	<u>182</u>	<u>142,372</u>

25 DEFERRED TAXATION (CONTINUED)

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

	<u>30 June 2022</u>		<u>31 December 2021</u>	
	<i>Deductible/ (taxable) temporary differences</i>	<i>Deferred tax assets/ (liabilities)</i>	<i>Deductible/ (taxable) temporary differences</i>	<i>Deferred tax assets/ (liabilities)</i>
Deferred tax assets				
Allowance for impairment losses	571,814	142,927	544,441	136,059
Fair value changes of financial instruments	40,032	10,023	28,267	7,087
Accrued but unpaid staff cost	42,450	10,612	47,379	11,844
Provision	41,865	10,466	33,809	8,452
Early retirement benefits	917	229	1,088	272
Others	1,151	295	780	182
Subtotal	<u>698,229</u>	<u>174,552</u>	<u>655,764</u>	<u>163,896</u>
Deferred tax liabilities				
Fair value changes of financial instruments	(108,474)	(27,050)	(86,404)	(21,524)
Subtotal	<u>(108,474)</u>	<u>(27,050)</u>	<u>(86,404)</u>	<u>(21,524)</u>
Net	<u>589,755</u>	<u>147,502</u>	<u>569,360</u>	<u>142,372</u>

26 OTHER ASSETS

	Notes	30 June 2022	31 December 2021
Accounts receivable and temporary payments		140,058	75,176
Land use rights	(1)	20,278	20,384
Right-of-use assets	(2)	10,117	10,191
Intangible assets		6,286	6,188
Long-term deferred expenses		2,707	2,718
Investment properties		2,105	2,018
Interest receivable		1,556	1,836
Premiums receivable, reinsurance receivable and reserves		1,118	659
Foreclosed assets		890	899
Others		16,796	15,567
Total		<u>201,911</u>	<u>135,636</u>

- (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 2022, 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 2022, 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 2022 was amounting to RMB1,881 million (six months ended 30 June 2021: RMB1,979 million), and the accumulated depreciation amounting to RMB9,766 million as at 30 June 2022 (31 December 2021: RMB8,903 million).

27 BORROWINGS FROM CENTRAL BANKS

	30 June 2022	31 December 2021
Borrowings from central banks	923,820	740,629
Accrued interest	15,448	6,584
Total	<u>939,268</u>	<u>747,213</u>

28 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2022	31 December 2021
Deposits from:		
Domestic banks	182,511	167,300
Other domestic financial institutions	1,902,481	1,401,314
Overseas banks	4,106	3,332
Other overseas financial institutions	54,542	41,446
	<hr/>	<hr/>
Subtotal	2,143,640	1,613,392
Accrued interest	12,597	8,974
	<hr/>	<hr/>
Total	<u>2,156,237</u>	<u>1,622,366</u>

29 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2022	31 December 2021
Placements from:		
Domestic banks and other financial institutions	223,450	129,317
Overseas banks and other financial institutions	125,066	161,119
	<hr/>	<hr/>
Subtotal	348,516	290,436
Accrued interest	744	669
	<hr/>	<hr/>
Total	<u>349,260</u>	<u>291,105</u>

30 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022	31 December 2021
Financial liabilities held for trading		
Precious metal contracts	11,447	15,646
	-----	-----
Financial liabilities designated at fair value through profit or loss		
Liabilities of the controlled structured entities	251	214
Others	142	-
	-----	-----
Subtotal	393	214
	-----	-----
Total	11,840	15,860
	=====	=====

For the six months ended 30 June 2022 and the year ended 31 December 2021, 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 2022	31 December 2021
Analyzed by type of collateral:		
Debt securities	18,448	31,298
Bills	2,099	4,720
	-----	-----
Subtotal	20,547	36,018
	-----	-----
Accrued interest	27	15
	-----	-----
Total	20,574	36,033
	=====	=====

The collateral pledged under repurchase agreements is disclosed in Note 45 Contingent Liabilities and Commitments - Collateral.

32 DUE TO CUSTOMERS

	Note	30 June 2022	31 December 2021
Demand deposits			
Corporate customers		5,661,933	5,383,210
Individual customers		6,149,024	5,942,411
Time deposits			
Corporate customers		3,330,883	2,761,506
Individual customers		8,050,230	7,000,805
Pledged deposits	(1)	393,777	339,588
Others		210,350	167,933
		<hr/>	<hr/>
Subtotal		23,796,197	21,595,453
Accrued interest		323,657	311,674
		<hr/>	<hr/>
Total		<u>24,119,854</u>	<u>21,907,127</u>

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

	30 June 2022	31 December 2021
Trade finance	140,753	127,012
Bank acceptances	93,631	66,418
Guarantee and letters of guarantee	65,656	75,099
Letters of credit	40,668	32,948
Others	53,069	38,111
	<hr/>	<hr/>
Total	<u>393,777</u>	<u>339,588</u>

(2) As at 30 June 2022, due to customers measured at amortized cost of the Group amounted to RMB24,080,274 million (31 December 2021: RMB21,854,821 million), due to customers measured at fair value through profit or loss of the Group amounted to RMB39,580 million (31 December 2021: RMB52,306 million). As at 30 June 2022 and 31 December 2021, 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 2022	31 December 2021
Bonds issued	(1)	494,049	420,813
Certificates of deposit issued	(2)	247,165	262,272
Other debt securities issued	(3)	1,028,581	816,321
		<hr/>	<hr/>
Subtotal		1,769,795	1,499,406
Accrued Interest		<hr/> 5,736	<hr/> 8,251
Total		<hr/> <hr/> 1,775,531	<hr/> <hr/> 1,507,657

As at 30 June 2022 and 31 December 2021, there was no default on the principal, interest or redemption related to any debt securities issued by the Group.

33 DEBT SECURITIES ISSUED (CONTINUED)

(1) Bonds issued

	Notes	30 June 2022	31 December 2021
1.25% USD fixed rate Green Bonds maturing in January 2026	(i)	2,013	1,913
2.00% USD fixed rate Green Bonds maturing in January 2027	(ii)	2,013	-
SOFR+0.55% USD float rate Green Bonds maturing in March 2023	(iii)	201	-
4.99% subordinated fixed rate bonds maturing in December 2027	(iv)	50,000	50,000
4.45% Tier-two capital fixed rate bonds maturing in October 2027	(v)	40,000	40,000
4.45% Tier-two capital fixed rate bonds maturing in April 2028	(vi)	40,000	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	-
4.53% Tier-two capital fixed rate bonds maturing in March 2034	(xi)	10,000	10,000
4.63% Tier-two capital fixed rate bonds maturing in April 2034	(xii)	20,000	20,000
3.65% Tier-two capital fixed rate bonds maturing in June 2037	(xiii)	20,000	-
Medium term notes issued	(xiv)	69,986	56,305
1.99% fixed rate financial bonds maturing in April 2023	(xv)	20,000	20,000
3.38% fixed rate financial bonds maturing in April 2024	(xvi)	20,000	20,000
3.68% CNY fixed rate Green Bonds maturing in June 2022	(xvii)	-	2,770
3.90% fixed rate financial bonds maturing in November 2023	(xviii)	2,000	2,000
3.06% fixed rate financial bonds maturing in August 2024	(xix)	2,500	2,500
3.30% fixed rate financial bonds maturing in September 2022	(xx)	3,870	3,870
2.68% fixed rate financial bonds maturing in March 2023	(xxi)	4,000	4,000
3.40% fixed rate financial bonds maturing in September 2024	(xxii)	2,000	2,000
2.75% fixed rate financial bonds maturing in March 2025	(xxiii)	6,000	6,000
3.80% fixed rate financial bonds maturing in June 2025	(xxiv)	500	500
4.10% fixed rate financial bonds maturing in April 2026	(xxv)	1,100	1,100
3.80% fixed rate financial bonds maturing in June 2026	(xxvi)	3,000	3,000
5.55% fixed rate capital replenishment bonds maturing in March 2028	(xxvii)	3,500	3,500
3.60% fixed rate capital replenishment bonds maturing in March 2030	(xxviii)	1,500	1,500
Total nominal value		494,183	420,958
Less: Unamortized issuance cost and discounts		(134)	(145)
Total		494,049	420,813

33 DEBT SECURITIES ISSUED (CONTINUED)

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

- (i) The USD green bonds issued in January 2021 have a tenor of 5 years, with a fixed coupon rate 1.25%, payable semi-annually.
- (ii) The USD green bonds issued in January 2022 have a tenor of 5 years, with a fixed coupon rate 2.00%, payable semi-annually.
- (iii) The USD green bonds issued in March 2022 have a tenor of 1 year, with a float coupon rate SOFR+0.55%, payable monthly.
- (iv) The subordinated fixed rate bonds issued in December 2012 have a tenor of 15 years, with a fixed coupon rate of 4.99%, payable annually. The Bank has an option to redeem all of the bonds at face value on 19 December 2022. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.99% per annum from 20 December 2022 onwards.
- (v) The Tier-two capital bonds issued in October 2017 have a tenor of 10 years, with a fixed coupon rate of 4.45% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 16 October 2022 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.45% per annum from 17 October 2022 onwards. 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 CBIRC requirements.
- (vi) The Tier-two capital bonds issued in April 2018 have a tenor of 10 years, with a fixed coupon rate of 4.45% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 26 April 2023 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.45% per annum from 27 April 2023 onwards. 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 CBIRC requirements.
- (vii) The Tier-two capital bonds issued in March 2019 have a tenor 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 on 18 March 2024 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.28% per annum from 19 March 2024 onwards. 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 CBIRC requirements.

33 DEBT SECURITIES ISSUED (CONTINUED)

- (viii) The Tier-two capital bonds issued in April 2019 have a tenor 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 on 10 April 2024 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.30% per annum from 11 April 2024 onwards. 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 CBIRC requirements.
- (ix) The Tier-two capital bonds issued in April 2020 have a tenor 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 on 5 May 2025 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 3.10% per annum from 6 May 2025 onwards. 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 CBIRC requirements.
- (x) The Tier-two capital bonds issued in June 2022 have a tenor 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 on 20 June 2027 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 3.45% per annum from 21 June 2027 onwards. 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 CBIRC requirements.
- (xi) The Tier-two capital bonds issued in March 2019 have a tenor 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 on 18 March 2029 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.53% per annum from 19 March 2029 onwards. 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 CBIRC requirements.
- (xii) The Tier-two capital bonds issued in April 2019 have a tenor 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 on 10 April 2029 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.63% per annum from 11 April 2029 onwards. 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 CBIRC requirements.
- (xiii) The Tier-two capital bonds issued in June 2022 have a tenor 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 on 20 June 2032 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 3.65% per annum from 21 June 2032 onwards. 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 CBIRC requirements.

33 DEBT SECURITIES ISSUED (CONTINUED)

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

<i>As at 30 June 2022</i>			
	<i>Maturity dates ranging from</i>	<i>Coupon rates (%)</i>	<i>Outstanding balance</i>
Fixed rate RMB MTNs	May 2023 to April 2024	2.60-2.90	2,804
Fixed rate HKD MTNs	October 2022 to June 2023	0.50-1.00	8,978
Fixed rate USD MTNs	July 2023 to March 2027	0.70-2.25	45,296
Floating rate USD MTNs	July 2022 to November 2023	3 months Libor+66 to 85bps	12,078
Fixed rate MOP MTNs	August 2023	1.15	830
Total			69,986

<i>As at 31 December 2021</i>			
	<i>Maturity dates ranging from</i>	<i>Coupon rates (%)</i>	<i>Outstanding balance</i>
Fixed rate RMB MTNs	May 2023 to April 2024	2.60 - 2.70	1,502
Fixed rate HKD MTNs	October 2022 to June 2023	0.50 - 1.00	8,583
Fixed rate USD MTNs	July 2023 to September 2026	0.70 - 1.65	34,745
Floating rate USD MTNs	July 2022 to November 2023	3 months Libor+66 to 85bps	11,475
Total			56,305

33 DEBT SECURITIES ISSUED (CONTINUED)

- (xv) The fixed rate special financial bonds issued in April 2020 have a tenor of 3 years, with a fixed coupon rate of 1.99%, payable annually.
- (xvi) The fixed rate special financial bonds issued in April 2021 have a tenor of 3 years, with a fixed coupon rate of 3.38%, payable annually.
- (xvii) The CNY green bonds issued by ABC Financial Leasing Co., Ltd. in June 2019 have a tenor of 3 years, with a fixed coupon rate 3.68%, payable annually. The bonds have expired on 5 June 2022.
- (xviii) The fixed rate financial bonds issued by ABC Financial Leasing Co., Ltd. in November 2020 have a tenor of 3 years, with a fixed coupon rate of 3.90%, payable annually.
- (xix) The fixed rate financial bonds issued by ABC Financial Leasing Co., Ltd. in August 2021 have a tenor of 3 years, with a fixed coupon rate of 3.06%, payable annually.
- (xx) The fixed rate financial bonds issued by ABC Financial Assets Investment Co., Ltd. in September 2019 have a tenor of 3 years, with a fixed coupon rate of 3.30%, payable annually.
- (xxi) The fixed rate financial bonds issued by ABC Financial Assets Investment Co., Ltd. in March 2020 have a tenor of 3 years, with a fixed coupon rate of 2.68%, payable annually.
- (xxii) The fixed rate financial bonds issued by ABC Financial Assets Investment Co., Ltd. in September 2019 have a tenor of 5 years, with a fixed coupon rate of 3.40%, payable annually.
- (xxiii) The fixed rate financial bonds issued by ABC Financial Assets Investment Co., Ltd. in March 2020 have a tenor of 5 years, with a fixed coupon rate of 2.75%, payable annually.
- (xxiv) The fixed rate financial bonds issued by ABCI Investment Suzhou Corporation Limited in June 2020 have a tenor of 5 years, with a fixed coupon rate of 3.80%, payable annually.
- (xxv) The fixed rate financial bonds issued by ABCI Investment Suzhou Corporation Limited in April 2021 have a tenor of 5 years, with a fixed coupon rate of 4.10%, payable annually.
- (xxvi) The fixed rate financial bonds issued by ABCI Investment Beijing Corporation Limited in June 2021 have a tenor of 5 years, with a fixed coupon rate of 3.80%, payable annually.

33 DEBT SECURITIES ISSUED (CONTINUED)

- (xxvii) The fixed rate capital replenishment debt issued by ABC Life Insurance in March 2018 have a tenor of 10 years, with a fixed coupon rate of 5.55%, payable annually. ABC Life Insurance has an option to redeem all of the bonds at face value on 4 March 2023. If ABC Life Insurance do not exercise this option, the coupon rate of the bonds would increase to 6.55% per annum from 5 March 2023 onwards.
- (xxviii) The fixed rate capital replenishment debt issued by ABC Life Insurance in March 2020 have a tenor 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 on 29 March 2025. If ABC Life Insurance do not exercise this option, the coupon rate of the bonds would increase to 4.60% per annum from 30 March 2025 onwards.
- (2) As at 30 June 2022, the certificates of deposit were issued by the overseas institutions of the Group and were measured at amortized cost. The terms of the certificates of deposit ranged from one month to five years, with interest rates ranging from 0.00% to 4.50% per annum. (As at 31 December 2021, the terms of the certificates of deposit ranged from one month to five years, with interest rates ranging from -0.02% to 3.09% per annum.)
- (3) Other debt securities issued by the Group are commercial papers and interbank certificates of deposit.
- (i) As at 30 June 2022, the commercial papers were issued by the Overseas Institutions of the Group and were measured at amortized cost. 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 (As at 31 December 2021, the terms of the commercial papers ranged from two months to one year, with interest rates ranging from 0.00% to 0.45% per annum.)
- (ii) As at 30 June 2022, the interbank certificates of deposit were issued by the Bank's Head Office and London Branch. The terms of the interbank certificates of deposit ranged from three months to one year, with interest rates ranging from -0.51% to 1.88% per annum (As at 31 December 2021, the terms of the interbank certificate of deposit ranged from one month to one year, with interest rates ranging from -0.51% to 0.59% per annum.)

34 OTHER LIABILITIES

	Notes	30 June 2022	31 December 2021
Clearing and settlement		107,796	153,389
Insurance liabilities		119,542	105,262
Staff costs payable	(1)	54,881	59,736
Provision	(2)	41,865	33,809
Income taxes payable		27,807	61,639
VAT and other taxes payable		11,951	10,571
Lease liabilities		10,134	10,067
Amount payable to the MOF		1,450	1,286
Others		55,898	64,684
Total		<u>431,324</u>	<u>500,443</u>

(1) Staff costs payable

	Notes	30 June 2022	31 December 2021
Short-term employee benefits	(i)	52,771	57,262
Defined contribution benefits	(ii)	1,193	1,386
Early retirement benefits	(iii)	917	1,088
Total		<u>54,881</u>	<u>59,736</u>

34 OTHER LIABILITIES (CONTINUED)

(i) Short-term employee benefits

	Note	Six months ended 30 June 2022			
		1 January	Increase	Decrease	30 June
Salaries, bonuses, allowance and subsidies	(a)	42,785	41,896	(47,941)	36,740
Housing funds	(a)	137	4,756	(4,749)	144
Social insurance including:	(a)	446	3,076	(3,109)	413
- Medical insurance		418	2,903	(2,939)	382
- Maternity insurance		14	93	(92)	15
- Employment injury insurance		14	80	(78)	16
Labor union fees and staff education expenses		9,145	1,829	(659)	10,315
Others		4,749	3,565	(3,155)	5,159
Total		57,262	55,122	(59,613)	52,771

	Note	Year ended 31 December 2021			
		1 January	Increase	Decrease	31 December
Salaries, bonuses, allowance and subsidies	(a)	35,010	90,052	(82,277)	42,785
Housing funds	(a)	108	9,406	(9,377)	137
Social insurance including:	(a)	385	5,895	(5,834)	446
- Medical insurance		367	5,514	(5,463)	418
- Maternity insurance		9	223	(218)	14
- Employment injury insurance		9	158	(153)	14
Labor union fees and staff education expenses		8,039	4,001	(2,895)	9,145
Others		3,838	10,982	(10,071)	4,749
Total		47,380	120,336	(110,454)	57,262

- (a) Salaries, bonuses, allowance 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.

34 OTHER LIABILITIES (CONTINUED)

(ii) Defined contribution benefits

	<i>Six months ended 30 June 2022</i>			
	<i>1 January</i>	<i>Increase</i>	<i>Decrease</i>	<i>30 June</i>
Basic pensions	694	5,598	(5,541)	751
Unemployment insurance	40	187	(168)	59
Annuity Scheme	652	3,079	(3,348)	383
Total	1,386	8,864	(9,057)	1,193

	<i>Year ended 31 December 2021</i>			
	<i>1 January</i>	<i>Increase</i>	<i>Decrease</i>	<i>31 December</i>
Basic pensions	619	10,924	(10,849)	694
Unemployment insurance	40	360	(360)	40
Annuity Scheme	7,221	6,993	(13,562)	652
Total	7,880	18,277	(24,771)	1,386

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

	<i>Six months ended 30 June 2022</i>			
	<i>1 January</i>	<i>Increase</i>	<i>Decrease</i>	<i>30 June</i>
Early retirement benefits	1,088	13	(184)	917

	<i>Year ended 31 December 2021</i>			
	<i>1 January</i>	<i>Increase</i>	<i>Decrease</i>	<i>31 December</i>
Early retirement benefits	1,551	15	(478)	1,088

34 OTHER LIABILITIES (CONTINUED)

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	30 June 2022	31 December 2021
Discount rate	2.35%	2.58%
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.

(2) Provision

	30 June 2022	31 December 2021
Loan commitments and financial guarantee contracts	28,743	20,271
Litigation provision	5,273	5,333
Others	7,849	8,205
	<hr/>	<hr/>
Total	41,865	33,809
	<hr/> <hr/>	<hr/> <hr/>

35 ORDINARY SHARES

	<u>30 June 2022</u>	
	<i>Number of shares (millions)</i>	<i>Nominal value</i>
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	<u>349,983</u>	<u>349,983</u>

	<u>31 December 2021</u>	
	<i>Number of shares (millions)</i>	<i>Nominal value</i>
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	<u>349,983</u>	<u>349,983</u>

- (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 2022 and 31 December 2021, 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.

36 OTHER EQUITY INSTRUMENTS

<u>Financial instruments in issued</u>	<u>Dividend rate</u>	<u>Issued price (RMB yuan)</u>	<u>Issued number of shares (millions)</u>	<u>Issued nominal value (millions)</u>	<u>Maturity date</u>	<u>Conversion</u>
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
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

- (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.

The first tranche of 400 million preference shares was issued at par in November 2014. The carrying amount, net of direct issuance expenses, was RMB39,944 million as at 30 June 2022. 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 is 3.03% and 2.29%, respectively, and the coupon rate is 5.32%. The dividend is paid annually.

36 OTHER EQUITY INSTRUMENTS (CONTINUED)

The second tranche of 400 million preference shares was issued at par in March 2015. The carrying amount, net of direct issuance expenses, was RMB39,955 million as at 30 June 2022. 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 is 2.60% and 2.24%, respectively, and the coupon rate is 4.84%. The dividend is paid annually.

There were no changes in the carrying amounts of the preference shares since issuance.

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 CBIRC on Amendments to Commercial Banks' Innovation on Capital Instruments (CBIRC 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 CBIRC requirements.

The carrying amount, net of direct issuance expenses, was RMB79,899 million as at 30 June 2022 (31 December 2021: RMB79,899 million).

36 OTHER EQUITY INSTRUMENTS (CONTINUED)

- (2) 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 don't 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 don't 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%.

With the approval from the annual general meeting and regulatory authorities, the Bank was granted to issue undated additional tier 1 capital bonds ("Perpetual bonds" or the "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 don't 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 don't 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 ("Perpetual bonds" or the "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 don't 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%.

36 OTHER EQUITY INSTRUMENTS (CONTINUED)

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 don't 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 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 CBIRC, 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 CBIRC 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 after deducting offering related expenses were used to replenish the Bank's additional tier 1 capital.

The carrying amount, net of direct issuance expenses, was RMB329,970 million as at 30 June 2022 (31 December 2021: RMB279,973 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 issue expenses, which consisted primarily of underwriting fees and professional fees.

38 INVESTMENT REVALUATION RESERVE

	<i>Six months ended 30 June 2022</i>		
	<i>Gross carrying amount</i>	<i>Tax effect</i>	<i>Net effect</i>
31 December 2021	46,409	(11,482)	34,927
Fair value changes on other debt instrument investments at fair value through other comprehensive income:			
- Amount of gains recognized directly in other comprehensive income	(11,114)	2,631	(8,483)
- Amount removed from other comprehensive income and recognized in profit or loss	(612)	153	(459)
Loss allowance on other debt instrument investments at fair value through other comprehensive income	13,704	(3,593)	10,111
Fair value changes on other equity investments at fair value through other comprehensive income:			
- Amount of gains recognized directly in other comprehensive income	47	(13)	34
30 June 2022	<u>48,434</u>	<u>(12,304)</u>	<u>36,130</u>

38 INVESTMENT REVALUATION RESERVE (CONTINUED)

	<i>Year ended 31 December 2021</i>		
	<i>Gross carrying amount</i>	<i>Tax effect</i>	<i>Net effect</i>
31 December 2020	34,773	(8,786)	25,987
Fair value changes on other debt instrument investments at fair value through other comprehensive income:			
- Amount of gains recognized directly in other comprehensive income	9,442	(2,192)	7,250
- Amount removed from other comprehensive income and recognized in profit or loss	(1,131)	283	(848)
Loss allowance on other debt instrument investments at fair value through other comprehensive income	3,607	(902)	2,705
Fair value changes on other equity investments at fair value through other comprehensive income:			
- Amount of gains recognized directly in other comprehensive income	(282)	115	(167)
31 December 2021	<u>46,409</u>	<u>(11,482)</u>	<u>34,927</u>

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 impairment risks. 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 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 2022, the Group transferred RMB33,771 million (six months ended 30 June 2021: RMB40,155 million) to the general reserve pursuant to the regulatory requirements in the PRC and overseas jurisdictions. Of this amount, RMB32,221 million (six months ended 30 June 2021: RMB39,217 million) related to the appropriation proposed for the year ended 31 December 2021 which was approved at the annual general meeting held on 29 June 2022.

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 2022	30 June 2021
Cash	71,848	75,177
Balance with central banks	355,402	51,748
Deposits with banks and other financial institutions	12,638	69,414
Placements with and loans to banks and other financial institutions	170,628	135,794
Financial assets held under resale agreements	1,102,096	841,290
Total	<u>1,712,612</u>	<u>1,173,423</u>

42 OPERATING SEGMENTS

Operating segments are identified on the basis of internal management reports with respect to the components 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

42 OPERATING SEGMENTS (CONTINUED)

For the six months ended 30 June 2022	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
External interest income	164,656	92,298	63,366	52,365	61,964	85,672	11,990	10,462	-	542,773
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	4,795	-	300,219
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	25,960	-	26,900
Operating income	3,832	82,798	59,095	53,551	61,269	78,798	12,779	35,537	-	387,659
Operating expenses	(8,889)	(16,914)	(12,303)	(13,342)	(16,810)	(22,937)	(5,939)	(28,837)	-	(125,971)
Credit impairment losses	(7,297)	(20,182)	(21,077)	(17,583)	(14,165)	(21,638)	(3,103)	(485)	-	(105,530)
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	6,215	-	156,141
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	6,312	-	156,271
Income tax expense										(27,321)
Profit for the period										128,950
Depreciation and amortization included in operating expenses	918	1,581	1,306	1,528	1,589	2,119	584	281	-	9,906
Capital expenditure	1,037	556	405	1,875	1,176	1,376	96	577	-	7,098

42 OPERATING SEGMENTS (CONTINUED)

As at 30 June 2022	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
Segment assets	5,914,198	7,075,605	4,278,597	5,626,063	4,742,014	6,122,860	1,407,853	1,223,011	(4,111,815)	32,278,386
Including: Investment in associates and joint ventures	1,106	-	-	-	-	-	-	7,585	-	8,691
Unallocated assets										148,034
Total assets										32,426,420
Including: Non-current assets (1)	15,421	29,436	19,499	29,591	27,653	41,374	10,242	27,664	-	200,880
Segment liabilities	(3,508,380)	(7,137,904)	(4,233,610)	(5,648,202)	(4,748,194)	(6,124,973)	(1,415,221)	(1,167,199)	4,111,815	(29,871,868)
Unallocated liabilities										(28,339)
Total liabilities										(29,900,207)
Loan commitments and financial guarantee contracts	16,246	591,332	375,705	412,866	322,716	323,535	76,841	91,241	-	2,210,482

(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)

For the six months ended 30 June 2021	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
External interest income	156,662	79,972	56,405	47,128	54,140	77,557	11,557	10,050	-	493,471
External interest expense	(30,527)	(45,641)	(24,235)	(34,625)	(28,596)	(32,325)	(9,930)	(4,235)	-	(210,114)
Inter-segment net interest (expense)/income	(115,428)	26,814	10,431	28,654	21,583	19,602	9,022	(678)	-	-
Net interest income	10,707	61,145	42,601	41,157	47,127	64,834	10,649	5,137	-	283,357
Fee and commission income	20,325	9,326	7,359	5,737	5,580	7,379	1,225	556	-	57,487
Fee and commission expense	(1,735)	(1,682)	(1,310)	(1,068)	(1,414)	(1,450)	(332)	(346)	-	(9,337)
Net fee and commission income	18,590	7,644	6,049	4,669	4,166	5,929	893	210	-	48,150
Net trading gain	4,429	303	82	63	82	36	18	3,346	-	8,359
Net gain/(loss) on financial investments	5,052	(3,337)	(750)	(263)	(562)	(170)	(162)	1,624	-	1,432
Net gain on derecognition of financial assets measured at amortized cost	-	-	-	-	-	-	-	1	-	1
Other operating income	845	537	316	213	293	828	60	21,863	-	24,955
Operating income	39,623	66,292	48,298	45,839	51,106	71,457	11,458	32,181	-	366,254
Operating expenses	(8,228)	(15,651)	(11,603)	(12,899)	(15,515)	(21,478)	(5,755)	(25,562)	-	(116,691)
Credit impairment losses	(760)	(22,075)	(13,251)	(16,958)	(23,766)	(17,336)	(1,957)	(35)	-	(96,138)
Impairment losses on other assets	-	-	-	-	-	4	(7)	-	-	(3)
Operating profit	30,635	28,566	23,444	15,982	11,825	32,647	3,739	6,584	-	153,422
Share of results of associates and joint ventures	26	-	-	-	-	-	-	90	-	116
Profit before tax	30,661	28,566	23,444	15,982	11,825	32,647	3,739	6,674	-	153,538
Income tax expense										(30,705)
Profit for the period										122,833
Depreciation and amortization included in operating expenses	817	1,595	1,244	1,538	1,534	2,079	588	268	-	9,663
Capital expenditure	1,127	691	524	1,721	1,167	1,376	118	1,212	-	7,936

42 OPERATING SEGMENTS (CONTINUED)

As at 31 December 2021	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
Segment assets	5,349,436	6,245,511	3,777,921	5,144,974	4,261,718	5,616,038	1,292,922	1,158,228	(3,920,620)	28,926,128
Including: Investment in associates and joint ventures	1,072	-	-	-	-	-	-	7,225	-	8,297
Unallocated assets										143,027
Total assets										29,069,155
Including: Non-current assets (1)	15,399	30,401	20,108	30,150	28,146	42,446	10,731	27,094	-	204,475
Segment liabilities	(2,878,758)	(6,304,624)	(3,787,707)	(5,185,277)	(4,293,433)	(5,647,159)	(1,303,874)	(1,105,290)	3,920,620	(26,585,502)
Unallocated liabilities										(62,294)
Total liabilities										(26,647,796)
Loan commitments and financial guarantee contracts	12,035	537,337	366,666	389,817	308,368	320,502	75,593	77,987	-	2,088,305

- (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, deposit products, 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, deposit products, 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.

42 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	3,849	542,773
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	2,356	300,219
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)	26,915	26,900
Operating income	146,934	179,581	26,962	34,182	387,659
Operating expenses	(35,686)	(50,208)	(11,343)	(28,734)	(125,971)
Credit impairment losses	(62,794)	(38,084)	(4,556)	(96)	(105,530)
Impairment losses on other assets	(17)	-	-	-	(17)
Operating profit	48,437	91,289	11,063	5,352	156,141
Share of results of associates and joint ventures	-	-	-	130	130
Profit before tax	48,437	91,289	11,063	5,482	156,271
Income tax expense					(27,321)
Profit for the period					128,950
Depreciation and amortization included in operating expenses	2,727	5,102	1,823	254	9,906
Capital expenditure	1,577	3,468	1,451	602	7,098
As at 30 June 2022					
Segment assets	10,805,169	7,459,027	13,602,366	411,824	32,278,386
Including: Investment in associates and joint ventures	-	-	-	8,691	8,691
Unallocated assets					148,034
Total assets					32,426,420
Segment liabilities	(9,763,539)	(14,596,030)	(5,110,469)	(401,830)	(29,871,868)
Unallocated liabilities					(28,339)
Total liabilities					(29,900,207)
Loan commitments and financial guarantee contracts	1,326,451	884,031	-	-	2,210,482

42 OPERATING SEGMENTS (CONTINUED)

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the six months ended 30 June 2021					
External interest income	194,471	142,988	152,071	3,941	493,471
External interest expense	(68,231)	(109,631)	(30,491)	(1,761)	(210,114)
Inter-segment net interest (expense)/income	(3,079)	89,869	(86,790)	-	-
Net interest income	123,161	123,226	34,790	2,180	283,357
Fee and commission income	36,014	19,135	869	1,469	57,487
Fee and commission expense	(5,888)	(3,281)	(3)	(165)	(9,337)
Net fee and commission income	30,126	15,854	866	1,304	48,150
Net trading gain	-	-	5,753	2,606	8,359
Net (loss)/gain on financial investments	(4,442)	(1,503)	5,121	2,256	1,432
Net gain on derecognition of financial assets measured at amortized cost	-	-	1	-	1
Other operating income	709	649	113	23,484	24,955
Operating income	149,554	138,226	46,644	31,830	366,254
Operating expenses	(33,001)	(45,840)	(12,802)	(25,048)	(116,691)
Credit impairment losses	(60,229)	(35,138)	(704)	(67)	(96,138)
Impairment losses on other assets	(3)	-	-	-	(3)
Operating profit	56,321	57,248	33,138	6,715	153,422
Share of results of associates and joint ventures	-	-	-	116	116
Profit before tax	56,321	57,248	33,138	6,831	153,538
Income tax expense					(30,705)
Profit for the period					122,833
Depreciation and amortization included in operating expenses	2,223	5,416	1,801	223	9,663
Capital expenditure	1,281	3,792	1,417	1,446	7,936
As at 31 December 2021					
Segment assets	9,539,860	7,110,002	11,884,433	391,833	28,926,128
Including: Investment in associates and joint ventures	-	-	-	8,297	8,297
Unallocated assets					143,027
Total assets					29,069,155
Segment liabilities	(8,833,093)	(13,357,389)	(4,083,852)	(311,168)	(26,585,502)
Unallocated liabilities					(62,294)
Total liabilities					(26,647,796)
Loan commitments and financial guarantee contracts	1,213,942	874,363	-	-	2,088,305

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.

42 OPERATING 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	399,239	-	542,773
External interest expense	(79,620)	(162,934)	-	(242,554)
Inter-segment net interest income/(expense)	75,654	(75,654)	-	-
Net interest income	139,568	160,651	-	300,219
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	24,725	-	26,900
Operating income	159,911	227,748	-	387,659
Operating expenses	(45,736)	(80,235)	-	(125,971)
Credit impairment losses	(38,459)	(67,071)	-	(105,530)
Impairment losses on other assets	(2)	(15)	-	(17)
Operating profit	75,714	80,427	-	156,141
Share of results of associates and joint ventures	-	130	-	130
Profit before tax	75,714	80,557	-	156,271
Income tax expense				(27,321)
Profit for the period				128,950
Depreciation and amortization included in operating expenses	3,915	5,991	-	9,906
Capital expenditure	1,513	5,585	-	7,098
As at 30 June 2022				
Segment assets	11,609,591	20,668,795	-	32,278,386
Including: Investment in associates and joint ventures	-	8,691	-	8,691
Unallocated assets				148,034
Total assets				32,426,420
Segment liabilities	(10,644,804)	(19,227,064)	-	(29,871,868)
Unallocated liabilities				(28,339)
Total liabilities				(29,900,207)
Loan commitments and financial guarantee contracts	794,047	1,416,435	-	2,210,482

42 OPERATING SEGMENTS (CONTINUED)

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
For the six months ended 30 June 2021				
External interest income	124,639	368,832	-	493,471
External interest expense	(68,445)	(141,669)	-	(210,114)
Inter-segment net interest income/(expense)	68,026	(68,026)	-	-
Net interest income	124,220	159,137	-	283,357
Fee and commission income	22,043	35,444	-	57,487
Fee and commission expense	(3,702)	(5,635)	-	(9,337)
Net fee and commission income	18,341	29,809	-	48,150
Net trading gain	330	8,029	-	8,359
Net (loss)/gain on financial investments	(2,058)	3,490	-	1,432
Net gain on derecognition of financial assets measured at amortized cost	-	1	-	1
Other operating income	2,397	22,558	-	24,955
Operating income	143,230	223,024	-	366,254
Operating expenses	(42,544)	(74,147)	-	(116,691)
Credit impairment losses	(40,216)	(55,922)	-	(96,138)
Impairment losses on other assets	(5)	2	-	(3)
Operating profit	60,465	92,957	-	153,422
Share of results of associates and joint ventures	-	116	-	116
Profit before tax	60,465	93,073	-	153,538
Income tax expense				(30,705)
Profit for the period				122,833
Depreciation and amortization included in operating expenses	3,753	5,910	-	9,663
Capital expenditure	2,379	5,557	-	7,936
As at 31 December 2021				
Segment assets	10,419,215	18,612,453	(105,540)	28,926,128
Including: Investment in associates and joint ventures	-	8,297	-	8,297
Unallocated assets				143,027
Total assets				29,069,155
Segment liabilities	(9,631,167)	(17,059,875)	105,540	(26,585,502)
Unallocated liabilities				(62,294)
Total liabilities				(26,647,796)
Loan commitments and financial guarantee contracts	703,422	1,384,883	-	2,088,305

43 RELATED PARTY TRANSACTIONS

(1) The Group and the MOF

As at 30 June 2022, the MOF directly owned 35.29% (31 December 2021: 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.

The Group had the following balances and transactions with the MOF in its ordinary course of business under normal commercial terms.

	<u>30 June 2022</u>		<u>31 December 2021</u>	
	<i>Balance</i>	<i>Ratio to similar transactions</i>	<i>Balance</i>	<i>Ratio to similar transactions</i>
Assets				
Treasury bonds and special government bond	738,922	8.24%	797,193	9.69%
Receivable from the MOF	328,814	3.67%	324,619	3.94%
Liabilities				
Due to customers	4,328	0.02%	4,018	0.02%
Other liabilities				
- redemption of treasury bonds on behalf of the MOF	4	0.00%	4	0.00%
- amount payable to the MOF	1,450	0.34%	1,286	0.26%
	<u>Six months ended 30 June</u>			
	<u>2022</u>		<u>2021</u>	
	<i>Amount</i>	<i>Ratio to similar transactions</i>	<i>Amount</i>	<i>Ratio to similar transactions</i>
Interest income	15,131	2.79%	14,641	2.97%
Interest expense	(15)	0.01%	(29)	0.01%
Fee and commission income	673	1.20%	470	0.82%
Net trading gain	112	1.44%	122	1.46%

43 RELATED PARTY TRANSACTIONS (CONTINUED)

Interest rate ranges for transactions with the MOF for the six months ended 30 June 2022 are as follows:

	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
	<i>%</i>	<i>%</i>
Treasury bonds and receivable from the MOF	0.00-9.00	0.00-9.00
Due to customers	0.0001-1.80	0.01-1.61

The Group's redemption commitment for treasury bonds underwriting is disclosed in Note 45 Contingent Liabilities and Commitments.

(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 2022, Huijin directly owned 40.03% (31 December 2021: 40.03%) of the ordinary shares of the Bank.

Transactions with Huijin

The Group had the following balances and 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.

	<i>30 June 2022</i>		<i>31 December 2021</i>	
	<i>Balance</i>	<i>Ratio to similar transactions</i>	<i>Balance</i>	<i>Ratio to similar transactions</i>
Assets				
Financial investments	35,642	0.40%	52,357	0.64%
Liabilities				
Due to customers	12,891	0.05%	38,090	0.17%

43 RELATED PARTY TRANSACTIONS (CONTINUED)

	<i>Six months ended 30 June</i>			
	<i>2022</i>		<i>2021</i>	
	<i>Amount</i>	<i>Ratio to similar transactions</i>	<i>Amount</i>	<i>Ratio to similar transactions</i>
Interest income	572	0.11%	1,066	0.22%
Interest expense	(267)	0.11%	(172)	0.08%
Net trading gain	26	0.33%	6	0.07%

Interest rate ranges for transactions with Huijin for the six months ended 30 June 2022 are as follows:

	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
	<i>%</i>	<i>%</i>
Loans and advances to customers	N/A	3.15-3.55
Financial investments	2.15-8.00	2.00-5.15
Due to customers	0.45-2.10	1.495-2.10

43 RELATED PARTY TRANSACTIONS (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. The Group had the following balances with companies under Huijin:

	<u>30 June 2022</u>		<u>31 December 2021</u>	
	<i>Balance</i>	<i>Ratio to similar transactions</i>	<i>Balance</i>	<i>Ratio to similar transactions</i>
Assets				
Deposits with banks and other financial institutions	118,845	31.08%	88,842	40.66%
Placements with and loans to banks and other financial institutions	82,675	15.26%	123,271	27.58%
Derivative financial assets	1,681	5.07%	4,003	18.21%
Financial assets held under resale agreements	41,030	3.71%	27,577	3.29%
Loans and advances to customers	30,030	0.17%	20,935	0.13%
Financial investments	793,673	8.85%	736,027	8.94%
Liabilities				
Deposits from banks and other financial institutions	110,272	5.11%	79,144	4.88%
Placements from banks and other financial institutions	73,341	21.00%	68,168	23.42%
Derivative financial liabilities	1,049	4.48%	2,747	14.21%
Financial assets sold under repurchase agreements	2,651	12.89%	9,909	27.50%
Due to customers	1,707	0.01%	4,159	0.02%
Equity				
Other equity instruments	2,000	0.49%	2,000	0.56%
Off-balance sheet items				
Letters of guarantee issued and guarantees	1,454	0.47%	1,800	0.59%

43 RELATED PARTY TRANSACTIONS (CONTINUED)

	<i>Six months ended 30 June</i>			
	<i>2022</i>		<i>2021</i>	
	<i>Amount</i>	<i>Ratio to similar transactions</i>	<i>Amount</i>	<i>Ratio to similar transactions</i>
Interest income	11,526	2.12%	11,645	2.36%
Interest expense	(937)	0.39%	(931)	0.44%
Net trading gain	2,815	36.27%	4,973	59.49%

Interest rate ranges for transactions with companies under Huijin for the six months ended 30 June 2022 are as follows:

	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
	<i>%</i>	<i>%</i>
Deposits with banks and other financial institutions	-0.90-4.05	0.31-3.17
Placements with and loans to banks and other financial institutions	-0.36-4.00	-0.50-4.05
Derivative financial assets	2.19-3.15	0.15-3.10
Financial assets held under resale agreements	1.87-2.85	2.13-3.30
Loans and advances to customers	0.00-6.15	0.62-4.90
Financial investments	0.00-5.98	0.00-5.98
Deposits from banks and other financial institutions	0.00-3.9875	0.01-5.00
Placements from banks and other financial institutions	-0.39-3.52	-0.46-4.65
Derivative financial liabilities	1.59-2.60	0.15-3.10
Financial assets sold under repurchase agreements	1.89-2.30	0.00-3.50
Due to customers	0.00-1.85	0.00-1.90
Other equity instruments	4.84	4.84

43 RELATED PARTY TRANSACTIONS (CONTINUED)

(3) National Council for Social Security Fund of the People's Republic of China

At 30 June 2022, the Bank's shares held by SSF accounted for 6.72% of the Bank's total share capital (31 December 2021: 6.72%). The daily business transactions between the Group and the SSF are priced based on market prices and conducted on normal commercial terms. The Group had the following balances and transactions with the SSF:

	<u>30 June 2022</u>		<u>31 December 2021</u>	
	<i>Balance</i>	<i>Ratio to similar transactions</i>	<i>Balance</i>	<i>Ratio to similar transactions</i>
Assets				
Financial assets held under resale agreements	28,682	2.59%	43,755	5.22%
Liabilities				
Due to customers	114,262	0.47%	65,415	0.30%
Equity				
Other equity instruments	1,250	0.30%	1,250	0.35%

	<u>Six months ended 30 June</u>		<u>2021</u>	
	<i>Amount</i>	<i>Ratio to similar transactions</i>	<i>Amount</i>	<i>Ratio to similar transactions</i>
Interest income	5	0.00%	5	0.00%
Interest expense	(1,888)	0.78%	(270)	0.13%

Interest rate ranges for transactions with SSF for the six months ended 30 June 2022 are as follows:

	<u>Six months ended 30 June</u>	
	<u>2022</u>	<u>2021</u>
	%	%
Financial assets held under resale agreements	2.25-2.60	2.30-3.80
Due to customers	3.9875-4.2638	3.9875-4.25
Other equity instruments	4.84	4.84

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 dealing 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.

	<u>30 June 2022</u>		<u>31 December 2021</u>	
	<i>Balance</i>	<i>Ratio to similar transactions</i>	<i>Balance</i>	<i>Ratio to similar transactions</i>
Assets				
Placements with and loans to banks and other financial institutions	84,641	15.62%	84,863	18.99%
Financial investments	133	0.00%	365	0.00%
Other assets	177	0.09%	102	0.08%
Liabilities				
Deposits from banks and other financial institutions	15,671	0.73%	14,079	0.87%
Placements with and loans to banks and other financial institutions	769	0.22%	-	-
Due to customers	1,846	0.01%	1,857	0.01%
Other liabilities	74	0.02%	986	0.20%
Off-balance sheet items				
Letters of guarantee issued and guarantees	2,113	0.68%	2,034	0.67%
Non-principal guaranteed wealth management products issued by the Group	12	0.00%	16	0.00%

43 RELATED PARTY TRANSACTIONS (CONTINUED)

	<i>Six months ended 30 June</i>			
	<i>2022</i>		<i>2021</i>	
	<i>Amount</i>	<i>Ratio to similar transactions</i>	<i>Amount</i>	<i>Ratio to similar transactions</i>
Interest income	725	0.13%	736	0.15%
Net gain on financial investments	-	-	0	0.00%
Fee and commission income	1,429	2.54%	1,275	2.22%
Other operating income	55	0.20%	0	0.00%
Interest expense	(208)	0.09%	(182)	0.09%
Operating expense	(187)	0.15%	(88)	0.08%
Fee and commission expense	(69)	1.02%	(194)	2.08%

Interest rate ranges for transactions with its subsidiaries for the six months ended 30 June 2022 are as follows:

	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
	<i>%</i>	<i>%</i>
Placements with and loans to banks and other financial institutions	1.55-3.62	1.22-4.65
Financial investments	3.30-3.68	0.00-4.70
Deposits from banks and other financial institutions	0.003-4.125	0.00-4.13
Deposits with banks and other financial institutions	1.25	N/A
Due to customers	0.05-1.85	0.30-3.85

(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.

	<i>30 June 2022</i>		<i>31 December 2021</i>	
	<i>Balance</i>	<i>Ratio to similar transactions</i>	<i>Balance</i>	<i>Ratio to similar transactions</i>
Liabilities				
Deposits from banks and other financial institutions	45	0.00%	16	0.00%
Off-balance sheet items				
Non-principal guaranteed wealth management products issued by the Group	-	-	4	0.00%

43 RELATED PARTY TRANSACTIONS (CONTINUED)

	<i>Six months ended 30 June</i>			
	<i>2022</i>		<i>2021</i>	
	<i>Amount</i>	<i>Ratio to similar transactions</i>	<i>Amount</i>	<i>Ratio to similar transactions</i>
Interest expense	0	0.00%	0	0.00%

Interest rate ranges for transactions with its associates and joint ventures for the six months ended 30 June 2022 are as follows:

	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
	<i>%</i>	<i>%</i>
Deposits from banks and other financial institutions	0.30-1.65	0.00-0.72

(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 2022, the balance of loans and advances to above related parties is RMB13.56 million (31 December 2021: RMB10.40 million).

The Bank issued loan and credit card business to related natural persons (as defined in the Administrative Measures on Information Disclosure of Listed Companies issued by the CSRC). As at 30 June 2022, the balance of such loan amounted to RMB17.91 million (31 December 2021: RMB11.97 million).

(8) Related party transactions defined by China Banking and Insurance Regulatory Commission (CBIRC)

As at 30 June 2022, the Bank's balance of credit related transactions to the related parties as defined in the Rules on Related-Party Transactions of Banking and Insurance Institutions by the CBIRC totalled RMB97,355 million, and the balance of non-credit transaction totalled RMB2,785 million. As at 31 December 2021, the Bank's balance of credit related transactions to the related parties as defined in the Administration of Connected Transactions between Commercial Banks and Their Insiders and shareholders by the CBIRC totalled RMB4,085 million, and the balance of non-credit transaction is nil.

43 RELATED PARTY TRANSACTIONS (CONTINUED)

(9) 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:

	<u>30 June 2022</u>		<u>31 December 2021</u>	
	<i>Balance</i>	<i>Ratio to similar transactions</i>	<i>Balance</i>	<i>Ratio to similar transactions</i>
Liabilities				
Deposits from Annuity Scheme	6,455	0.03%	6,319	0.03%
Equity				
Other equity instruments	<u>7,500</u>	<u>1.83%</u>	<u>7,500</u>	<u>2.08%</u>

	<u>Six months ended 30 June</u>			
	<u>2022</u>		<u>2021</u>	
	<i>Amount</i>	<i>Ratio to similar transactions</i>	<i>Amount</i>	<i>Ratio to similar transactions</i>
Interest expense	<u>(136)</u>	<u>0.06%</u>	<u>(102)</u>	<u>0.05%</u>

Interest rate range for transactions with the Annuity Scheme for the six months ended 30 June 2022 is as follows:

	<u>Six months ended 30 June</u>	
	<u>2022</u>	<u>2021</u>
	<i>%</i>	<i>%</i>
Deposits from Annuity Scheme	0.00-5.00	0.00-5.00
Other equity instruments	<u>4.84-5.32</u>	<u>4.84-5.32</u>

43 RELATED PARTY TRANSACTIONS (CONTINUED)

(10) 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

	<u>30 June 2022</u>		<u>31 December 2021</u>	
	<i>Related party transactions</i>	<i>Proportion</i>	<i>Related party transactions</i>	<i>Proportion</i>
Deposits with banks and other financial institutions	118,845	31.08%	88,842	40.66%
Placements with and loans to banks and other financial institutions	82,675	15.26%	123,271	27.58%
Derivative financial assets	1,681	5.07%	4,003	18.21%
Financial assets held under resale agreements	69,712	6.30%	71,332	8.52%
Loans and advances to customers	30,030	0.17%	20,935	0.13%
Financial investments	1,897,051	21.16%	1,910,196	23.21%
Deposits from banks and other financial institutions	110,317	5.12%	79,160	4.88%
Placements from banks and other financial institutions	73,341	21.00%	68,168	23.42%
Derivative financial liabilities	1,049	4.48%	2,747	14.21%
Financial assets sold under repurchase agreements	2,651	12.89%	9,909	27.50%
Due to customers	139,643	0.58%	118,001	0.54%
Other liabilities	1,454	0.34%	1,290	0.26%
Other equity instruments	10,750	2.62%	10,750	2.99%
Letters of guarantee issued and guarantees	1,454	0.47%	1,800	0.59%
Non-principal guaranteed wealth management products issued by the Group	-	-	4	0.00%

Transaction amount

	<u>Six months ended 30 June</u>			
	<u>2022</u>		<u>2021</u>	
	<i>Related party transactions</i>	<i>Proportion</i>	<i>Related party transactions</i>	<i>Proportion</i>
Interest income	27,234	5.02%	27,357	5.54%
Interest expense	(3,243)	1.34%	(1,504)	0.72%
Net trading gain	2,953	38.04%	5,101	61.02%
Fee and commission income	673	1.20%	470	0.82%

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 2022, the total assets invested by these WMPs amounted to RMB 1,993,206 million (31 December 2021: RMB2,210,935 million) and the corresponding outstanding WMPs issued by the Group amounted to RMB1,843,806 million (31 December 2021: RMB2,072,533 million). For the six months ended 30 June 2022, the Group's interest in these WMPs included net fee and commission income of RMB2,432 million (six months ended 30 June 2021: RMB3,072 million) and there was no net interest income (six months ended 30 June 2021: RMB374 million), which related to placements and repo transactions entered into by the Group with these WMP vehicles.

44 STRUCTURED ENTITIES (CONTINUED)

The Group enters into placements and repo transactions at market interest rates with these WMPs. These transactions did not occur for the six months ended 30 June 2022 (the average balance and weighted average maturity for the six months ended 30 June 2021 were RMB25,642 million and 5.92 days.). And there was no outstanding balance for the above-mentioned transactions at 30 June 2022 and 31 December 2021. The Group was under no obligation to enter into these transactions. The outstanding balance of these transactions was presented in placements with and loans to banks and other financial institutions and financial assets held under resale agreements, which represented the Group's maximum exposure to the WMPs.

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 2022 and the year ended 31 December 2021. 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 2022, the total assets of these products amounted to RMB480,070 million (31 December 2021: RMB463,451 million). For the six months ended 30 June 2022, the Group's interest in these products mainly included net fee and commission income of RMB741 million (six months ended 30 June 2021: RMB743 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, wealth management products, funds, trust plans, asset-backed securities and debt investment plans, etc. As at 30 June 2022, the related carrying amount of investments and the maximum exposure by the Group to these other unconsolidated structured entities was RMB78,313 million (31 December 2021: RMB80,229 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.

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 2022, provisions of RMB5,273 million were made by the Group (31 December 2021: RMB5,333 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.

On 28 September 2016, the Bank and its New York Branch entered into a Cease and Desist Order with the Board of Governors of the Federal Reserve System of the United States. On 4 November 2016, the Bank and its New York Branch entered into a Consent Order with New York State Department of Financial Services (the "Department") and paid a civil monetary penalty to the Department accordingly. As at 31 December 2016, the above-mentioned civil monetary penalty was paid and reflected in the consolidated financial statements for the year ended 31 December 2016.

As at 30 June 2022, the Bank and its New York Branch have basically completed the main part of the rectification, and it is expected that this event is unlikely to lead to the outflow of economic benefits.

Capital commitments

	30 June 2022	31 December 2021
Contracted but not provided for	<u>2,094</u>	<u>1,961</u>

45 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Loan commitments and financial guarantee contracts

	30 June 2022	31 December 2021
Loan commitments		
- With an original maturity of less than 1 year	24,068	21,567
- With an original maturity of 1 year or above	360,312	438,333
	<hr/>	<hr/>
Subtotal	384,380	459,900
	<hr/>	<hr/>
Bank acceptances	542,500	414,934
Credit card commitments	780,636	743,594
Guarantee and letters of guarantee	311,664	304,238
Letters of credit	191,302	165,639
	<hr/>	<hr/>
Total	2,210,482	2,088,305
	<hr/> <hr/>	<hr/> <hr/>

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, guarantee and letters of guarantee 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 CBIRC which was effective 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 2022 and 31 December 2021, credit risk weighted amount for credit commitments was measured under the Internal Ratings Based Approach.

	30 June 2022	31 December 2021
Credit risk weighted amount for credit commitments	1,103,427	1,178,909
	<hr/> <hr/>	<hr/> <hr/>

45 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Collateral

Assets pledged

At the end of each reporting period, the carrying amounts of assets pledged as collateral under repurchase agreements are as follows:

	30 June 2022	31 December 2021
Debt securities	20,614	33,407
Bills	2,100	4,749
	<hr/>	<hr/>
Total	22,714	38,156
	<hr/> <hr/>	<hr/> <hr/>

As at 30 June 2022, the financial assets sold under repurchase agreements (Note 31) 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 2022 amounted to RMB1,335,238 million in total (31 December 2021: RMB1,095,330 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 2022 and 31 December 2021.

45 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

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 par at any time prior to maturity and the Group is committed to honor such redemption requests. The redemption price is calculated as the par value of the bond plus payable interest in accordance with the terms of the related early redemption arrangement.

As at 30 June 2022, the nominal value of treasury bonds the Group was obligated to redeem prior to maturity was RMB56,009 million (31 December 2021: RMB63,405 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 2022, the unexpired securities underwriting obligations of the Group amounted to RMB34,282 million (31 December 2021: RMB140 million).

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 2022, the total amount of unexpired asset-backed securities included accumulative loans transferred by the Group before impairment allowance was RMB98,010 million (31 December 2021: RMB102,388 million). RMB6,208 million of this balance (31 December 2021: RMB6,706 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 2021: RMB95,682 million) was in respect of performing loans and the Group concluded that it had continuing involvement in these assets. As at 30 June 2022, the Group continued to recognize assets of RMB9,141 million (31 December 2021: RMB9,691 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.

46 TRANSFERRED FINANCIAL ASSETS (CONTINUED)

Transfer of non-performing loans

For the six months ended 30 June 2022, the Group transferred non-performing loans through disposal to third parties or issuing asset-back securities, with gross loan balance of RMB4,245 million (six months ended 30 June 2021: RMB8,171 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 2022, of these collateral pledged disclosed in Note 45 Contingent Liabilities and Commitments - Collateral, RMB938 million (31 December 2021: RMB707 million) represented debt securities whereby legal title has been transferred to counterparties.

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 2022, the carrying amount of debt securities lent to counterparties was RMB13,730 million (31 December 2021: there was no debt securities lent to counterparties).

47 FINANCIAL RISK MANAGEMENT

Overview

The Group's primary risk management objective is to maintain risk within acceptable parameters 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 and intended to address the Group's information needs in this area. 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.

The risk management framework includes: the senior management of the Group is responsible for the implementation of risk management, including implementing risk management appetite and strategies, formulating risk management policies and procedures, and establishing a risk management organizational structure to manage the Group's major risks.

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 advance, 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, as well as the Risk Management Department, 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.

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. Considering COVID-19 prevention and collection and disposal of non-performing loans, the Group 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.

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

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:

- Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECL
- 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

Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECL

For measurement of ECL, segmentation of portfolio is based on similar credit risk characteristics. The Group classified clients into wholesale clients and retail clients based on the nature of debtors. In performing the portfolio segmentation of wholesale credit assets, the Group considers the type of borrower, industry, loan usage, and security type. When performing the portfolio segmentation for retail credit assets, the Group considers loan usage and security type to ensure the reliability of its credit risk segmentation.

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.

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet 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 balance sheet 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.

The Group sets quantitative and qualitative criteria to determine whether or not the credit risk of a financial instrument has increased significantly since its initial recognition. The criteria include changes in the borrower's PD, changes in its credit risk classification 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 borrower's PD rises to a certain level, there has been a significant increase in credit risk. Criteria to determine significant increase in credit risk 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 a significant increase in credit risk when the credit grade falls at least 6 notches. According to IFRS 9, a backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk 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).

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 reorganisation;
- 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.

Forward-looking information

The assessment of whether or not 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. Macro-economic indicators include Gross Domestic Product (GDP), Consumer Price Index (CPI) and Industrial Added Value, 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 regularly according to the external economic development, industry, product and regional risk changes, calculates the best estimates for the future, and regularly reviews and assesses results.

As at 30 June 2022, the Group has assessed and forecasted the relevant macroeconomic indicators for 2022, of which the forecast value of 2022 GDP growth rate under each scenario is as follows: 5.30% under base scenario, 6.36% under upside scenario, and 2.68% 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 2022, the weightings of the Group's base, upside and downside scenarios have not changed from 31 December 2021. 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.

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

Maximum exposure to credit risk without taking account of any collateral held or other credit enhancements

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of each reporting period, without taking account of any collateral held or other credit enhancements. The exposure to credit risk 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, guarantee and letters of guarantee and letters of credit also include credit risks.

A summary of the maximum exposure to credit risk as at the end of the reporting period is as follows:

	30 June 2022	31 December 2021
Balances with central banks	2,597,679	2,246,796
Deposits with banks and other financial institutions	382,388	218,500
Placements with and loans to banks and other financial institutions	541,846	446,944
Derivative financial assets	33,174	21,978
Financial assets held under resale agreements	1,106,640	837,637
Loans and advances to customers	18,036,172	16,454,503
Financial investments		
Financial asset at fair value through profit or loss	334,089	328,769
Debt instrument investments at amortized cost	6,938,657	6,372,522
Other debt instrument investments at fair value through other comprehensive income	1,562,870	1,392,691
Other financial assets	140,911	77,881
Subtotal	31,674,426	28,398,221
Loan commitments and financial guarantee contracts	2,181,739	2,068,034
Total	33,856,165	30,466,255

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.

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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:

	<u>30 June 2022</u>		<u>31 December 2021</u>	
	<i>Amount</i>	<i>% of total</i>	<i>Amount</i>	<i>% of total</i>
Corporate loans and advances				
Head office	423,910	3.8	313,248	3.1
Yangtze River Delta	2,785,506	24.7	2,383,014	23.8
Pearl River Delta	1,520,099	13.5	1,325,589	13.2
Bohai Rim	1,614,604	14.3	1,427,512	14.3
Central China	1,642,779	14.6	1,477,841	14.8
Western China	2,494,386	22.1	2,297,775	23.0
Northeastern China	380,831	3.4	367,382	3.7
Overseas and Others	403,927	3.6	406,823	4.1
Subtotal	11,266,042	100.0	9,999,184	100.0
Personal loans and advances				
Head office	43	0.0	47	0.0
Yangtze River Delta	1,762,784	23.5	1,705,450	23.9
Pearl River Delta	1,578,043	21.0	1,514,233	21.2
Bohai Rim	1,073,610	14.3	1,033,741	14.5
Central China	1,286,148	17.1	1,187,096	16.6
Western China	1,552,478	20.7	1,451,317	20.3
Northeastern China	230,318	3.1	225,328	3.2
Overseas and Others	20,857	0.3	19,356	0.3
Subtotal	7,504,281	100.0	7,136,568	100.0
Gross loans and advances to customers	18,770,323		17,135,752	

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(2) The composition of loans and advances to customers by industry is analyzed as follows:

	<u>30 June 2022</u>		<u>31 December 2021</u>	
	<i>Amount</i>	<i>% of total</i>	<i>Amount</i>	<i>% of total</i>
Corporate loans and advances				
Transportation, storage and postal services	2,267,949	20.1	2,145,617	21.5
Manufacturing	2,026,737	18.0	1,694,879	17.0
Leasing and commercial services	1,673,537	14.9	1,507,059	15.1
Production and supply of electricity, heating, gas and water	1,142,937	10.1	1,054,517	10.5
Real estate	890,035	7.9	876,407	8.8
Water, environment and public utilities management	816,875	7.3	719,530	7.2
Retail and wholesale	739,869	6.6	574,187	5.7
Finance	560,851	5.0	446,486	4.5
Construction	406,558	3.6	303,347	3.0
Mining	205,481	1.8	203,937	2.0
Others	535,213	4.7	473,218	4.7
Subtotal	<u>11,266,042</u>	<u>100.0</u>	<u>9,999,184</u>	<u>100.0</u>
Personal loans and advances				
Residential mortgage	5,344,453	71.3	5,242,297	73.4
Personal business	550,809	7.3	469,498	6.6
Personal consumption	205,654	2.7	193,706	2.7
Credit cards	651,745	8.7	626,783	8.8
Others	751,620	10.0	604,284	8.5
Subtotal	<u>7,504,281</u>	<u>100.0</u>	<u>7,136,568</u>	<u>100.0</u>
Gross loans and advances to customers	<u><u>18,770,323</u></u>		<u><u>17,135,752</u></u>	

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

- (3) The composition of loans and advances to customers by contractual maturity and security type is analyzed as follows:

<i>30 June 2022</i>				
	<i>Less than 1 year</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Unsecured loans	2,792,001	1,068,512	1,890,687	5,751,200
Guaranteed loans	783,116	525,586	927,195	2,235,897
Loans secured by mortgages	1,371,805	614,507	6,243,133	8,229,445
Pledged loans	580,297	148,432	1,825,052	2,553,781
Total	5,527,219	2,357,037	10,886,067	18,770,323

<i>31 December 2021</i>				
	<i>Less than 1 year</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Unsecured loans	2,307,472	860,788	1,824,122	4,992,382
Guaranteed loans	667,336	466,119	777,262	1,910,717
Loans secured by mortgages	1,279,772	587,215	6,096,590	7,963,577
Pledged loans	386,734	118,536	1,763,806	2,269,076
Total	4,641,314	2,032,658	10,461,780	17,135,752

- (4) Overdue loans (i)

<i>30 June 2022</i>						
	<i>Overdue 1-30 days</i>	<i>Overdue 31-90 days</i>	<i>Overdue 91 to 360 days</i>	<i>Overdue 361 days to 3 years</i>	<i>Overdue over 3 years</i>	<i>Total</i>
Unsecured loans	9,634	5,508	12,295	5,819	2,716	35,972
Guaranteed loans	3,268	1,845	10,517	7,933	1,922	25,485
Loans secured by mortgages	28,458	24,129	34,951	21,345	6,628	115,511
Pledged loans	612	861	2,879	3,577	2,671	10,600
Total	41,972	32,343	60,642	38,674	13,937	187,568

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

	31 December 2021					
	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	7,313	4,388	10,949	4,431	4,318	31,399
Guaranteed loans	5,017	2,953	7,569	9,031	1,876	26,446
Loans secured by mortgages	30,388	21,419	29,563	22,740	7,734	111,844
Pledged loans	1,922	959	4,766	4,684	2,901	15,232
Total	44,640	29,719	52,847	40,886	16,829	184,921

- (i) When either loan principal or interest is overdue more than one day (inclusive) in any period, the whole loan is classified as overdue loan.

(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 2022	31 December 2021
Portion covered	150,177	141,243
Portion not covered	114,278	104,539
Total	264,455	245,782

(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 determine 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.

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2022 amounted to RMB18,669 million (31 December 2021: RMB18,307 million).

For the six months ended 30 June 2022, as a result of debt-for-equity swaps of bankruptcy reorganization, the Group recognized ordinary shares with a fair value of RMB385 million (six months ended 30 June 2021: RMB1,365 million). The loss associated with the debt-for-equity swaps of bankruptcy reorganization was not significant.

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 instruments 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 securities 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 is 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.

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

The carrying amounts of debt instrument 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):

Credit grade	Note	30 June 2022			Total
		Low	Medium	High	
Debt securities issued by:					
- Governments		5,433,204	-	-	5,433,204
- Public sector and quasi-governments		1,856,598	-	-	1,856,598
- Financial institutions		576,658	-	-	576,658
- Corporates	(ii)	185,545	-	251	185,796
Special government bond		95,162	-	-	95,162
Receivable from the MOF		328,814	-	-	328,814
Others		24,938	337	20	25,295
Total		<u>8,500,919</u>	<u>337</u>	<u>271</u>	<u>8,501,527</u>

Credit grade	Note	31 December 2021			Total
		Low	Medium	High	
Debt securities issued by:					
- Governments		4,807,834	-	-	4,807,834
- Public sector and quasi-governments		1,787,588	-	-	1,787,588
- Financial institutions		511,253	1,218	-	512,471
- Corporates	(ii)	209,339	253	32	209,624
Special government bond		94,122	-	-	94,122
Receivable from the MOF		324,619	-	-	324,619
Others		28,389	548	18	28,955
Total		<u>7,763,144</u>	<u>2,019</u>	<u>50</u>	<u>7,765,213</u>

- (i) The ratings above were internal ratings obtained from the Group, financial assets at fair value through profit or loss was not included in the credit grade table as at 30 June 2022 and 31 December 2021.
- (ii) As at 30 June 2022, the ratings of super short-term commercial papers of the Group amounted to RMB2,403 million (31 December 2021: RMB3,634 million) included in corporate bonds above are based on issuer rating for this credit risk analysis.

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

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;
- Performing stress testing on a regular basis.

47 FINANCIAL RISK MANAGEMENT (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 2022								Total
	Past due	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	
Cash and balances with central banks	-	427,251	412	975	-	-	-	2,240,889	2,669,527
Deposits with banks and other financial institutions	-	94,020	85,150	62,187	137,113	3,918	-	-	382,388
Placements with and loans to banks and other financial institutions	-	-	213,030	100,499	183,608	41,993	2,716	-	541,846
Derivative financial assets	-	-	4,869	5,724	17,854	4,485	242	-	33,174
Financial assets held under resale agreements	3,872	-	1,076,110	22,915	3,743	-	-	-	1,106,640
Loans and advances to customers	17,385	-	594,287	816,081	4,289,467	3,673,915	8,645,037	-	18,036,172
Financial assets at fair value through profit or loss	-	4,075	6,082	14,200	74,445	48,426	184,413	128,224	459,865
Debt instrument investments at amortized cost	19	-	128,400	143,159	828,982	2,323,716	3,514,381	-	6,938,657
Other debt instrument and other equity investments at fair value through other comprehensive income	39	-	66,559	116,979	289,754	625,240	464,299	4,563	1,567,433
Other financial assets	1,557	134,746	1,964	774	1,620	40	76	134	140,911
Total financial assets	22,872	660,092	2,176,863	1,283,493	5,826,586	6,721,733	12,811,164	2,373,810	31,876,613

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

	30 June 2022								
	Past due	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	Total
Borrowings from central banks	-	(32)	(8,440)	(250,866)	(678,365)	(1,565)	-	-	(939,268)
Deposits from banks and other financial institutions	-	(1,517,819)	(5,626)	(61,086)	(417,036)	(151,640)	(3,030)	-	(2,156,237)
Placements from banks and other financial institutions	-	(14)	(141,488)	(114,430)	(84,007)	(4,877)	(4,444)	-	(349,260)
Financial liabilities at fair value through profit or loss	-	(11,447)	(142)	-	-	(44)	(207)	-	(11,840)
Derivative financial liabilities	-	-	(5,286)	(4,799)	(11,396)	(1,927)	(2)	-	(23,410)
Financial assets sold under repurchase agreements	-	-	(7,679)	(7,848)	(3,889)	(1,158)	-	-	(20,574)
Due to customers	-	(13,226,745)	(522,062)	(1,125,202)	(4,220,537)	(5,020,212)	(5,096)	-	(24,119,854)
Debt securities issued	-	-	(175,763)	(147,930)	(985,998)	(110,816)	(355,024)	-	(1,775,531)
Other financial liabilities	-	(135,373)	(2,708)	(1,436)	(10,844)	(53,070)	(72,476)	(885)	(276,792)
Total financial liabilities	-	(14,891,430)	(869,194)	(1,713,597)	(6,412,072)	(5,345,309)	(440,279)	(885)	(29,672,766)
Net position	22,872	(14,231,338)	1,307,669	(430,104)	(585,486)	1,376,424	12,370,885	2,372,925	2,203,847

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

	31 December 2021								
	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	-	175,620	-	944	-	-	-	2,144,842	2,321,406
Deposits with banks and other financial institutions	-	78,385	29,425	41,606	57,200	11,884	-	-	218,500
Placements with and loans to banks and other financial institutions	-	-	181,508	115,957	132,768	14,975	1,736	-	446,944
Derivative financial assets	-	-	4,284	4,770	9,233	3,688	3	-	21,978
Financial assets held under resale agreements	3,872	-	810,227	20,738	2,800	-	-	-	837,637
Loans and advances to customers	16,555	-	661,910	817,875	3,243,507	3,371,483	8,343,173	-	16,454,503
Financial assets at fair value through profit or loss	-	4,721	19,554	11,609	81,376	38,219	175,922	128,840	460,241
Debt instrument investments at amortized cost	394	-	57,670	111,377	593,026	2,740,193	2,869,862	-	6,372,522
Other debt instrument and other equity investments at fair value through other comprehensive income	32	-	36,490	72,014	294,752	611,990	377,413	4,589	1,397,280
Other financial assets	1,836	67,612	309	3,442	959	54	98	3,571	77,881
Total financial assets	22,689	326,338	1,801,377	1,200,332	4,415,621	6,792,486	11,768,207	2,281,842	28,608,892

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

	31 Decemeber 2021								
	Past due	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	Total
Borrowings from central banks	-	(32)	(49,889)	(31,806)	(663,870)	(1,616)	-	-	(747,213)
Deposits from banks and other financial institutions	-	(1,105,856)	(28,658)	(139,121)	(139,143)	(209,588)	-	-	(1,622,366)
Placements from banks and other financial institutions	-	-	(106,957)	(92,770)	(80,218)	(6,394)	(4,766)	-	(291,105)
Financial liabilities at fair value through profit or loss	-	(15,646)	-	-	-	-	(214)	-	(15,860)
Derivative financial liabilities	-	-	(3,918)	(4,255)	(7,643)	(3,305)	(216)	-	(19,337)
Financial assets sold under repurchase agreements	-	-	(18,841)	(6,877)	(9,156)	(1,159)	-	-	(36,033)
Due to customers	-	(12,386,137)	(603,855)	(1,303,745)	(3,209,263)	(4,388,038)	(16,089)	-	(21,907,127)
Debt securities issued	-	-	(84,856)	(277,220)	(723,814)	(126,768)	(294,999)	-	(1,507,657)
Other financial liabilities	-	(187,376)	(4,484)	(7,810)	(11,122)	(42,500)	(63,212)	(2,039)	(318,543)
Total financial liabilities	-	(13,695,047)	(901,458)	(1,863,604)	(4,844,229)	(4,779,368)	(379,496)	(2,039)	(26,465,241)
Net position	22,689	(13,368,709)	899,919	(663,272)	(428,608)	2,013,118	11,388,711	2,279,803	2,143,651

47 FINANCIAL RISK MANAGEMENT (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.

47 FINANCIAL RISK MANAGEMENT (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:

	30 June 2022								Total
	Past due	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	
Non-derivative financial assets									
Cash and balances with central banks	-	427,251	412	975	-	-	-	2,240,889	2,669,527
Deposits with banks and other financial institutions	-	96,104	85,261	62,460	138,953	4,031	-	-	386,809
Placements with and loans to banks and other financial institutions	-	-	214,068	101,306	187,126	46,207	2,802	-	551,509
Financial assets held under resale agreements	3,915	-	1,079,207	23,028	3,785	-	-	-	1,109,935
Loans and advances to customers	68,411	-	698,717	993,191	5,055,409	5,857,706	13,030,002	-	25,703,436
Financial assets at fair value through profit or loss	-	4,075	5,857	14,915	79,568	76,445	206,930	128,224	516,014
Debt instrument investments at amortized cost	938	-	130,096	155,791	915,962	2,999,446	4,371,562	-	8,573,795
Other debt instrument and other equity investments at fair value through other comprehensive income	120	-	67,702	120,364	315,838	720,224	547,334	4,563	1,776,145
Other financial assets	4,199	137,625	1,988	778	1,648	40	76	135	146,489
Total non-derivative financial assets	77,583	665,055	2,283,308	1,472,808	6,698,289	9,704,099	18,158,706	2,373,811	41,433,659

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

	30 June 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 liabilities									
Borrowings from central banks	-	(32)	(8,515)	(252,488)	(687,813)	(1,551)	-	-	(950,399)
Deposits from banks and other financial institutions	-	(1,517,819)	(5,861)	(64,145)	(431,943)	(165,489)	(3,107)	-	(2,188,364)
Placements from banks and other financial institutions	-	(14)	(141,598)	(114,921)	(85,565)	(5,885)	(4,666)	-	(352,649)
Financial liabilities at fair value through profit or loss	-	(11,447)	(142)	-	-	(44)	(207)	-	(11,840)
Financial assets sold under repurchase agreements	-	-	(7,681)	(7,857)	(3,913)	(1,160)	-	-	(20,611)
Due to customers	-	(13,226,745)	(524,247)	(1,129,072)	(4,286,411)	(5,364,907)	(5,660)	-	(24,537,042)
Debt securities issued	-	-	(176,090)	(148,604)	(1,012,421)	(174,391)	(396,704)	-	(1,908,210)
Other financial liabilities	-	(135,373)	(2,723)	(1,457)	(10,944)	(53,324)	(72,515)	(885)	(277,221)
Total non-derivative financial liabilities	-	(14,891,430)	(866,857)	(1,718,544)	(6,519,010)	(5,766,751)	(482,859)	(885)	(30,246,336)
Net position	77,583	(14,226,375)	1,416,451	(245,736)	179,279	3,937,348	17,675,847	2,372,926	11,187,323

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

	31 December 2021								
	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	-	175,620	-	944	-	-	-	2,144,842	2,321,406
Deposits with banks and other financial institutions	-	79,506	29,581	42,282	57,883	12,424	-	-	221,676
Placements with and loans to banks and other financial institutions	-	-	183,457	118,102	134,679	16,303	1,840	-	454,381
Financial assets held under resale agreements	3,915	-	813,408	20,849	2,826	-	-	-	840,998
Loans and advances to customers	66,076	-	733,902	981,574	3,956,763	5,475,868	12,476,078	-	23,690,261
Financial assets at fair value through profit or loss	-	4,721	19,856	12,128	88,156	64,095	196,609	128,840	514,405
Debt instrument investments at amortized cost	1,269	-	58,718	118,783	706,909	3,315,201	3,548,575	-	7,749,455
Other debt instrument and other equity investments at fair value through other comprehensive income	119	-	36,686	73,474	316,861	691,188	435,749	4,589	1,558,666
Other financial assets	3,821	70,332	362	3,456	992	55	98	3,617	82,733
Total non-derivative financial assets	75,200	330,179	1,875,970	1,371,592	5,265,069	9,575,134	16,658,949	2,281,888	37,433,981

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

	31 December 2021								
	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 liabilities									
Borrowings from central banks	-	(32)	(49,991)	(32,020)	(678,145)	(1,597)	-	-	(761,785)
Deposits from banks and other financial institutions	-	(1,105,856)	(29,446)	(140,548)	(146,482)	(229,627)	-	-	(1,651,959)
Placements from banks and other financial institutions	-	-	(106,990)	(93,027)	(80,847)	(7,283)	(4,967)	-	(293,114)
Financial liabilities at fair value through profit or loss	-	(15,646)	-	-	-	-	(214)	-	(15,860)
Financial assets sold under repurchase agreements	-	-	(18,848)	(6,898)	(9,172)	(1,162)	-	-	(36,080)
Due to customers	-	(12,386,137)	(604,386)	(1,308,635)	(3,255,950)	(4,683,792)	(19,066)	-	(22,257,966)
Debt securities issued	-	-	(84,971)	(278,957)	(740,163)	(182,848)	(331,012)	-	(1,617,951)
Other financial liabilities	-	(187,376)	(4,553)	(7,854)	(11,313)	(43,000)	(63,288)	(2,039)	(319,423)
Total non-derivative financial liabilities	-	(13,695,047)	(899,185)	(1,867,939)	(4,922,072)	(5,149,309)	(418,547)	(2,039)	(26,954,138)
Net position	75,200	(13,364,868)	976,785	(496,347)	342,997	4,425,825	16,240,402	2,279,849	10,479,843

47 FINANCIAL RISK MANAGEMENT (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 2022					Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Derivatives on a net basis	(717)	(133)	(969)	284	-	(1,535)

	31 December 2021					Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Derivatives on a net basis	650	512	448	(101)	-	1,509

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 2022					Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Derivatives settled on a gross basis						
- Cash inflow	356,750	281,161	590,755	90,007	32,051	1,350,724
- Cash outflow	(356,550)	(280,167)	(583,253)	(87,370)	(31,776)	(1,339,116)
Total	200	994	7,502	2,637	275	11,608

	31 December 2021					Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Derivatives settled on a gross basis						
- Cash inflow	356,369	441,786	354,719	88,158	751	1,241,783
- Cash outflow	(352,649)	(439,862)	(353,358)	(68,759)	(1,000)	(1,215,628)
Total	3,720	1,924	1,361	19,399	(249)	26,155

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

Off-balance sheet items

The off-balance sheet items primarily include loan commitments, bank acceptances, credit card commitments, guarantee and letters of guarantee 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.

	<i>30 June 2022</i>			<i>Total</i>
	<i>Less than 1 year</i>	<i>1 - 5 years</i>	<i>Over 5 years</i>	
Loan commitments	96,681	133,434	154,265	384,380
Bank acceptances	542,500	-	-	542,500
Credit card commitments	780,636	-	-	780,636
Guarantee and letters of guarantee	150,360	143,967	17,337	311,664
Letters of credit	188,034	2,925	343	191,302
Total	<u>1,758,211</u>	<u>280,326</u>	<u>171,945</u>	<u>2,210,482</u>

	<i>31 December 2021</i>			<i>Total</i>
	<i>Less than 1 year</i>	<i>1 - 5 years</i>	<i>Over 5 years</i>	
Loan commitments	85,271	177,371	197,258	459,900
Bank acceptances	414,934	-	-	414,934
Credit card commitments	743,594	-	-	743,594
Guarantee and letters of guarantee	153,029	135,151	16,058	304,238
Letters of credit	162,515	2,738	386	165,639
Total	<u>1,559,343</u>	<u>315,260</u>	<u>213,702</u>	<u>2,088,305</u>

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 of the Group is the potential loss related to changes in foreign exchange rates affecting the translation of foreign currency denominated monetary 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.

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 treasury trading, investment business and market risk management policies, and further clarifies the basic policies to be followed for bond trading and derivatives trading, as well as risk control requirements such as exposure and duration. The limit indicator system with VaR as the core, and the market risk management system is used to realize the measurement and monitoring of market risk in the trading book.

The Bank has adopted the 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 measurements through data analysis, parallel modeling, and back-testing of the market risk measurements.

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

VaR Analysis for the Trading Book

Bank

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
Six months ended 30 June 2021					
	Note	At the end of the period	Average	Maximum	Minimum
Interest rate risk		64	76	99	58
Exchange rate risk	(1)	278	172	284	35
Commodity risk		110	105	136	64
Overall VaR		296	205	302	87

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, such as interest rate risk, exchange rate risk and precious metal price risk, to assess the potential impact on profit and loss.

(1) VaR related to gold is recognized as a component of foreign exchange rate risk.

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 banking 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. The entire process of loan pricing applies 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. 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 monetary 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, based on the type of effectiveness, 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.

47 FINANCIAL RISK MANAGEMENT (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 2022				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,554,726	83,377	1,893	29,531	2,669,527
Deposits with banks and other financial institutions	299,349	29,429	3,172	50,438	382,388
Placements with and loans to banks and other financial institutions	223,601	236,071	57,321	24,853	541,846
Derivative financial assets	19,672	8,309	2,042	3,151	33,174
Financial assets held under resale agreements	1,106,640	-	-	-	1,106,640
Loans and advances to customers	17,556,926	353,487	67,501	58,258	18,036,172
Financial assets at fair value through profit or loss	448,570	9,797	577	921	459,865
Debt instrument investments at amortized cost	6,859,034	63,790	9,086	6,747	6,938,657
Other debt instrument and other equity investments at fair value through other comprehensive income	1,313,433	203,358	3,371	47,271	1,567,433
Other financial assets	130,220	6,605	3,029	1,057	140,911
Total financial assets	30,512,171	994,223	147,992	222,227	31,876,613
Borrowings from central banks	(937,703)	-	-	(1,565)	(939,268)
Deposits from banks and other financial institutions	(2,091,635)	(26,027)	(27,532)	(11,043)	(2,156,237)
Placements from banks and other financial institutions	(77,110)	(218,575)	(35,197)	(18,378)	(349,260)
Financial liabilities at fair value through profit or loss	(11,840)	-	-	-	(11,840)
Derivative financial liabilities	(20,091)	(1,663)	(1,019)	(637)	(23,410)
Financial assets sold under repurchase agreements	(5,195)	(6,826)	-	(8,553)	(20,574)
Due to customers	(23,522,974)	(508,872)	(24,937)	(63,071)	(24,119,854)
Debt securities issued	(1,495,187)	(231,323)	(23,956)	(25,065)	(1,775,531)
Other financial liabilities	(257,694)	(14,585)	(2,539)	(1,974)	(276,792)
Total financial liabilities	(28,419,429)	(1,007,871)	(115,180)	(130,286)	(29,672,766)
Net on-balance sheet position	2,092,742	(13,648)	32,812	91,941	2,203,847
Net notional amount of derivatives	286,155	67,113	(6,140)	(88,602)	258,526
Loan commitments and financial guarantee contracts	1,966,429	203,851	1,124	39,078	2,210,482

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

	31 December 2021				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,241,015	61,233	1,142	18,016	2,321,406
Deposits with banks and other financial institutions	148,782	49,451	2,561	17,706	218,500
Placements with and loans to banks and other financial institutions	152,884	218,378	43,509	32,173	446,944
Derivative financial assets	18,053	1,175	1,805	945	21,978
Financial assets held under resale agreements	837,637	-	-	-	837,637
Loans and advances to customers	15,985,155	344,323	60,014	65,011	16,454,503
Financial assets at fair value through profit or loss	446,980	10,933	677	1,651	460,241
Debt instrument investments at amortized cost	6,307,943	49,929	9,991	4,659	6,372,522
Other debt instrument and other equity investments at fair value through other comprehensive income	1,151,033	197,730	2,756	45,761	1,397,280
Other financial assets	69,258	5,315	2,528	780	77,881
Total financial assets	27,358,740	938,467	124,983	186,702	28,608,892
Borrowings from central banks	(745,597)	-	-	(1,616)	(747,213)
Deposits from banks and other financial institutions	(1,572,836)	(17,571)	(24,877)	(7,082)	(1,622,366)
Placements from banks and other financial institutions	(67,315)	(178,291)	(26,842)	(18,657)	(291,105)
Financial liabilities at fair value through profit or loss	(15,860)	-	-	-	(15,860)
Derivative financial liabilities	(14,397)	(2,290)	(2,164)	(486)	(19,337)
Financial assets sold under repurchase agreements	(20,302)	(9,950)	-	(5,781)	(36,033)
Due to customers	(21,373,264)	(459,099)	(32,650)	(42,114)	(21,907,127)
Debt securities issued	(1,175,836)	(229,994)	(36,114)	(65,713)	(1,507,657)
Other financial liabilities	(294,746)	(19,984)	(1,508)	(2,305)	(318,543)
Total financial liabilities	(25,280,153)	(917,179)	(124,155)	(143,754)	(26,465,241)
Net on-balance sheet position	2,078,587	21,288	828	42,948	2,143,651
Net notional amount of derivatives	154,772	8,789	23,045	(35,288)	151,318
Loan commitments and financial guarantee contracts	1,799,496	245,491	10,216	33,102	2,088,305

47 FINANCIAL RISK MANAGEMENT (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.

	<u>30 June 2022</u>		<u>31 December 2021</u>	
	<i>Profit</i>	<i>Other</i>	<i>Profit</i>	<i>Other</i>
	<i>before tax</i>	<i>comprehensive</i>	<i>before tax</i>	<i>comprehensive</i>
		<i>income</i>		<i>income</i>
5% appreciation	(4,083)	418	(3,317)	186
5% depreciation	4,083	(418)	3,317	(186)

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 RMB Loan Prime Rate (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 credit risk, 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.

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

The tables below summarize the contractual maturity or repricing date, whichever is earlier, of the financial assets and financial liabilities at the end of each reporting period:

	30 June 2022						
	<i>Less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Non-interest bearing</i>	<i>Total</i>
Cash and balances with central banks	2,396,884	-	-	-	-	272,643	2,669,527
Deposits with banks and other financial institutions	176,077	61,650	136,151	3,838	-	4,672	382,388
Placements with and loans to banks and other financial institutions	222,837	111,852	180,382	25,187	-	1,588	541,846
Derivative financial assets	-	-	-	-	-	33,174	33,174
Financial assets held under resale agreements	1,075,910	22,885	3,741	-	-	4,104	1,106,640
Loans and advances to customers	3,841,931	2,584,212	10,403,192	721,387	442,221	43,229	18,036,172
Financial assets at fair value through profit or loss	6,338	12,754	83,168	39,459	159,992	158,154	459,865
Debt instrument investments at amortized cost	120,105	130,460	745,209	2,302,251	3,513,990	126,642	6,938,657
Other debt instrument and other equity investments at fair value through other comprehensive income	84,848	135,519	270,403	595,312	460,639	20,712	1,567,433
Other financial assets	-	-	-	-	-	140,911	140,911
Total financial assets	<u>7,924,930</u>	<u>3,059,332</u>	<u>11,822,246</u>	<u>3,687,434</u>	<u>4,576,842</u>	<u>805,829</u>	<u>31,876,613</u>

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

	30 June 2022						
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Borrowings from central banks	(9,782)	(244,904)	(669,099)	-	-	(15,483)	(939,268)
Deposits from banks and other financial institutions	(1,510,452)	(48,068)	(426,869)	(150,262)	(3,000)	(17,586)	(2,156,237)
Placements from banks and other financial institutions	(141,596)	(119,707)	(84,106)	(1,181)	(531)	(2,139)	(349,260)
Financial liabilities at fair value through profit or loss	(142)	-	-	(44)	(207)	(11,447)	(11,840)
Derivative financial liabilities	-	-	-	-	-	(23,410)	(23,410)
Financial assets sold under repurchase agreements	(7,675)	(7,833)	(3,883)	(1,155)	-	(28)	(20,574)
Due to customers	(13,721,094)	(1,096,145)	(4,081,491)	(4,874,570)	(5,090)	(341,464)	(24,119,854)
Debt securities issued	(185,900)	(158,861)	(972,899)	(97,116)	(355,019)	(5,736)	(1,775,531)
Other financial liabilities	-	-	-	-	-	(276,792)	(276,792)
Total financial liabilities	<u>(15,576,641)</u>	<u>(1,675,518)</u>	<u>(6,238,347)</u>	<u>(5,124,328)</u>	<u>(363,847)</u>	<u>(694,085)</u>	<u>(29,672,766)</u>
Interest rate gap	<u>(7,651,711)</u>	<u>1,383,814</u>	<u>5,583,899</u>	<u>(1,436,894)</u>	<u>4,212,995</u>	<u>111,744</u>	<u>2,203,847</u>

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

	31 December 2021						
	<i>Less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Non-interest bearing</i>	<i>Total</i>
Cash and balances with central banks	2,032,222	-	-	-	-	289,184	2,321,406
Deposits with banks and other financial institutions	102,908	41,099	56,447	11,503	-	6,543	218,500
Placements with and loans to banks and other financial institutions	182,417	116,368	132,215	14,866	-	1,078	446,944
Derivative financial assets	-	-	-	-	-	21,978	21,978
Financial assets held under resale agreements	809,716	20,666	2,786	-	-	4,469	837,637
Loans and advances to customers	4,316,155	2,451,794	8,483,615	709,928	453,690	39,321	16,454,503
Financial assets at fair value through profit or loss	18,736	16,130	84,068	32,078	156,612	152,617	460,241
Debt instrument investments at amortized cost	57,004	104,328	543,312	2,676,021	2,869,265	122,592	6,372,522
Other debt instrument and other equity investments at fair value through other comprehensive income	64,522	96,496	277,788	566,997	372,294	19,183	1,397,280
Other financial assets	-	-	-	-	-	77,881	77,881
Total financial assets	<u>7,583,680</u>	<u>2,846,881</u>	<u>9,580,231</u>	<u>4,011,393</u>	<u>3,851,861</u>	<u>734,846</u>	<u>28,608,892</u>

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

	31 December 2021						
	<i>Less than 1 month</i>	<i>1 to 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Non-interest bearing</i>	<i>Total</i>
Borrowings from central banks	(48,518)	(31,000)	(659,796)	(1,263)	-	(6,636)	(747,213)
Deposits from banks and other financial institutions	(1,127,742)	(138,506)	(138,393)	(205,554)	-	(12,171)	(1,622,366)
Placements from banks and other financial institutions	(106,779)	(99,692)	(78,797)	(3,046)	(1,295)	(1,496)	(291,105)
Financial liabilities at fair value through profit or loss	-	-	-	-	(214)	(15,646)	(15,860)
Derivative financial liabilities	-	-	-	-	-	(19,337)	(19,337)
Financial assets sold under repurchase agreements	(18,838)	(6,871)	(9,147)	(1,157)	-	(20)	(36,033)
Due to customers	(12,926,703)	(1,254,524)	(3,120,029)	(4,240,028)	(16,046)	(349,797)	(21,907,127)
Debt securities issued	(94,101)	(294,188)	(701,558)	(114,560)	(294,999)	(8,251)	(1,507,657)
Other financial liabilities	-	-	-	-	-	(318,543)	(318,543)
Total financial liabilities	<u>(14,322,681)</u>	<u>(1,824,781)</u>	<u>(4,707,720)</u>	<u>(4,565,608)</u>	<u>(312,554)</u>	<u>(731,897)</u>	<u>(26,465,241)</u>
Interest rate gap	<u>(6,739,001)</u>	<u>1,022,100</u>	<u>4,872,511</u>	<u>(554,215)</u>	<u>3,539,307</u>	<u>2,949</u>	<u>2,143,651</u>

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 unparallel 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.

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.

	<u>30 June 2022</u>		<u>31 December 2021</u>	
	<i>Net interest income</i>	<i>Other comprehensive income</i>	<i>Net interest income</i>	<i>Other comprehensive income</i>
+100 basis points	(40,857)	(53,310)	(37,792)	(39,264)
- 100 basis points	40,857	53,310	37,792	39,264

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 CBIRC, 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 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 CBIRC 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 CBIRC 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 CBIRC 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)".

48 CAPITAL MANAGEMENT (CONTINUED)

In January 2017, the CBIRC 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 CBIRC. Required information related to capital levels and utilization is filed quarterly with the CBIRC.

The Group's capital adequacy ratio calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" ("the Regulation") issued by the CBIRC as at the end of the reporting period is as follows:

	Notes	30 June 2022	31 December 2021
Common Equity Tier-one Capital Adequacy Ratio	(1)	11.11%	11.44%
Tier-one Capital Adequacy Ratio	(1)	13.28%	13.46%
Capital Adequacy Ratio	(1)	17.09%	17.13%
Common Equity Tier-one Capital	(2)	2,108,774	2,053,737
Deductible Items from Common Equity Tier-one Capital	(3)	(11,409)	(11,257)
Net Common Equity Tier-one Capital		2,097,365	2,042,480
Additional Tier-one Capital	(4)	409,878	359,881
Net Tier-one Capital		2,507,243	2,402,361
Tier-two Capital	(5)	719,175	655,506
Net Capital		3,226,418	3,057,867
Risk-weighted Assets	(6)	18,880,455	17,849,566

48 CAPITAL MANAGEMENT (CONTINUED)

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 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 2022 and the year ended 31 December 2021.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

49.1 Valuation technique, input and process

The fair value of 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 2022, 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 asset or liability, either directly or indirectly;
- Level 3: fair value measurements are not based on observable market data.

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, financial assets sold under repurchase agreements, due to customers, certificates of deposit issued and interbank certificate of deposits issued and commercial papers issued are not included in the tables below.

30 June 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)	6,514,681	6,678,462	73,426	6,506,177	98,859
Financial liabilities					
Debt securities issued	499,460	509,517	61,523	447,994	-
31 December 2021					
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)	5,953,781	6,107,442	32,976	5,961,771	112,695
Financial liabilities					
Debt securities issued	428,856	435,680	47,865	387,815	-

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 2022				
	Level 1	Level 2	Level 3	Total
Derivative financial assets				
- Exchange rate derivatives	-	24,576	-	24,576
- Interest rate derivatives	-	2,126	-	2,126
- Precious metal contracts	-	6,472	-	6,472
Subtotal	-	33,174	-	33,174
Loans and advances to customers				
- Discounted bills and forfeiting	-	726,133	-	726,133
Subtotal	-	726,133	-	726,133
Financial investments				
Financial assets at fair value through profit or loss				
- Held for trading				
Bonds	5,487	114,074	-	119,561
Precious metal contracts	-	18,735	-	18,735
Equity	5,855	526	-	6,381
Fund and others	4,377	100	-	4,477
- Other financial assets at fair value through profit or loss				
Bonds	-	161,520	607	162,127
Equity	8,958	11,722	78,190	98,870
Fund and others	203	24,451	23,825	48,479
- Financial assets designated at fair value through profit or loss				
Bonds	1,196	39	-	1,235
Subtotal	26,076	331,167	102,622	459,865
Other debt instrument and other equity investments at fair value through other comprehensive income				
- Debt instruments				
Bonds	193,188	1,354,820	-	1,548,008
Others	-	14,862	-	14,862
- Equity instruments	1,090	-	3,473	4,563
Subtotal	194,278	1,369,682	3,473	1,567,433
Total assets	220,354	2,460,156	106,095	2,786,605

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	30 June 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	-	(11,447)	-	(11,447)
Financial liabilities designated at fair value through profit or loss				
- Liabilities of the controlled structured entities	-	-	(251)	(251)
- Others	-	(142)	-	(142)
Subtotal	-	(11,589)	(251)	(11,840)
Derivative financial liabilities				
- Exchange rate derivatives	-	(20,507)	-	(20,507)
- Interest rate derivatives	-	(1,053)	-	(1,053)
- Precious metal contracts	-	(1,850)	-	(1,850)
Subtotal	-	(23,410)	-	(23,410)
Due to customers				
Due to customers measured at fair value	-	(39,580)	-	(39,580)
Total liabilities	-	(74,579)	(251)	(74,830)

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Derivative financial assets				
- Exchange rate derivatives	-	20,116	-	20,116
- Interest rate derivatives	-	1,141	-	1,141
- Precious metal contracts	-	721	-	721
Subtotal	-	21,978	-	21,978
Loans and advances to customers				
- Discounted bills and forfeiting	-	502,748	-	502,748
Subtotal	-	502,748	-	502,748
Financial investments				
Financial assets at fair value through profit or loss				
- Held for trading				
Bonds	8,225	119,912	-	128,137
Precious metal contracts	-	21,389	-	21,389
Equity	3,948	1,331	-	5,279
Fund and others	4,261	316	-	4,577
- Other financial assets at fair value through profit or loss				
Bonds	-	154,585	274	154,859
Equity	13,501	12,063	79,112	104,676
Fund and others	251	19,305	19,455	39,011
- Financial assets designated at fair value through profit or loss				
Bonds	2,273	40	-	2,313
Subtotal	32,459	328,941	98,841	460,241
Other debt instrument and other equity investments at fair value through other comprehensive income				
- Debt instruments				
Bonds	162,072	1,213,723	-	1,375,795
Others	-	16,896	-	16,896
- Equity instruments	1,165	-	3,424	4,589
Subtotal	163,237	1,230,619	3,424	1,397,280
Total assets	195,696	2,084,286	102,265	2,382,247

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	31 December 2021			
	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	-	(15,646)	-	(15,646)
Financial liabilities designated at fair value through profit or loss				
- Liabilities of the controlled structured entities	-	-	(214)	(214)
Subtotal	-	(15,646)	(214)	(15,860)
Derivative financial liabilities				
- Exchange rate derivatives	-	(14,734)	-	(14,734)
- Interest rate derivatives	-	(2,366)	-	(2,366)
- Precious metal contracts	-	(2,237)	-	(2,237)
Subtotal	-	(19,337)	-	(19,337)
Due to customers				
Due to customers measured at fair value	-	(52,306)	-	(52,306)
Total liabilities	-	(87,289)	(214)	(87,503)

Substantially all financial instruments classified within Level 2 of the fair value hierarchy primarily include debt investments, currency forwards, currency swaps, interest rate swaps, currency options, precious metal contracts, and structured deposit measured at fair value, etc. 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.

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.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS (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:

<i>Six months ended 30 June 2022</i>				
	<i>Financial assets at fair value through profit or loss</i>	<i>Other debt instrument and other equity investments at fair value through other comprehensive income</i>	<i>Financial liabilities at fair value through profit or loss</i>	<i>Due to customers measured at fair value</i>
1 January 2022	98,841	3,424	(214)	-
Purchases	12,723	36	-	-
Settlements/disposals	(8,766)	(1)	-	-
Total (losses)/gains recognized in				
- Profit or loss	(176)	-	(37)	-
- Other comprehensive income	-	14	-	-
30 June 2022	102,622	3,473	(251)	-
Change in unrealized profit or loss for the period included in profit or loss for assets/liabilities held at the end of the period	293	-	-	-
<i>2021</i>				
	<i>Financial assets at fair value through profit or loss</i>	<i>Other debt instrument and other equity investments at fair value through other comprehensive income</i>	<i>Financial liabilities at fair value through profit or loss</i>	<i>Due to customers measured at fair value</i>
1 January 2021	102,883	21,119	(9,770)	(73,118)
Purchases	32,827	1,792	-	-
Settlements/disposals/transfer out of level 3	(37,436)	(19,277)	9,570	73,553
Total gains/(losses) recognized in				
- Profit or loss	567	659	(14)	(435)
- Other comprehensive income	-	(869)	-	-
31 December 2021	98,841	3,424	(214)	-
Change in unrealized profit or loss for the period included in profit or loss for assets/liabilities held at the end of the year	783	-	-	-

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 in total was approved at the Board of Directors' Meeting held on 29 August 2022 and will be distributed on 7 November 2022.

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 billion, amounting to RMB3,732 million in total was distributed on 20 August 2022.

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 billion, amounting to RMB1,575 million in total was distributed on 24 August 2022.

51 COMPARATIVES

Certain comparative figures in the notes have been adjusted to conform with changes in disclosures in current period.

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

Unreviewed Supplementary Financial Information
For the six months ended 30 June 2022

Agricultural bank of china limited

Unreviewed Supplementary Financial Information

For the six months ended 30 June 2022

(Amounts in millions of Renminbi, unless otherwise stated)

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 2022	Three months ended 31 March 2022
Average Liquidity Coverage Ratio	135.50%	125.60%

The liquidity coverage ratios were also in accordance with the Rules on Liquidity Risk Management of Commercial Banks issued by the CBIRC and applicable calculation requirements, and based on the data determined under the PRC GAAP.

2 CURRENCY CONCENTRATIONS

	<i>Equivalent in millions of RMB</i>			
	USD	HKD	Other	Total
30 June 2022				
Spot assets	999,497	148,063	219,477	1,367,037
Spot liabilities	(1,006,208)	(114,161)	(129,649)	(1,250,018)
Forward purchases	1,163,539	31,233	69,693	1,264,465
Forward sales	(1,118,447)	(37,374)	(158,481)	(1,314,302)
Net options position	20,215	-	184	20,399
Net long position	58,596	27,761	1,224	87,581
Net structural position	4,144	3,873	4,798	12,815
31 December 2021				
Spot assets	948,956	125,183	186,204	1,260,343
Spot liabilities	(914,889)	(121,991)	(143,268)	(1,180,148)
Forward purchases	1,169,736	46,303	85,630	1,301,669
Forward sales	(1,165,736)	(24,260)	(121,580)	(1,311,576)
Net options position	15,263	-	49	15,312
Net long position	53,330	25,235	7,035	85,600
Net structural position	4,766	7,664	5,515	17,945

3 OVERDUE AND RESCHEDULED ASSETS

(1) Gross amount of overdue loans and advances to customers

	30 June 2022	31 December 2021
Overdue		
within 3 months	74,315	74,359
between 3 and 6 months	24,051	29,079
between 6 and 12 months	36,591	23,768
over 12 months	52,611	57,715
	<hr/>	<hr/>
Total	187,568	184,921
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Percentage of overdue loans and advances to customers in total loans		
within 3 months	0.40%	0.43%
between 3 and 6 months	0.13%	0.17%
between 6 and 12 months	0.19%	0.14%
over 12 months	0.28%	0.34%
	<hr/>	<hr/>
Total	1.00%	1.08%
	<hr/>	<hr/>

(2) Rescheduled loans and advances to customers

	30 June 2022	31 December 2021
Total rescheduled loans and advances to customers	18,669	18,307
Including: rescheduled loans and advances to customers overdue for not more than 3 months	607	656
Percentage of rescheduled loans and advances to customers overdue for not more than 3 months to total loans	0.00%	0.00%
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(3) Gross amount of overdue placements with and loans to banks and other financial institutions.

The overdue amounts in the Group's placements with and loans to banks and other financial institutions as at 30 June 2022 and 31 December 2021 were insignificant.